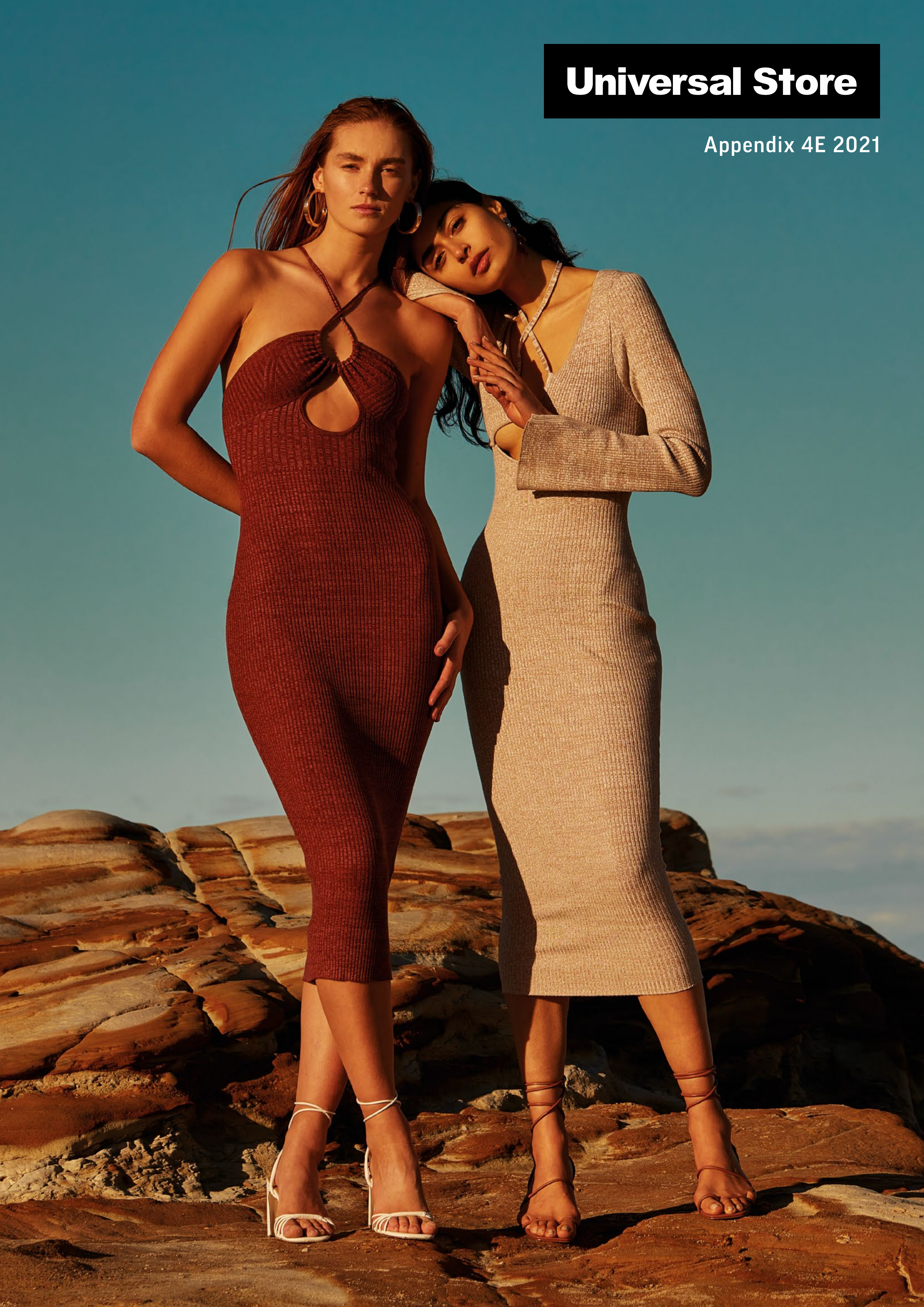
Universal Store
Appendix 4E 2021

Universal Spirit

The unique ability to create memorable and positive experiences for all. Creating an experience that is fun, open and based on kindness. The environment that enables a person to be their best.

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Appendix 4E

1. COMPANY DETAILS

Name of entity: Universal Store Holdings Limited (formerly US Holdings Pty Ltd)

ABN: 94 628 836 484

Reporting period: For the year ended 30 June 2021

Previous period: For the year ended 30 June 2020

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	2021 $000	2020 $000	Change %
Revenue	210,817	154,869	36.1
Gross profit	123,851	87,608	41.4
Gross margin	58.7%	56.6%	2.1
EBIT	38,041	24,487	55.4
Net profit after tax	24,369	12,823	90.0
Basic earnings per share (cents)	39.8	22.8	74.6
Reconciliation to underlying EBIT			
EBIT	**38,041**	**24,487**	**55.4**
Incremental standalone public company costs	(108)	(776)	(86.1)
Interest income	83	37	124.3
Transaction costs associated with IPO	6,732	691*	874.2
Management Equity Plan ('MEP') shares expense	561	–	–
AASB 16 *Leases* adjustments	(1,269)	(773)	64.2
Underlying EBIT	**44,040**	**23,666**	**86.1**
Underlying EBIT margin	20.9%	15.3%	5.6

* This amount has been included in other expenses for the year.

Commentary on results for the period

Universal Store Holdings Limited (the "Company") and its controlled entities (the "Group") traded very strongly throughout FY2021 generating significant growth in both revenue and profit. This result was delivered despite the periodic and intermittent disruptions to the business arising from the COVID-19 pandemic. Revenue of $210.8 million was up by $55.9 million or 36.1% on FY2020. This growth was driven through both physical stores and exceptional growth in our Online channel, which increased by 90.3%. Overall, like for like sales across the Company rose 28.5%, with first half growth of 26.5% and second half growth of 31.7%.

The Group continued to focus on delivering an improved top line result by ensuring we executed on our strategic priorities as well as responding to the unique trading environments created by COVID-19. Opening up our full range of inventory regardless of physical location to all online customers has seen contribution margin more than double in our online channel in FY2021. As the online channel becomes a more material component of both our sales and profitability, we continue to invest in key areas to further drive this channel over the coming years. The product team remain nimble to changing market conditions continuing to curate and range relevant on-trend products. These initiatives resulted in 58.7% gross profit margin which equates to 210 basis points improvement on FY2020. This improvement was largely driven by customer demand towards private brand, along with expansion of our men's private brand strategy and accelerating direct sourcing in women's categories. Our new store opening program was delayed in FY2021 due to COVID-19 lockdowns and the ability to travel and visit potential new sites. As a result, we opened two new stores taking total store numbers to 67. We anticipate a strong new store rollout program in FY2022 to result in opening seven to ten new stores in FY2022. We continued to optimise overtrading sites and relocated two stores to larger footprints throughout FY2021.

Whilst lockdowns and COVID-19 impacted the mix of channel contribution within total revenue, it has also resulted in cost of doing business impacts, across store wages, travel, marketing, and capital investments (in particular new stores), as well as negotiating $1.4 million rent concessions, including variable lease payments in FY2021. We continued to invest in our people, systems and process to ensure the business can scale to meet our future growth ambitions and we repaid the net benefit from any JobKeeper subsidies we received in FY2021 to the Australian Government.

The Group recorded underlying EBIT margin of 20.9% up approximately 560 basis points on FY2020 which resulted in a 86.1% growth in net profit after tax (NPAT) to $24.4 million and basic earnings per share (EPS) to 39.8 cents per share.

3. NET TANGIBLE LIABILITIES PER SECURITY

	2021 $000	2020 $000
Net tangible liabilities per ordinary security	(0.52)	(1.19)

Net tangible liabilities are calculated by deducting intangible and right-of-use assets from the net assets of the Group.

4. DIVIDENDS

	Amount per security Cents	Franked amount per security Cents
Final dividend		
• current year	10.5	10.5
• previous year	–	–
Interim dividend		
• pre-IPO dividend	54.0	54.0
• current year	5.0	5.0
• previous year	–	–

Total dividends on all securities for the year

	2021 $000	2020 $000
Dividend paid on ordinary securities	**37,735**	**–**

A pre-IPO dividend for the year ended 30 June 2020 of $34.1 million was paid on 18 November 2020. In respect of the half-year ended 31 December 2020, an interim dividend of $3.7 million (5 cents per share) was declared on 25 February 2021 and paid on 4 May 2021 (2020: $nil).

On 24 August 2021, the directors recommended a final dividend of $7.7 million (10.5 cents per share) to be paid on 29 September 2021.

5. RESULTS FOR THE PERIOD

5.1 Earnings per security

	2021 Cents	2020 Cents
Basic earnings per share	39.8	22.8
Diluted earnings per share	36.6	22.4

	Number	Number
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	61,298,061	56,188,715
Effect of dilution from:		
MEP shares	5,336,531	984,814
Weighted average number of ordinary shares adjusted for the effect of dilution	**66,634,592**	**57,173,529**

As at the date of the IPO, and the date of this report, there are 73.2 million ordinary shares on issue. Using this number of shares on issue to calculate EPS and the underlying Net profit after tax, the EPS in FY2021 is 41.5 cents and in FY2020 is 22.1 cents.

6. OTHER INFORMATION

This report is based on the consolidated financial statements which have been audited by PricewaterhouseCoopers ("PwC").

For further explanation of the figures above please refer to the ASX Announcement dated 25 August 2021 on the results for the year ended 30 June 2021 and the notes to the consolidated financial statements.

Signed here:

Peter Birtles
Non-Executive Director and Chairman

24 August 2021

Directors' Report

For the year ended 30 June 2021

The Directors submit their report on the consolidated entity consisting of Universal Store Holdings Limited (formerly US Holdings Pty Ltd) (the "Company") and its controlled entities (the "Group") for the year ended 30 June 2021.

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Peter Birtles (Non-Executive Director and Chairman)

Appointed to the Board of Universal Store Holdings Limited in October 2020 as a Non-Executive Director and Chairman.

Peter is a Non-Executive Director of two other ASX listed companies; Metcash Limited and GWA Group Limited, two private companies; APG & Co Pty Ltd and Apparel Group (Hong Kong) Limited, and a not-for-profit enterprise; Good360 Australia Limited. He also provides mentoring advice to a number of small businesses that operate in or service the retail industry.

Prior to his Non-Executive career, Peter was the Group Managing Director and CEO of Super Retail Group Limited. Peter joined Super Retail Group Limited in April 2001 as Chief Financial Officer and was Group Managing Director and Chief Executive Officer from January 2006 until February 2019.

Prior to joining Super Retail Group Limited, Peter spent 12 years working with The Boots Company in the UK and Australia in a variety of senior finance, operations and information technology roles. Peter is a Chartered Accountant who started his career working with Coopers & Lybrand.

Alice Barbery (Chief Executive Officer and Executive Director)

Appointed to the Board of Universal Store Holdings Limited in October 2020 as an Executive Director. Alice has over 30 years' experience in retail and service-centric roles across the USA, UK and Australia.

Alice first met the Universal Store Holdings Limited founders in 2002 when she helped them establish a framework for the business as a retail specialist until 2004. Alice joined Universal Store Holdings Limited full-time as Chief Operating Officer in 2009 and was appointed Chief Executive Officer in 2017. Alice has been a shareholder of Universal Store Holdings Limited since 2016.

Prior to joining Universal Store Holdings Limited, Alice served as the Leadership Development Manager at ASX listed Virgin Airlines where she designed and delivered leadership training for all service leaders in ground and cabin crew departments nationally. This role helped Alice develop her differentiated leadership style and focus on bespoke training methods which are utilised at Universal Store.

Alice moved to Australia in 1997 to be the National Sales Manager for ASX listed Colorado Group, leading the early expansion from 15 to 80 stores. Prior to her move to Australia, Alice worked at GAP International, transferring from the USA to the UK. In this role, Alice supported the expansion of GAP in the UK, before taking a national leadership role with women's fashion brand EAST which she successfully expanded throughout England.

Srdjan Dangubic (Non-Executive Director)

Appointed to the Board of Universal Store Holdings Limited in October 2018 as a Non-Executive Director.

Srdjan is a Partner at Five V Capital. Five V is a growth partner to a number of Australia and New Zealand's leading companies.

Srdjan's other current Board representations include Non-ASX listed Education Perfect, Zenith Investment Partners and Totara Learning, and previously Mantra Group (now delisted) and Probe Group.

Prior to Five V Capital, Srdjan was a Director at global private equity fund CVC Capital Partners in both Australia and Hong Kong, and before this held a role at Macquarie Bank.

Kaylene Gaffney (Non-Executive Director)

Appointed to the Board of Universal Store Holdings Limited in October 2020 as a Non-Executive Director and Chair of the Audit and Risk Management Committee.

Kaylene has had a career in senior financial roles for over 25 years in the retail, aviation, telecommunications and information technology sectors. She currently holds a senior executive financial role with ASX listed Super Retail Group Limited.

Kaylene has previously served as a Non-Executive Director and Chair of the Audit and Risk Committee of ASX listed National Veterinary Care Ltd (now delisted), MSL Solutions Ltd and Wotif.com (now delisted). In 2016, she served as Queensland State Chair of Chartered Accountants Australia and New Zealand.

David MacLean (Non-Executive Director)

Appointed to the Board of Universal Store Holdings Limited in October 2019 as a Non-Executive Director.

David was formerly the CEO and Managing Director of ASX listed Adairs Limited for 14 years from 2002 to 2016.

David is currently a Non-Executive Director at ASX listed Adairs Limited and Dusk Group Limited and runs his family investment office as well as holding minority interests in a number of private retail businesses.

Trent Peterson (Non-Executive Director)

Appointed to the Board of Universal Store Holdings Limited in September 2018 as a Non-Executive Director and Chair of the People and Remuneration Committee.

Trent has over 20 years of investment and private equity experience, focused primarily on businesses operating in consumer, retail and media sectors. Trent is the Managing Director of Catalyst Investment Managers and the Managing Director of Catalyst Direct Capital Management.

Trent was Chair of Universal Store Holdings Limited from October 2018 until the completion of the listing exercise and has since been appointed to the Chair of the People and Remuneration Committee.

Trent is also a Director of ASX listed Adairs Limited, Shaver Shop Group Limited and Dusk Group Limited and is Chairman of Non-ASX listed Australian Doctor Group. Trent was previously a Director of Just Group (now delisted) and Global Television (now delisted).

Catalyst Direct Capital Management was the adviser to BB Retail Capital in relation to its investment in Universal Store. This arrangement was terminated on listing.

Nicholas Larkin (Non-Executive Director)

Resigned Non-Executive Director (27 October 2020)

Nicholas was appointed to the Board of Universal Store Holdings Limited in April 2019 as a Five V Capital representative. He came off the Board at listing on the Australian Stock Exchange (ASX). Nicholas is an investment manager at Five V Capital, a growth partner to a number of Australia and New Zealand's leading companies. Nicholas' role encompasses origination and portfolio management and he currently sits on the Board of Openway Food. Prior to Five V, Nicholas worked at Macquarie Bank within its Principal Investment division.

Directors' Report (Continued)

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the Directors in the shares and options of Universal Store Holdings Limited (formerly US Holdings Pty Ltd) were:

	Number of ordinary shares	Number of options over ordinary shares
Peter Birtles	200,000	–
Alice Barbery	2,230,924	–
Srdjan Dangubic	37,500	–
Kaylene Gaffney	25,000	–
David MacLean	900,000	–
Trent Peterson	1,575,000	–
Nicholas Larkin	7,500	–

COMPANY SECRETARIES

Eddie MacDonald

Appointed on 27 October 2020 and resigned on 16 April 2021.

Eddie has a degree in Bachelor of Commerce from James Cook University, Townsville and Master of Business Administration from Melbourne Business School – University of Melbourne, and is a Chartered Accountant.

Renee Jones

Appointed on 27 October 2020.

Renee has a degree in Bachelor of Commerce, (major in Accounting) from Latrobe University and is a Certified Practicing Accountant. Renee has over 20 years experience across retail and service industry, previously holding senior finance roles in a number of ASX listed entities.

Anne Maree Cresswell

Appointed on 19 April 2021.

Anne Maree has more than 25 years of corporate experience in ASX listed entities across a diverse range of industry sectors.

DIVIDENDS

A pre-IPO dividend for the year ended 30 June 2020 of $34.1 million was paid on 18 November 2020. In respect of the half-year ended 31 December 2020, an interim dividend of $3.7 million was declared on 25 February 2021 and paid on 4 May 2021 (2020: $nil). On 24 August 2021, the Directors recommended a final dividend of $7.7 million to be paid on 29 September 2021.

PRINCIPAL ACTIVITY

During the year the principal activity of the Group consisted of fashion retailing.

There was no significant change in the nature of the activity of the Group during the year.

REVIEW OF OPERATIONS

The net profit after tax of the Group for year ended 30 June 2021 was $24.4 million (2020: $12.8 million).

	2021 $000	2020 $000	Change %
Revenue from contracts with customers	210,817	154,869	36.1%
Other income	2	6	(66.7)%
Expenses	(148,906)	(108,322)	37.5%
EBITDA [1]	**61,913**	**46,553**	**33%**
Depreciation, amortisation and impairment expense	(23,872)	(22,066)	8.2%
EBIT [2]	**38,041**	**24,487**	**55.4%**
Finance costs	(3,734)	(6,187)	(39.6)%
Finance income	832	37	2,148.6%
Net profit before tax	**35,139**	**18,337**	**91.6%**
Income tax expense	(10,770)	(5,514)	95.3%
Net profit after tax	**24,369**	**12,823**	**90.0%**

	2021 $000	2020 $000	Change %
Reconciliation to underlying EBIT			
EBIT	**38,041**	**24,487**	**55.4**
Transaction costs associated with IPO	6,732	691*	874.2
Incremental standalone public company costs	(108)	776)	(86.1)
Interest income	83	37	124.3
MEP shares expense	561	–	–
AASB 16 adjustments	(1,269)	(773)	64.2
Underlying EBIT	**44,040**	**23,666**	**86.1**
Underlying EBIT margin	20.9%	15.3%	5.6

* This amount has been included in other expenses for the year.

1 Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA).

2 Earnings before interest and tax (EBIT).

	2021 Cents	2020 Cents
Basic earnings per share	39.8	22.8
Diluted earnings per share	36.6	22.4
Adjusted EPS*	41.5	22.1

* Adjusted EPS is calculated using underlying NPAT and the number of ordinary shares on issue following the IPO (73.2 million ordinary shares).

Directors' Report (Continued)

Retail

Total sales grew to $210.8 million in FY2021, an increase of 36.1% on the prior year with like for like growth of 28.5%. Total bricks and mortar store sales grew by 30.9% in FY2021 with like for like growth of 21.8%. Online sales grew by 90.3% during FY2021.

Throughout FY2021, we experienced 13 lockdowns across all States resulting in stores closures from as little as two days up to 84 days. The prolonged 84-day lockdown occurred in Victoria from 5 August to 27 October with a negative $6.2 million impact to revenue (relative to FY2020 sales) with all other lockdowns less severe and resulted in sales recovery post re-opening. The Group reopens stores and rebounds strongly post a closure period, aided by government stimulus after a prolonged national lockdown period.

Sustainable gross margin improvement remains a key focus for the business. To successfully do this, ensuring our product and brand remains relevant to our customers and on trend is integral. Optimising product mix and offering in demand brands along with driving operating efficiencies and growing our private brands to complement the product offer is a priority. Investments in digital and online efficiencies continued in FY2021 and we anticipate further growth opportunities in our online channel as we enhance the customer proposition in FY2022.

Universal Store Holdings Limited opened two new stores and relocated two stores during the period. The Group's new store pipeline was impacted by the COVID-19 pandemic in FY2021 however the Group expects to open between seven to ten new stores per annum going forward, including in FY2022.

Cash at the end of the financial year was $33.4 million. While this represents an $8.4 million decrease in cash from the prior year end balance, a large majority is associated with debt repayments, a pre IPO dividend and other matters associated with the capital re-organisation and IPO in November 2021. Underlying these headline movements the business continued to deliver strong and record operating cashflow throughout FY2022. Normalizing the cashflow to remove the impacts from the IPO and pre-IPO capital structure the Group's underlying operating cashflow after capex was $32.5 million. Underlying net cash at year end of $18.6 million represents a significant reduction in net debt in the year when compared to the Proforma net debt of $4.1 million as at 30 June 2020 as presented in our Prospectus, this is not withstanding an interim dividend paid since IPO of $3.7 million. The strength of our balance sheet and robust current liquidity levels put us in a strong position to manage the ongoing trading disruptions, declare a strong final dividend for FY2021, and support the investments required to pursue our growth strategies throughout FY2022.

Capital expenditure reduced by $1.3 million to $2.9 million in this financial year due to delays in new store openings versus the prior year openings of six stores.

The Group's net working capital position normalised during the year with inventory levels increasing to more optimal levels from $13.7 million to $17.7 million following COVID-19 related supply disruption in FY2020.

Upon completion of the IPO, the Group repaid $35.6 million of bank borrowings and $15.0 million of a Vendor Loan Note.

Three new debt facilities were also entered into with ANZ.

- Facility A for $15.0 million which is repayable annually and reviewed frequently in line with business cash requirements.
- Facility D, an $8.5 million revolving working capital facility, which is undrawn.
- Facility E, a $5.0 million standby letter of credit/guarantee facility.
- Facilities A and D expire in April 2023. Facility E is reviewed annually.

Facilities are secured by a General Security Agreement (GSA) and Corporate Guarantee provided by Universal Store Holdings Ltd, US 1A Pty Ltd, US 1B Pty Ltd, US Australia Pty Ltd and Universal Store Pty Ltd. A negative pledge has been provided by all parties via the ANZ Facility Agreement.

The Group has net cash of $18.6 million at year end, which compares to proforma net debt at 30 June 2020 of $4.1 million.

Significant changes in the state of affairs

The Group listed on the ASX on 16 November 2020 raising $38.4 million of new capital. In doing so the Company changed its status from a private proprietary company to a public company with a name change from US Holdings Pty Ltd to Universal Store Holdings Limited.

During the period, transaction costs of $6.7 million have been recognised as an expense and a further $1.6 million net of tax has been classified to equity as a cost of raising capital.

COVID-19 continues to provide operational challenges and over the past two financial years the Group has successfully navigated through the uncertain trading conditions, rebounding strongly after every temporary store closure and lockdown period. Caring for our team, customers and the health of the business is paramount. We have closely monitored the market ensuring informed decisions are made to both mitigate risks and manage the full range of impacts and opportunities.

The Group experienced a number of short and sharp lockdown periods throughout FY2021 across all States as a result of COVID-19 pandemic along with two prolonged lockdowns across Victoria and New South Wales. In July 2020, metro Melbourne entered stage four restrictions which resulted in 12 stores closed to public from 5 August 2020 to 27 October, resulting in a $6.2 million loss of revenue (based on prior year sales).

In June 2021, Greater Sydney region commenced with stay-at-home orders followed by a State of Emergency and stage four restrictions enforced on 10 July. The Group took a conservative approach choosing to temporarily close all 14 of the Greater Sydney stores to the public from 27 June and will remain closed until public health directives support re-opening.

Earlier in the year, the Group received phase 1 JobKeeper wage subsidies of $4.4 million with the net benefit to EBIT of $3.0 million. The Group ceased eligibility to receive the JobKeeper subsidy on 27 September 2020. On 24 February 2021, the Directors of Universal Store Holdings Limited determined that on the basis of the performance of the Group during H1 FY2021, it was appropriate to return the net JobKeeper wage subsidy benefit received during the period to the Australian Government. This represents $3.0 million of subsidised wages and was repaid to the ATO in May 2021. The Group acknowledge and appreciate the importance of the role this policy played in enabling the Group to support its team through significant periods of temporary store closures in FY2020.

There were no other significant changes in the state of affairs of the Group during the year.

Significant events after the reporting date

Subsequent to the reporting date, as a result of the COVID-19 pandemic, state governments have ordered lockdowns which have resulted in disruptions to trade including the following:

- Greater Sydney closures from 27th June to the date of this report;
- Newcastle closures from 6th August to the date of this report;
- Albury closure from 15th August to the date of this report;
- Victoria store closures during 16th July to 27th July and from 6th August to the date of this report (except Geelong which was not closed from 10th August to 21st August);
- ACT store closures from 13th August until the date of this report;
- South Australia store closures from 20th July to 27th July;
- Greater Brisbane closures from 30th June to 1st July and a further period from 1st August to 8th August;
- Cairns store closures from 9th August to 11th August;
- Sunshine Plaza had 1 day closure on 20th July;
- Darwin store closure from 27th June to 1 July and then a further period from 12pm 16th August to 18th August; and
- Perth store closures from 29th June to 2nd July.

The outbreak and the response of Governments in dealing with the pandemic is impacting general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments continue to be uncertain as at the date of this report.

The Group is continuing to negotiate with its landlords for COVID-19 related rent concessions in relation to certain periods of store closures.

The Group has signed a Heads of Agreement with TradeCoast Central Pty Ltd to build and relocate the support office and distribution centre, with an anticipated relocation date of August 2022 for an initial term of 10 years.

On 24 August 2021, the Directors of Universal Store Holdings Limited declared a final dividend on ordinary shares in respect of the 2021 financial year. The total amount of the dividend is $7.7 million to be paid on 29 September 2021.

There were no other significant events occurring after the balance date which may affect either the Group's operations or results of those operations or the Group's state of affairs.

Directors' Report (Continued)

Likely developments and expected results

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Environmental regulation and performance

The Group is not subject to any particular or significant environmental regulation under laws of the Commonwealth or of a State or Territory.

Share options

No option to acquire shares in the Group has been granted to any person. No shares have been issued during the financial year or since the end thereof by virtue of the exercise of any options. There are no unissued shares under option at the date of this report.

Indemnification and insurance of Directors and officers

During the financial year, the Group paid a premium to insure the Directors and secretaries of the Group and the general managers of each of the divisions of the Group.

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 Group, 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 Group. 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.

Indemnification of auditors

Universal Store Holdings Limited has agreed to reimburse PwC for any liability (including reasonable legal costs) that PwC incur in connection with any claim by a third party arising from a breach by Universal Store Holdings Limited of its agreement with PwC.

Non-audit services

The following non-audit services were provided by the entity's auditor, PwC. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

PwC received or are due to receive the following amounts for the provision of non-audit services:

	2021 $	2020 $
Amounts paid or payable to PwC for:		
Tax compliance services	34,578	32,538
Tax advisory services, including IPO advisory services	211,140	59,760
Modern slavery and chain of responsibility	34,350	–
Modern slavery training workshop	9,990	–
Total remuneration of PwC Australia	**290,058**	**92,298**

Directors' meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

		Meetings of committees	
	Directors' meetings	Audit and Risk	People and Remuneration
Number of meetings held:	12	2	1
Number of meetings attended:			
Peter Birtles	10	2	1
Alice Barbery	12	–	–
Srdjan Dangubic	12	2	–
Kaylene Gaffney	10	2	–
David MacLean	12	–	1
Trent Peterson	12	–	1
Nicholas Larkin	3	–	–

The directors attended all meetings that they were eligible to attend.

Committee membership

Members acting on the committees of the Board during the year were:

Audit and Risk	**People and Remuneration**
Kaylene Gaffney (chair)	Trent Peterson (chair)
Peter Birtles	Peter Birtles
Srdjan Dangubic	David MacLean

Proceedings on behalf of the Group

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

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

Rounding

The amounts contained in the financial report were rounded to the nearest $1,000 (where rounding is applicable) where noted ($000) under the option available to the Group under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

Auditor's Independence Declaration

The Directors have received a declaration from the auditor of Universal Store Holdings Limited (formerly US Holdings Pty Ltd). This has been included on page 22.

Remuneration Report (Audited)

The Directors of Universal Store Holdings Limited (formerly US Holdings Pty Ltd) present the Remuneration Report (the "Report") for the Group for the year ended 30 June 2021. This Report forms part of the Directors' report and has been audited in accordance with section 300A of the *Corporations Act 2001*.

The Report details the remuneration arrangements for the Group's key management personnel ("KMP") comprised of Non-Executive Directors, Executive Directors and Senior Executives.

The KMP of the Group are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company and Group.

The table below outlines the KMP of the Group and their movement during the financial year.

Name	Position	Terms as KMP
Non-Executive Directors		
Peter Birtles	Non-Executive Director and Chairman	Appointed on 27 October 2020
Srdjan Dangubic	Non-Executive Director	Full financial year
Kaylene Gaffney	Non-Executive Director	Appointed on 27 October 2020
David MacLean	Non-Executive Director	Full financial year
Trent Peterson	Non-Executive Director	Full financial year
Nicholas Larkin	Non-Executive Director	Resigned on 27 October 2020
Executive Directors and Senior Executives		
Alice Barbery	Chief Executive Officer Executive Director	Full financial year Appointed on 27 October 2020
Renee Jones	Chief Financial Officer	Full financial year excluding parental leave from 1 November 2020 to 5 April 2021
Eddie MacDonald	Interim Chief Financial Officer	17 September 2020 to 16 April 2021

The focus of this Report is on the remuneration arrangements and outcomes for the KMP listed in the table above.

CONTENTS:

Section 1: Remuneration strategy and policy

Section 2: Role of the People and Remuneration Committee

Section 3: Company Performance – relationship between financial performance and remuneration

Section 4: Details of remuneration

SECTION 1: REMUNERATION STRATEGY AND POLICY

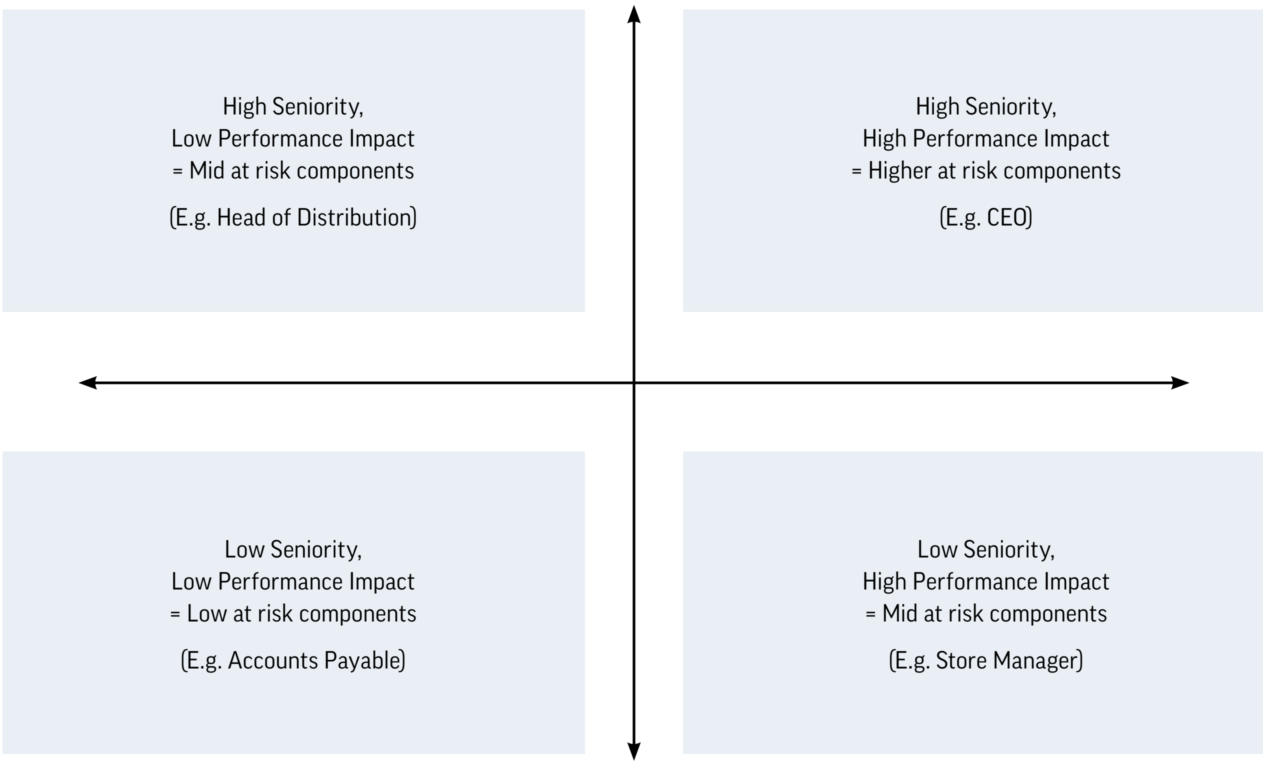
The People and Remuneration Committee ("PRC") is responsible for determining and reviewing the remuneration arrangements for its Directors and Executives.

From a remuneration perspective, the objective of Universal Store Holdings Limited is to attract and retain talented and motivated culturally aligned Executives and Team who can enhance the Company's performance through their teamwork, choices and leadership. We believe that our people are a key source of competitive advantage that is fundamental to the long-term success of the Company. We are committed to fostering a workplace culture that supports the imperative to maintain and develop our current and future generations of leaders of the Company.

The executive remuneration and reward arrangements at Universal Store Holdings Limited have two components:

- Fixed remuneration comprising of salary and superannuation.
- Variable remuneration including short-term incentives ("STI") in the form of a cash-based reward and long-term incentives ("LTI") in the form of an equity reward.

The elements of the total remuneration package may vary according to the job role, team members experience and performance. Generically, the two key variables driving the mix of fixed versus 'at risk' or variable remuneration are (1) seniority and (2) ability to impact performance and shareholder value.



Remuneration Report (Audited) (Continued)

In considering the remuneration arrangements of KMP and applying the market remuneration governance standards, the Remuneration Committee makes recommendations based on the following objectives:

Strengthen our capabilities by attracting and retaining high calibre talent

Align the interest of the Company's KMPs to those of the shareholders

Drive sustainable long-term performance of the business

Promote individual and cross functional teamwork

Reward for outcomes and performance

Conscious of risks and managing reliance on KMP individuals

Be simple and transparent

As we consider individual remuneration arrangements, we assess how the individual's terms measure up against these principles. We are aware of market movements and benchmarks; however we do not set specific objectives or adhere to them strictly. Instead, we use our granular knowledge of roles, market dynamics, individual capabilities and circumstances, the risk and return trade-offs faced by the Company to determine remuneration arrangements. We consider remuneration as just one part of an employee's reward for employment with the Company.

The remuneration policies are designed to achieve alignment between the Company's business strategy, values and the behaviour of employees as well as recognise and reward individual responsibility. The Board reviews the Company objectives during the annual strategy process and each quarter key metrics quantifying progress on executing operating plans that are aligned to the strategic focus areas are reviewed.

In relation to its most senior Team Members, the Board believes that an important part of building employee engagement is to align management and shareholder interests through the ownership of shares or related securities.

Executive Directors and Senior Executives' remuneration

We reward Executive Directors and Senior Executives with a level and mix of remuneration appropriate to their position, responsibilities and performance, in a way that aligns with our business strategy.

Remuneration for KMP during the financial year consists of both fixed remuneration and variable remuneration.

Fixed remuneration

Fixed remuneration is in the form of salary, superannuation contributions and other benefits and allowances and is designed to reward for:

- The scope of the executive's role;
- The executive's skills, experience and qualifications;
- Strategic value of the role;
- Size and complexity of the role;
- Individual performance.

It is set with reference to comparable roles in similar companies.

Variable remuneration

Variable remuneration includes short-term incentives ("STI") in the form of a cash-based reward and long-term incentives ("LTI") in the form of an equity reward.

Short-term Incentive Plan

Members of the Company's Management (including the Executive Director and Senior Executives who are considered KMP) are eligible to participate in the Company's short-term incentive ("STI") plan. Participants in the STI plan have a target cash payment amount which is set each year (Maximum Bonus Amount).

Provisional STI amounts in any given year may be between 0% and 100% of the Maximum Bonus Amount and are assessed having regard to the Company's actual pro forma EBIT result delivered in the relevant year relative to pre-set annual EBIT targets (pre-AASB 16 *Leases* pro forma in FY2021). The provisional amount is subject to an adjustment of 10% up or down based on the Chief Executive Officer's recommendation and subject to Board approval.

Payments under the STI plan will be made following the release of the full-year financial results. Participants in the STI plan will have to repay the Company some or all of the payments made under the STI plan subject to Board approval and subject to any serious misconduct or material misstatement in the financial statements of the Company during any of the three preceding financial years. No incentive payment is payable if the threshold performance target is not met. The measures will be reviewed and re-set each year, and are tested annually after the end of the relevant financial year.

Long-term Incentive Plan

Equity ownership arrangements for Executive Directors and Senior Executives were established during the Company's transition from private to public ownership (in some instances, many years prior to the IPO). As a result, Executive Directors and Senior Executives each hold a material number of shares with significantly greater value than their individual fixed and short-term incentive arrangements. The shareholdings of these executives continue to be subject of escrow arrangements as described in the Prospectus.

The incentives provided prior to and as part of the IPO process have the impact of delivering a long-term incentive to certain KMP, and promote alignment between the leadership team with the Company's shareholders. The Board has determined that these arrangements align the interests of existing KMP with those of the shareholders and does not intend to establish a new LTI scheme in the short term, but will continue to review this matter in the medium and longer term.

The CEO, CFO and other current (non-KMP) members of Management currently hold in aggregate 6,842,708 shares, representing 9.35% of the shares on issue after the IPO. 3,124,124 of these shares are loan-backed by the Company, with the loan being limited recourse, interest bearing and repayable:

(a) out of certain proceeds from the sale of the relevant Shares;

(b) out of certain proceeds of all or a portion of any dividends, distributions or similar received in respect of the Shares (subject to the Board's discretion to waive the requirement to apply dividends, distributions or similar to repayment of the loan); or

(c) in full if holder ceases to be employed by the Group.

Remuneration Report (Audited) (Continued)

Given the size of this existing equity interest and the continuing limited recourse loans from the Company, the Board believes that Management's interests are sufficiently aligned with the interests of the Company and Shareholders at this time.

The CEO, CFO and certain (non KMP) members of Management used proceeds received from the sale of shares on Completion to repay 50% of the outstanding amount of their respective limited recourse loans. Other members of management did not sell any shares at IPO, and therefore did not repay any portion of the loan.

It is noted that the aggregate value of loans receivable by the Company from KMP is approximately $1.7 million as at 30 June 2021. This amount is not included on the balance sheet of the Company as these instruments are accounted under AASB 2 *Share-based Payment* as share-based payments, however it is expected that these loans will be collected by the Company over time in accordance with the terms of the loan agreement.

The Company may look to put in place a further long-term incentive plan in the future to assist with the motivation, retention and reward of eligible employees. At the date of this report, the PRC have not made a decision on this matter.

Senior Executive employment arrangements

Remuneration arrangements for executives are formalised in employment agreements. The following outlines the details of specific contracts with executives:

Chief Executive Officer

Alice Barbery is employed by Universal Store Pty Ltd, a wholly owned subsidiary of the Company, in the position of Chief Executive Officer ("CEO") of the Group. Alice is entitled to a base salary of $430,000 per annum (inclusive of statutory superannuation) for the 2021 financial year.

In addition to her base salary, Alice Barbery is eligible to participate in the Company's STI plan, and in FY2021 received a cash bonus of $231,000 (inclusive of superannuation) under that STI plan.

Alice holds shares partially funded by limited recourse loans under the Company's LTI Plan.

The term of Alice's employment as CEO is ongoing. Alice's employment may be terminated by either party giving six months' notice. The Group may pay Alice Barbery in lieu of giving her notice. The Group may terminate Alice's employment immediately where there is cause to do so (e.g., serious misconduct or a material breach of her terms and conditions of employment), without notice or payment in lieu of notice.

Upon termination, Alice is bound by a restraint period of up to six months, during which time she cannot compete with the Group, provide services in any capacity to a competitor of the Group or solicit current or proposed suppliers or employees of the Group in Australia.

Chief Financial Officer

Renee Jones is employed by Universal Store Pty Ltd, a wholly owned subsidiary of the Company in the position of Chief Financial Officer ("CFO") of the Group. Renee is entitled to a gross annual base salary of $320,000 per annum which includes statutory superannuation for the 2021 financial year. Additionally, Renee is eligible to participate in the Company's STI plan, and in FY2021 received a cash bonus of $128,000 (inclusive of statutory superannuation) under that STI plan.

Renee holds shares partially funded by limited recourse loans under the Company's LTI Plan.

The term of Renee's employment as CFO is ongoing. Renee's employment may be terminated by either party giving at least six months' notice. The Group may pay Renee in lieu of giving her notice. Renee's employment may also be terminated by the Group without notice where there is cause to do so (e.g., serious misconduct or a material breach of her terms and conditions of employment).

Upon termination, Renee is bound by a restraint period up to six months, during which time she cannot compete with the Group or provide services in any capacity to a competitor of the Group or solicit current or proposed suppliers or employees of the Group in Australia.

Interim Chief Financial Officer

Eddie MacDonald was employed as the Company Secretary under a fixed contract from 27 October 2020 to 16 April 2021 and was employed as the interim CFO under a fixed contract from 17 September 2020 to 16 April 2021 to cover for a period of parental leave. Eddie received a gross annual base salary of $270,000 which included the minimum superannuation guarantee contribution.

Eddie was also paid a bonus in the period amounting to $50,000 including superannuation guarantee contribution in recognition of his contribution to (among other things) a successful IPO and the associated extraordinary work load.

Non-Executive Directors' remuneration

Under the Company's Constitution, the Board may decide the remuneration from the Company to which each Director is entitled for their services as a Director, subject to ASX Listing Rules from time to time. However, the total aggregate amount provided to all Non-Executive Directors in any financial year for their services as Directors must not exceed the aggregate amount of Non-Executive Directors' fees approved by Shareholders at the Company's annual general meeting. This amount is currently fixed at $750,000 per annum. Any change to this aggregate annual sum needs to be approved by Shareholders. The aggregate sum does not include any special and additional remuneration for special exertions and additional services performed by a Director as determined appropriate by the Board or any amounts payable to any Executive Director under any executive services agreements. As required by ASX Listing Rule, the remuneration of Directors does not include a commission on, or a percentage of profits of, operating revenue.

Directors may also be reimbursed for all reasonable travelling and other expenses incurred by the Directors in attending to the Company's affairs including attending and returning from Board meetings or any meetings of committees of Directors and in attending and returning from any general meetings of the Company.

Directors may be paid such additional or special remuneration if they, at the request of the Board, and for the purposes of Universal Store, perform any extra services outside the scope or ordinary duties of a Director.

The Board believes the current levels of remuneration are fair and appropriate and reflect the alignment between shareholders' interests and the Company's remuneration policies and practices.

Other policies

Claw back policy

If the Company becomes aware of serious misconduct or a material misstatement in its financial statements for the Board may claw back that overpayment. The PRC will review this claw back policy at least annually and make recommendations to the Board as to any changes it considers should be made.

Securities trading policy

In all instances, buying or selling shares is not permitted at any time by any KMP who possess inside information in a manner contrary to the *Corporations Act 2001*. Black-out periods are strictly applied.

SECTION 2: ROLE OF THE PEOPLE AND REMUNERATION COMMITTEE

The role of the PRC is to assist the Board in fulfilling its statutory and regulatory responsibilities for corporate governance and overseeing the Group's nomination and remuneration policies and practices.

This includes evaluating and approving the remuneration packages and policies related to the CEO, CFO, Directors and other members of Management. The PRC is also responsible for administering short-term and long-term incentive plans (including any equity plans). The Committee seeks Independent advice where it is appropriate.

The Company complies with the recommendations set by ASX Listing Rules and ASX Corporate Governance Council in relation to the composition and operation of the Committee (other than the recommendation for an independent chair). The Committee comprises Trent Peterson (as Chair), David MacLean and Peter Birtles.

While Trent is not technically 'independent' on account of his previous commercial arrangement with BBRC International Pte Ltd (a substantial shareholder), the Board believe that Trent brings both relevant experience and knowledge to the role and has a deep knowledge of the history and culture of the organisation as pertains to remuneration and performance. The majority of the committee members are Independent Non-Executive Directors.

SECTION 3: COMPANY PERFORMANCE – RELATIONSHIP BETWEEN FINANCIAL PERFORMANCE AND REMUNERATION

Executive Director and Senior Executives Remuneration Structure

The Executive Director and Senior Executives are remunerated under a total reward structure that consists of both fixed remuneration comprising base salary package (inclusive of superannuation contributions and other allowances) and STI.

The mix of fixed remuneration and STI elements as a percentage of total target remuneration for 30 June 2021 was as follows:

	% of total target remuneration for 30 June 2021	
	Fixed Remuneration	At risk remuneration STI maximum opportunity
Alice Barbery	65%	35%
Renee Jones	67%	33%
Eddie MacDonald	84%	16%

Fixed remuneration

The remuneration for Senior Executives includes a fixed component comprised of base salary and employer superannuation contributions that are in line with statutory obligations.

The base salary reflects the base salary for a comparable role in similar sized companies operating in the retail industry, having regard to the experience and expertise of the Senior Executive, their performance, and history with the Company, and other relevant factors. This requires both quantitative and subjective assessment.

Fixed remuneration is reviewed annually by the PRC, with recommendations made to and approved by the Board. Approved changes are usually effective from the commencement of the new financial year.

The CEO and CFO did not receive an increase in base salary in FY2021 given the challenges and uncertainty created by COVID-19. However, over the last two years there has been a significant increase in both the scale and sophistication of the Company. As a consequence, the PRC has a plan to reduce this imbalance over the next two years.

Short-term Incentive Plan

The 30 June 2021 STI plan was assessed following the completion of the performance period from 1 July 2020 to 30 June 2021. The STI plan awarded to each Senior Executive is detailed in the table below:

Senior Executive	Target STI ($)	Actual STI awarded ($)	Actual STI awarded as a % of maximum STI	% of maximum STI award forfeited
Alice Barbery	231,000	231,000	100%	–%
Renee Jones	160,000	128,000	80%*	20%
Eddie MacDonald	50,000	50,000	100%	–%

* Full financial year excluding parental leave from 1 November 2020 to 5 April 2021.

Given the exceptional trading performance and the challenges presented in FY2021, the Board approved to adjust Alice's STI upwards from the maximum bonus amount from $215,000 to $231,000 or by 7%.

The trigger for the award of the notional maximum STI for KMP was set at underlying EBIT of $32.6 million in FY2021, (pre AASB 16, excluding any net benefit of JobKeeper (which was repaid), or transaction costs associated with the IPO in November 2020). This maximum threshold was exceeded in FY2021.

The Board reserves the right to flex the executives notional STI up and down by up to 10% each year based on specific circumstances that may arise from time to time as pertain to either the individual or the Group. The Board did not exercise this right in FY2021.

Long-term Incentive Plan

A scheme was developed and implemented over the five years prior to the IPO which saw various members of the executive leadership team acquire shareholdings in the business. A significant portion of the capital invested by the participants was funded by limited recourse loans from the Company. No further loans were made to participants since the IPO.

In the case of the KMP, as at 30 June 2021, the value of the loans owed to the Company are as follows, together with the total number of shares held, and the market value of their shareholding at that date:

KMP	Number of shares held	Value of loan outstanding at 30 June 2021	Market value of shares at 30 June 2021**	Implied LVR (%)*
Alice Barbery	2,230,924	897,386	16,709,621	5.4%
Renee Jones	583,333	770,833	4,369,164	17.6%
Other management***	4,028,451	1,900,070	30,173,098	6.3%
Total	**6,842,708**	**3,568,289**	**51,251,883**	**7.0%**

* LVR is the ratio of the loan to the market value of the shares as at a date, expressed as a percentage.

** As at close of trade on 30 June 2021, the UNI share price was $7.49 per share.

*** Other management includes 7 team members.

For the avoidance of doubt, no non-executive member of the Board is a beneficiary of loans from the Company.

SECTION 4: DETAILS OF REMUNERATION

Non-Executive and Executive Directors' remuneration

The following annual base fees are payable to Directors:

Pre-IPO fees

Director fees	$	Directors in office
Chair	$100,000	Trent Peterson
Non-Executive Directors	$50,000	David MacLean
		Srdjan Dangubic
		Nicholas Larkin

Post-IPO fees

Director fees	$	Directors in office
Chair	$150,000	Peter Birtles
Non-Executive Directors	$80,000	Kaylene Gaffney
		David MacLean
		Srdjan Dangubic
		Trent Peterson

Trent Peterson was the previous Chairman of the Company until the completion of the listing exercise.

Remuneration Report (Audited) (Continued)

The following annual committee fees are payable to the Chair and members of each of the Audit and Risk Management Committee and People and Remuneration Committee:

Committee fees	$	Directors in office
Audit and Risk Management Committee		
Chair	$10,000	Kaylene Gaffney
Members	$4,000	Peter Birtles
		Srdjan Dangubic
People and Remuneration Committee		
Chair	$5,000	Trent Peterson
Members	$2,000	Peter Birtles
		David MacLean

Kaylene Gaffney received a one-off initial commitment payment of $10,950 at completion of IPO.

There are no retirement benefit schemes for Non-Executive Directors, other than statutory superannuation contributions.

Details of the remuneration of the Directors and KMP of the Company for the current financial year are set out below.

		Short-term benefits		
Name	Financial year	Board and committee fees $	Superannuation $	Total $
Non-Executive Directors				
Peter Birtles*	2021	104,000	–	104,000
Srdjan Dangubic*	2021	73,990	–	73,990
Kaylene Gaffney	2021	65,899	6,260	72,159
David MacLean	2021	65,537	6,226	71,763
Trent Peterson*	2021	90,666	–	90,666
Nicholas Larkin*	2021	16,199	–	16,199
Total Non-Executive Directors	**2021**	**416,291**	**12,486**	**428,777**

* Fees paid for Peter Birtles are paid to Trent Bridge Consulting, fees paid for Trent Peterson are paid to Catalyst Direct Capital Management. Fees paid to Srdjan Dangubic and Nicholas Larkin are paid to Five V Capital and both were paid 50% of the base fee.

		Short-term benefits			Long-term benefits	Post-employment	Share-based payments	
Name	Financial year	Salary & fees $	Cash bonus $	Annual leave $	Long-service leave $	Superannuation $	Share-based payments $	Total $
Executive Directors and Senior Executives								
Alice Barbery	2021	405,000	231,000	2,276	6,785	25,000	150,340	820,401
Renee Jones	2021	192,458	128,000	(16,289)	–	23,310	44,657	372,136
Eddie MacDonald	2021	142,851	45,662	8,169	–	17,909	–	214,591
Total Executive Directors and Senior Executives	**2021**	**740,309**	**404,662**	**(5,844)**	**6,785**	**66,219**	**194,997**	**1,407,128**

Shareholdings of KMP*

Shares held in Universal Store Holdings Limited (number)

	Balance 1 July 2020 Ord	Purchased in the year, prior to IPO Ord	Purchase since the IPO Ord	Sold at the IPO # Ord	Sold since the IPO Ord	Balance 30 June 2021 Ord	Held nominally 30 June 2021 Ord
Non-Executive Directors							
Peter Birtles	–	200,000	–	–	–	200,000	–
Srdjan Dangubic	75,000	–	–	(37,500)	–	37,500	–
Kaylene Gaffney	–	25,000	–	–	–	25,000	–
David MacLean	1,800,000	–	–	(900,000)	–	900,000	–
Trent Peterson	2,250,000	–	–	(675,000)	–	1,575,000	–
Nicholas Larkin	15,000	–	–	(7,500)	–	7,500	–
Executive Directors and Senior Executives							
Alice Barbery	3,187,035	–	–	(956,111)	–	2,230,924	–
Renee Jones	333,333	250,000	–	–	–	583,333	–
Eddie MacDonald	–	–	–	–	–	–	–

* Includes shares and options held directly, indirectly and beneficially by KMP.

All equity transactions with KMP other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

Signed in accordance with a resolution of the Directors.

Peter Birtles
Non-Executive Director and Chairman

24 August 2021

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of Universal Store Holdings Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Universal Store Holdings Limited and the entities it controlled during the period.

Kim Challenor
Partner
PricewaterhouseCoopers

Brisbane
24 August 2021

PricewaterhouseCoopers, ABN 52 780 433 757
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Notes	2021 $000	2020 $000
Revenue from contracts with customers	5.1	210,817	154,869
Materials and consumables used	5.2	(86,966)	(67,261)
		123,851	87,608
Other income		2	6
Other losses		(74)	(14)
Employee benefits expenses	5.3	(40,048)	(28,697)
Occupancy expenses		(6,962)	(5,713)
Depreciation, amortisation and impairment expense	5.4	(23,872)	(22,066)
Transaction costs associated with IPO	5.5	(6,732)	–
Marketing expenses		(3,583)	(2,605)
Banking and transaction fees		(41)	(30)
Other expenses		(4,500)	(4,002)
Finance costs	5.6	(3,734)	(6,187)
Finance income		832	37
Profit before income tax		**35,139**	**18,337**
Income tax expense	6	(10,770)	(5,514)
Profit for the year		**24,369**	**12,823**
Profit for the year is attributable to:			
Owners of Universal Store Holdings Limited		24,369	12,823
Other comprehensive income		–	–
Total comprehensive income for the year		**24,369**	**12,823**
Total comprehensive income for the year is attributable to:			
Owners of Universal Store Holdings Limited		24,369	12,823
		24,369	**12,823**
Earning per share			
Basic earnings per share (cents)	7	39.8	22.8
Diluted earnings per share (cents)	7	36.6	22.4

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

Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	2021 $000	2020 $000
Assets			
Current assets			
Cash and cash equivalents	8	33,406	41,818
Other receivables	9	2,433	3,043
Inventories	10	17,695	13,704
Total current assets		**53,534**	**58,565**
Non-current assets			
Plant and equipment	11	9,159	11,009
Right-of-use assets	13	48,776	60,311
Goodwill and intangible assets	12	92,720	92,713
Total non-current assets		**150,655**	**164,033**
Total assets		**204,189**	**222,598**
Liabilities			
Current liabilities			
Trade and other payables	14	16,966	15,761
Borrowings	15	–	1,000
Lease liabilities	13	19,222	18,266
Contract liabilities	16	1,188	493
Provisions	17	1,558	1,274
Derivative financial liabilities	23(e)	–	243
Current tax liabilities		5,121	3,230
Total current liabilities		**44,055**	**40,267**
Non-current liabilities			
Borrowings	15	14,797	50,555
Lease liabilities	13	35,769	46,373
Provisions	17	828	803
Deferred tax liabilities	6	5,764	8,087
Total non-current liabilities		**57,158**	**105,818**
Total liabilities		**101,213**	**146,085**
Net assets		**102,976**	**76,513**
Equity			
Contributed equity	18	92,161	56,252
Share-based payment reserve	19	4,281	361
Retained earnings		6,534	19,900
Total equity		**102,976**	**76,513**

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Contributed equity (Note 18) $000	Share-based payment reserve (Note 19) $000	Retained earnings $000	Total equity $000
At 1 July 2020	**56,252**	**361**	**19,900**	**76,513**
Profit for the year	–	–	24,369	24,369
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**24,369**	**24,369**
Transactions with owners in their capacity as owners				
Dividends paid (Note 20)	–	–	(37,735)	(37,735)
Contribution of equity (Note 18)	38,353	–	–	38,353
Share-based payment (Note 19)	–	561	–	561
MEP loan repayment (Note 19)	–	5,158	–	5,158
Buy-back of ordinary shares (Note 18 and 19)	(838)	(1,799)	–	(2,637)
Transaction costs, net of tax (Note 18)	(1,606)	–	–	(1,606)
At 30 June 2021	**92,161**	**4,281**	**6,534**	**102,976**
At 1 July 2019	**56,152**	**136**	**7,077**	**63,365**
Profit for the year	–	–	12,823	12,823
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**12,823**	**12,823**
Transactions with owners in their capacity as owners				
Contribution of equity (Note 18)	100	–	–	100
Share-based payment (Note 19)	–	225	–	225
At 30 June 2020	**56,252**	**361**	**19,900**	**76,513**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Notes	2021 $000	2020 $000
Operating activities			
Receipts from customers (inclusive of GST)		233,614	170,968
Payments to suppliers and employees (inclusive of GST)		(165,210)	(112,980)
Interest received		82	37
Interest paid		(3,770)	(5,736)
Income taxes paid		(10,514)	(5,083)
Transaction costs in relation to existing shares		(6,732)	–
Net cash flows from operating activities	8	**47,470**	**47,206**
Investing activities			
Proceeds from sale of plant and equipment		359	450
Purchase of plant and equipment	11	(2,866)	(4,128)
Purchase of intangible assets	12	(429)	(512)
Net cash flows used in investing activities		**(2,936)**	**(4,190)**
Financing activities			
Proceeds from issues of shares and other equity securities	18, 19	38,353	100
Payment of principal portion of lease liabilities	8.3	(18,677)	(16,957)
Lease incentives and COVID-19 abatements received in cash		1,408	1,845
Proceeds from borrowings	8.3	15,000	5,000
Repayment of borrowings	8.3	(51,250)	(2,000)
Upfront finance charge of borrowings		(272)	–
Dividends paid to equity holders of the Parent	20	(37,735)	–
Proceeds from MEP loan repayments		5,158	–
Payments for buy-back of ordinary shares		(2,637)	–
Transaction costs with respect to newly issued shares		(2,294)	–
Net cash flows used in financing activities		**(52,946)**	**(12,012)**
Net (decrease)/increase in cash and cash equivalents		(8,412)	31,004
Cash and cash equivalents at beginning of year		41,818	10,814
Cash and cash equivalents at end of year	8	**33,406**	**41,818**

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

1. CORPORATE INFORMATION

The consolidated financial statements of Universal Store Holdings Limited (formerly US Holdings Pty Ltd) (the "Company" or "Parent") and its controlled entities (the "Group") for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the Directors on 24 August 2021.

Universal Store Holdings Limited is a for-profit company limited by shares, incorporated and domiciled in Australia whose shares from 16 November 2020 are publicly traded on the Australian Stock Exchange ('ASX').

The Group is principally engaged in retail operations in the fashion market segment in Australia, and further information on the nature of the operations and principal activity of the Group are described in the Directors' report. Information on the Group's structure is provided in Note 21. Information on other related party relationships of the Group is provided in Note 22.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The consolidated financial statements have been prepared on a historical cost basis.

The consolidated financial statements are presented in Australian dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated under the option available to the company under ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

Compliance with International Financial Reporting Standards (IFRS)

The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

2.2 Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group applied AASB 2020-4 *Amendments to AASs – COVID-19-Related Rent Concessions* for the first time but it did not materially impact the consolidated financial statements of the Group. The nature and effect of the changes as a result of adoption of this amendment is described below.

Several other amendments and interpretations also apply for the first time in FY2021, but do not have an impact on the consolidated financial statements of the Group.

AASB 2020-4 *Amendments to AASs – COVID-19-Related Rent Concessions*

Effective for annual reporting periods beginning on or after 1 June 2020

Due to the COVID-19 pandemic, many lessors have granted rent concessions to lessees that impact lease payments. Rent concessions granted by a lessor can take many forms, including any combination of:

- A rent payment holiday,
- A reduction in lease payments for a period of time,
- A deferral of payments to a later date, or
- Other arrangements providing rent relief.

A concession might also include a change to the lease term.

From the lessee's perspective, a change in lease payments that was contemplated in the original terms and conditions of the lease would not be accounted for as a lease modification. For example, it might be treated as a variable lease payment, with the effect of the rent concession recognised in profit or loss. In contrast, accounting for a lease modification generally requires a lessee to remeasure the lease liability by discounting the revised lease payments using a new discount rate.

Concerns were raised that assessing whether COVID-19 rent concessions are lease modifications could be challenging, compounding the AASB 16 implementation work lessees have recently undertaken. Consequently, AASB 16 was amended, allowing lessees to not account for rent concessions as lease modifications, provided certain conditions are met.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic, and only if all of the following conditions are met:

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

Once elected, the practical expedient is required to be applied consistently to all lease contracts with similar characteristics and in similar circumstances.

The amendment to AASB 16 is applied retrospectively with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the beginning of the annual reporting period in which the lessee first applies the amendment. Earlier application is permitted.

Similar relief was not provided to lessors for several reasons, including the fact that AASB 16 did not introduce significant changes to lessor accounting.

Change to accounting policy – IFRIC agenda decision – *Configuration or Customisation Costs in a Cloud Computing Arrangement*

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision for configuration and customisation costs incurred related to a Software as a Service (SaaS) arrangement. The agenda decision states that where costs incurred to configure or customise SaaS arrangements do not result in the creation of a resource which is identifiable, and where an entity does not have the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, then these costs are now recognised as expenses. Previously some costs had been capitalised and amortised over their useful life.

The Group has changed its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements. The nature and effect of the changes as a result of changing this policy is further described in Note 2.4(h)(iii).

The change in accounting policy did not have a material impact on these financial statements, and as such no retrospective adjustments have been made.

Accounting Standards and Interpretations issued but not yet effective

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting year ended 30 June 2021.

AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and other amendments AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 and AASB 141*

Effective for annual reporting periods beginning on or after 1 January 2022.

The AASB's assessment of applying the revised definitions of assets and liabilities in the Conceptual Framework to business combinations showed that the problem of day two gains or losses would be significant only for liabilities that an acquirer accounts for after the acquisition date by applying AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* or AASB Interpretation 21 *Levies*. The Board updated AASB 3 in May 2020 for the revised definitions of an asset and a liability and excluded the application of the Conceptual Framework to liabilities and contingent liabilities within the scope of AASB 137 or AASB Interpretation 21.

The amendment also clarifies that before an onerous lease provision can be recognised, an entity must recognise an impairment loss that has occurred on assets used in fulfilling the contract.

These amendments are applied prospectively. Earlier application is permitted.

AASB 2020-1 Amendments to AASs – Classification of Liabilities as Current or Non-current

Effective for annual reporting periods beginning on or after 1 January 2023.

A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. The AASB recently issued amendments to AASB 101 *Presentation of Financial Statements* to clarify the requirements for classifying liabilities as current or non-current. Specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
- Management intention or expectation does not affect classification of liabilities.
- In cases where an instrument with a conversion option is classified as a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current.

These amendments are applied retrospectively. Earlier application is permitted.

AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

AASB 2021-5 amends AASB 112 *Income Taxes* to clarify that the exemption from recognising deferred tax when recognising assets or liabilities for the first time does not apply to transactions for which entities recognise both an asset and a liability and that give rise to equal and taxable deductible and temporary differences.

AASB 2021-5 also amends AASB 1 *First time adoption of Australian Accounting Standards* to require deferred tax related to leases and decommissioning, restoration and similar obligations to be recognised by first-time adopters at the date of transition to Australian Accounting Standards, despite the exemption set out in AASB 112.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.4 Summary of significant accounting policies

(a) Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(b) Rounding

The consolidated financial statements are rounded to the nearest thousand ($000), except when otherwise indicated under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

(c) Foreign currencies

The Group's consolidated financial statements are presented in Australian dollars, which is also the Company's functional currency.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

(d) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

(e) Other receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Other 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 Group holds the other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate (EIR) method.

(f) 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 weighted average costing basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(g) Plant and equipment

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 Group 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 the cost or revalued amounts of the assets, 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:

Fixture and fittings	1 to 10 years
Leasehold improvements	2 to 10 years
Other equipment	1 to 12 years

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

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 2.4(j)).

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

(h) Goodwill and intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purposes of managing goodwill, the Group treats all stores and the central distribution centre as a single cash-generating unit (CGU) or aggregation of CGUs. Refer to Note 12 for details of goodwill assessment.

(ii) Brand names

Separately acquired brand names are shown at historical cost. Brand names acquired in a business combination are recognised at fair value at the acquisition date. They have an indefinite useful life and are assessed annually for impairment.

(iii) Software

Software-as-a-Service (SaaS) arrangements

Where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the Group has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. The amortisation is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates.

Where costs incurred to configure or customise do not result in the recognition of an intangible software asset, then those costs that provide the Group with a distinct service (in addition to the SaaS access) are now recognised as expenses when the supplier provides the services. When such costs incurred do not provide a distinct service, the costs are now recognised as expenses over the duration of the SaaS contract.

Software costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use;
- Management intends to complete the software and use or sell it;
- There is an ability to use or sell the software;
- It can be demonstrated how the software will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- The expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. Software is amortised of a period of five years.

(i) Leases

The Group has lease contracts for various properties used in its operations. The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, make good provision, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Properties (offices, warehouses, retail stores and equipment) 1 to 7 years.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the leases if it is reasonably certain to be exercised, or any periods covered by an option to terminate the leases, if it is reasonably certain not to be exercised.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.4 (j) Impairment of non-financial assets.

Make good provision

A provision has been made for the present value of anticipated costs of future restoration of leased premises. The provision includes future cost estimates associated with returning the premises to its original condition. The calculation of this provision requires assumptions such as expected lease expiry dates, and cost estimates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each leased premises is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the consolidated statement of financial position by adjusting both the expense or asset (if applicable) and provision.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include lease components, fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate ("IBR") at the lease commencement date because the interest rate implicit in the lease is not readily determinable. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(iv) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. Variable lease payments that depend on sales are recognised in profit or loss in the year in which the condition that triggers those payments occurs.

Future cash outflows to which the lessee is potentially exposed are not reflected in the measurement of lease liabilities. This includes exposure arising from variable lease payments.

(v) Lease modification

Modification accounting as applicable for lessees is defined by AASB 16. A lease modification (as considered in these financial statements, which does not address changes in the leased asset, such as decreases in leased space) arises when the lease contract is altered such that future cash flows and/or the scope of the lease change. Where an increase in scope occurs, the lease payments are adjusted to the commensurate market rates.

Otherwise, the original lease is remeasured by:

- Identifying a revised IBR appropriate to the revised lease term, underlying asset and the lessee;
- Determining the net present value of future cash outflows using that revised IBR; and
- Adjusting the remaining right-of-use asset for the increase or decrease in the lease liability. If the adjustment exceeds the carrying value of the right-of-use asset, this excess is recognised as a gain in profit or loss.

(j) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. The Group treats all stores as a cash generating unit (CGU). An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. All stores are individual CGUs for the purpose of assessing the recoverability of property, plant and equipment and an aggregation of CGUs for the purpose of assessing the recoverability of goodwill, brand names and other net CGU assets. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested annually for impairment at the group of CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group 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 EIR method.

(l) 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 EIR 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 consolidated 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 Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year.

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Wages, salaries and sick leave

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave which are expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave and annual leave

The Group does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. The Group recognises a liability for long service leave and annual leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(n) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Limited recourse loans have been provided to employees under a MEP with equity issued in Universal Store Holdings Limited. The limited recourse loans are accounted for as a share-based payment which is recognised as an expense over time (until vesting).

(o) Dividends

The Company recognises a liability to pay a dividend when the distribution is authorised, and the distribution is no longer at the discretion of the Company. As per the corporate laws of Australia, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

(p) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Government grants received by the Group consist of JobKeeper payments. Refer to Note 5.3 for further information.

(q) Revenue from contracts with customers

Revenue from contracts with customers is recognised when performance obligations are satisfied in the amount of transaction price allocated to satisfied performance obligations. A performance obligation is satisfied by transferring a promised good or service to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

Sales of goods

Store sales

Revenue from store sales is recognised at the point in time when the performance obligation is satisfied, which is generally on handover of the goods.

Online sales

Revenue from sale of goods in online sales is recognised when the Group's performance obligations is satisfied, which is upon dispatch of the goods from the warehouse.

Rights of return assets and refund liabilities

For online sales that permit the customer to return the goods within a specified period, revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in contract liabilities) is recognised for expected sales returns by the customer in relation to sales made until the end of the reporting period. The validity of the assumption and the estimated amount of returns are reassessed at each reporting date.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., a performance obligation is satisfied by transferring a promised good or service to the customer).

The Group's contract liabilities predominantly relate to gift cards. A contract liability is recognised when payment is made in exchange for a gift card. Revenue is recognised when the gift card is redeemed in exchange for goods.

(r) Finance income

Interest income is recorded using EIR The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the consolidated statement of profit or loss and other comprehensive income.

(s) Finance costs

Finance costs comprise interest expense on borrowings and other finance charges. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the EIR method.

(t) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Tax consolidation legislation

Universal Store Holdings Limited (formerly US Holdings Pty Ltd) and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Universal Store Holdings Limited (formerly US Holdings Pty Ltd) and the 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, Universal Store Holdings Limited (formerly US Holdings Pty Ltd) 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.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable; and
- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

(u) Comparatives

Where necessary, comparative figures have been reclassified to conform with changes in presentation of assets and liabilities but resulting in no impact to the overall profit for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Leases – Estimating the Incremental Borrowing Rate ('IBR')

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). The IBR build-up approach is that the Group provides Australia and New Zealand Banking Group (ANZ) the lease details and ANZ provides the Group with an interest rate. Refer to Note 2.4(i)(ii).

Make good provisions

Make good provisions are for the estimated cost of restoring leased premises to their original condition at the end of the lease term. Significant management judgement is required to estimate make good obligations to dismantle, remove and restore items of right-of-use assets and property, plant and equipment.

Coronavirus (COVID-19) pandemic

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of the consolidated financial statements. The estimation uncertainty is associated with:

- Disruption to the Group's customers and ability to shop in store and therefore, impacts the Group's revenue;
- Inability of the Group's workforce to support operations due to Government enforced regulations and restrictions on movements;
- Unavailability or delay of products and supplies used in Group's operations;
- As to whether there may have been a decline in value of assets; or
- The shape and length of the economic recovery.

The Group has developed various accounting estimates in the consolidated financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 30 June 2021 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in the consolidated financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to impairment of assets such as goodwill, right-of-use assets and inventory.

In relation to the Group's liquidity position, the Directors anticipate having sufficient liquidity to make all required payments during the pandemic and to continue as a going concern. The Directors do not foresee a significant impact on the Group's access to capital or the Group's liquidity position as a result of the pandemic.

Key assumptions used for goodwill and brand names' impairment testing

The Group tests whether goodwill and brand names have suffered any impairment on an annual basis. The recoverable amount of the CGUs was determined based on fair value less costs of disposal calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets and projections approved by management covering a five-year period. The budget for the year ending 30 June 2022 incorporated the financial effect of a four-week shut down in Victoria, which reflected expectations at the time. Cash flows beyond the five-year period are extrapolated using a terminal growth rate of 2.5%. For further information refer to Note 12.

4. OPERATING SEGMENTS

The Group is required to determine and present its operating segments based on the way in which financial information is organised and reported to the chief operating decision-maker (CODM's). The CODM's has been identified as the Board of Directors on the basis that they make the key operating decisions of the Group and are responsible for allocating resources and assessing performance.

Key internal reports received by the CODM's, primarily the management accounts, focus on the performance of the Group as a whole. The performance of the operations is based on underlying EBIT (earnings before interest and tax). The accounting policies adopted for internal reporting to the CODM's are consistent with those adopted in the consolidated financial statements.

The Group has considered its internal reporting framework, management and operating structure and the Directors' conclusion is that the Group operates as a single operating segment as a fashion retailer operating within Australia.

The reconciliations of the Group for EBIT to underlying EBIT are as follows:

	2021 $000	2020 $000	Change %
Reconciliation to underlying EBIT			
EBIT	**38,041**	**24,487**	**55.4**
Transaction costs associated with IPO	6,732	691*	874.2
Incremental standalone public company costs	(108)	(776)	(86.1)
MEP shares expense	561	–	–
Interest income	83	37	124.3
AASB 16 adjustments	(1,269)	(773)	64.2
Underlying EBIT	**44,040**	**23,666**	**86.1**
Underlying EBIT margin	20.9%	15.3%	5.6

* This amount has been included in other expenses for the year.

5. REVENUE AND EXPENSES

5.1 Revenue from contracts with customers

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

	2021 $000	2020 $000
Total revenue from contracts with customers	**210,817**	**154,869**

Within the revenue stream of sales of goods, the Group has two channels of sales being store sales and online sales, at 88% and 12% of the total sales of goods respectively during the year. (2020: 91% store sales and 9% online sales).

5.2 Included in materials and consumables used

A net gain on foreign exchange of $51,000 (2020: loss of $13,000) is included in materials and consumables used.

5.3 Employee benefits expense

	2021 $000	2020 $000
Employee benefits expense	41,493	33,875
Repayment of net benefit of JobKeeper wage subsidy received	3,000	–
Government grants	(4,445)	(5,178)
Net employee benefits expense	**40,048**	**28,697**

On 24 February 2021, the Directors of Universal Store Holdings Limited determined that on the basis of the performance of the Group during H1 FY2021, it was appropriate to return the net JobKeeper wage subsidy benefit received from July 2020 to the Australian Government. This represents $3.0 million of subsidised wages. The repayment is recognised as employee benefits expense. The Group acknowledge and appreciate the important role this policy played in enabling the Group to support its team through significant periods of store closures in FY2021.

5.4 Depreciation, amortisation and impairment expense

	2021 $000	2020 $000
Plant and equipment (Note 11)	4,283	3,585
Right-of-use assets (Note 13)	19,171	18,430
Intangible assets (Note 12)	206	51
Impairment of intangible assets (Note 12)	212	–
Depreciation, amortisation and impairment expense	**23,872**	**22,066**

5.5 Transaction costs

	2021 $000	2020 $000
Transaction costs associated with IPO	**6,732**	**–**

In addition to the above, IPO transaction costs (net of tax) of $1.6 million have been classified as equity as they relate to the issuance of new shares.

5.6 Finance costs

	2021 $000	2020 $000
Interest on debt and borrowing	1,439	3,515
Interest on lease liabilities (Note 13)	2,295	2,672
	3,734	**6,187**

6. INCOME TAX

The major components of income tax expense for the years ended 30 June 2021 and 2020 are:

	2021 $000	2020 $000
Current income tax:		
Current income tax expense	12,900	6,202
Under/over provision for income tax	(496)	16
Deferred tax:		
Deferred income tax benefit	(2,151)	(704)
Relating to origination and reversal of temporary differences	517	–
Income tax expense reported in the consolidated statement of profit or loss	**10,770**	**5,514**

Reconciliation of tax expense and the accounting profit multiplied by Australia's domestic tax rate for the years ended 30 June 2021 and 2020:

	2021 $000	2020 $000
Accounting profit before income tax	**35,139**	**18,337**
At Australia's statutory income tax rate of 30% (2020: 30%)	10,542	5,501
Adjustments in respect of current income tax of previous years	21	–
Non-deductible expenses for tax purposes		
Expenses not deductible for tax purposes	178	8
Sundry items	29	5
Income tax expense reported in the consolidated statement of profit or loss	**10,770**	**5,514**

Deferred tax

Deferred tax relates to the following:

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	2021 $000	2020 $000	2021 $000	2020 $000
Right-of-use assets	(14,633)	(18,020)	(3,387)	1,852
Property, plant and equipment	(470)	–	470	–
Intangible assets	(10,922)	(10,986)	(64)	–
Prepayments	–	(2)	(2)	–
Employee benefits	555	465	(90)	(32)
Provisions	298	203	(95)	(17)
Lease liabilities	16,497	19,392	2,895	(2,783)
Blackhole expenditure	2,826	818	(1,319)	282
Other	85	43	(42)	(6)
Deferred tax benefit			**(1,634)**	**(704)**
Net deferred tax liabilities	**(5,764)**	**(8,087)**		
Reflected in the consolidated statement of financial position as follows:				
Deferred tax assets	20,261	20,921		
Deferred tax liabilities	(26,025)	(29,008)		
	(5,764)	**(8,087)**		

Reconciliation of deferred tax liabilities, net

	2021 $000	2020 $000
As of 1 July	**(8,087)**	**(8,791)**
Tax benefit during the year recognised in profit or loss	1,634	704
Deferred taxes recognised directly in equity	689	–
As at 30 June	**(5,764)**	**(8,087)**

Offsetting within tax consolidated group

Universal Store Holdings Limited (formerly US Holdings Pty Ltd) and its wholly-owned Australian subsidiaries have applied the tax consolidation legislation which means that these entities are taxed as a single entity. As a consequence, the deferred tax assets and deferred tax liabilities of these entities have been offset in the consolidated financial statements.

7. EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the net profit attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS computations:

	2021 $000	2020 $000
Profit attributable to ordinary equity holders	**24,369**	**12,823**

	2021	2020
Weighted average number of ordinary shares for basic earnings per share	61,298,061	56,188,715
Effect of dilution from:		
MEP shares	5,336,531	984,814
Weighted average number of ordinary shares adjusted for the effect of dilution	**66,634,592**	**57,173,529**

	2021 Cents	2020 Cents
Basic earnings per share	39.8	22.8
Diluted earnings per share	36.6	22.4

The number of shares on issue following IPO were 73,195,836.

8. CASH AND CASH EQUIVALENTS

	2021 $000	2020 $000
Cash on hand	54	38
Cash at bank	33,352	41,780
	33,406	**41,818**

	2021 $000	2020 $000
Cash flow reconciliation		
Profit after tax	24,369	12,823
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation of plant and equipment	4,283	3,585
Depreciation of right-of-use assets	19,171	18,430
Amortisation of intangible assets	206	51
Impairment of intangible assets	212	–
Non-cash share-based payment	561	225
Amortisation of debt issue costs	514	244
(Gain)/loss on derivatives	(243)	243
Loss on disposal of assets	74	14
Non-cash finance income	(750)	–
Working capital adjustments:		
Decrease/(increase) in trade and other receivables	610	(1,649)
(Increase)/decrease in inventories	(3,991)	5,713
Decrease in deferred tax liabilities	(1,635)	(704)
Increase in trade and other payables	1,906	5,307
Increase in current tax liabilities	1,891	2,640
Increase in other provisions	292	107
Increase in other liabilities	–	177
Net cash flows from operating activities	**47,470**	**47,206**

8.1 Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- Acquisition of right-of-use assets – Note 13.

8.2 Net debt reconciliation

	2021 $000	2020 $000
Net debt		
Cash and cash equivalents (Note 8)	33,406	41,818
Lease liabilities (Note 13)	(54,991)	(64,639)
Borrowings – repayable within one year (Note 15)	–	(1,000)
Borrowings – repayable after one year (Note 15)	(14,797)	(50,555)
	(36,382)	**(74,376)**

8.3 Changes in liabilities arising from financing activities

	1 July 2020 $000	Cash inflows $000	Cash outflows $000	Amortisation of debt issue costs $000	Non-cash additions and modifications of lease liabilities $000	Other $000	30 June 2021 $000
Borrowings	52,000	15,000	(51,250)	–	–	(750)	15,000
Debt issue costs	(445)	–	(272)	514	–	–	(203)
Lease liabilities	64,639	–	(18,677)	–	9,029	–	54,991
Total liabilities from financing activities	**116,194**	**15,000**	**(70,199)**	**514**	**9,029**	**(750)**	**69,788**

	1 July 2019 $000	Cash inflows $000	Cash outflows $000	Amortisation of debt issue costs $000	Non-cash additions and modifications of lease liabilities $000	30 June 2020 $000
Borrowings	49,000	5,000	(2,000)	–	–	52,000
Debt issue costs	(689)	–	–	244	–	(445)
Lease liabilities	55,363	–	(16,957)	–	26,233	64,639
Total liabilities from financing activities	**103,674**	**5,000**	**(18,957)**	**244**	**26,233**	**116,194**

9. OTHER RECEIVABLES

	2021 $000	2020 $000
Other receivables	1,419	2,431
Prepayments and deposits	1,014	612
	2,433	**3,043**

10. INVENTORIES

	2021 $000	2020 $000
Stock on hand at cost	18,701	14,099
Valuation provision	(1,006)	(395)
	17,695	**13,704**

Inventories recognised as an expense during the year ended 30 June 2021 amount to $79.1 million (2020: $61.7 million). Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2021 amounted to $949,000 (2020: $911,000). These were included in materials and consumables used.

11. PLANT AND EQUIPMENT

	Fixtures and fittings $000	Leasehold improvements $000	Plant and equipment $000	Total $000
Cost				
At 1 July 2019	2,351	8,158	2,434	12,943
Additions	459	2,740	929	4,128
Disposals	(27)	(941)	(68)	(1,036)
At 30 June 2020	**2,783**	**9,957**	**3,295**	**16,035**
Additions	836	1,394	636	2,866
Disposals	(44)	(813)	(47)	(904)
At 30 June 2021	**3,575**	**10,538**	**3,884**	**17,997**
Depreciation				
At 1 July 2019	724	240	1,049	2,013
Depreciation charge for the year	482	2,605	498	3,585
Disposals	(22)	(493)	(57)	(572)
At 30 June 2020	**1,184**	**2,352**	**1,490**	**5,026**
Depreciation charge for the year	509	3,185	589	4,283
Disposals	(31)	(410)	(30)	(471)
At 30 June 2021	**1,662**	**5,127**	**2,049**	**8,838**
Net book value				
At 30 June 2021	**1,913**	**5,411**	**1,835**	**9,159**
At 30 June 2020	1,599	7,605	1,805	11,009

12. GOODWILL AND INTANGIBLE ASSETS

	Goodwill $000	Brand names $000	Software $000	Total $000
Cost				
At 1 July 2019	55,516	36,620	221	92,358
Additions	–	–	512	512
At 30 June 2020	**55,516**	**36,620**	**733**	**92,870**
Additions	–	–	429	429
Disposal	–	–	(3)	(3)
At 30 June 2021	**55,516**	**36,620**	**1,159**	**93,295**
Amortisation				
At 1 July 2019	–	–	106	106
Amortisation	–	–	51	51
At 30 June 2020	**–**	**–**	**157**	**157**
Amortisation	–	–	206	206
Impairment	–	212	–	212
At 30 June 2021	**–**	**212**	**363**	**575**
Net book value				
At 30 June 2021	**55,516**	**36,408**	**796**	**92,720**
At 30 June 2020	55,516	36,620	576	92,713

Impairment testing of goodwill and brand names

Goodwill and brand names are tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired.

The recoverable amount of CGUs is the greater of its value in use and its fair value less costs to sell.

Impairment testing was carried out as a group of cash-generating units (CGUs), based on fair value less cost of disposal (FVLCD) calculations with management performing sensitivity analysis on the key assumptions used in the impairment model. Management has considered possible changes in key assumptions that would cause the carrying amount of goodwill to exceed its FVLCD.

Cash flow forecasts are based on the Group's most recent plans. Revenue for the purposes of impairment testing was based on expectations of future outcomes having regard to available market information and past experience. Cash flow forecasts are modelled over a five year forecast period with a terminal growth rate at the end of year five discounted to present value.

The key assumptions at the Group level are as follows:

- WACC (post tax) 11%;
- Terminal growth rate of 2.5%;
- Year 1 forecast based on most recent post COVID-19 sales profile by store level CGU;
- Year 2-5 forecasted at Group level with 9% revenue growth; and
- Seven to ten new stores per annum.

Further, the Group has taken into account current market and economic conditions, placing caution on the recovery of the Australian economy given the global uncertainty resulting from COVID-19, with forecast scenarios including low, medium and high impacts should further COVID-19 outbreaks or disruptions to trade occur throughout FY2022. Goodwill is not impaired at balance date under FVLCD model while brand names have been impaired by $212,000.

No reasonable possible changes in these assumptions would lead to a reduction in cash flows below carrying value.

13. LEASES

Group as a lessee

The Group has lease contracts for various properties used in its operations. Leases of properties generally have lease terms between one to seven years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Properties $000
At 1 July 2019	**53,892**
Additions*	19,624
Modifications	5,225
Depreciation expense	(18,430)
At 30 June 2020	**60,311**
Additions*	6,120
Modifications	1,516
Depreciation expense	(19,171)
At 30 June 2021	**48,776**

* The amount includes rent incentives received of $650,000 in 2021 (2020: $1,845,000), and COVID-19 abatement received of $758,000 in 2021 (2020: $nil).

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2021 $000	2020 $000
At 1 July	**64,639**	**55,363**
Additions	6,753	21,008
Modifications	2,276	5,225
Accretion of interest	2,295	2,672
Payments	(20,972)	(19,629)
At 30 June	**54,991**	**64,639**
Current	19,222	18,266
Non-current	35,769	46,373

The following are the amounts recognised in profit or loss:

	2021 $000	2020 $000
Depreciation expense of right-of-use assets	19,171	18,430
Interest expense on lease liabilities	2,295	2,672
Expense relating to variable lease payments not included in lease	7,297	6,366
Short-term rental reliefs received	(335)	(1,294)
Total amount recognised in profit or loss	**28,428**	**26,174**

The Group had total cash outflows for leases of $27.9 million in 2021 (2020: $24.7 million). The Group also had non-cash additions to right-of-use assets of $7.6 million (2020: $24.8 million) and to lease liabilities of $9.0 million (2020: $26.2 million) in 2021.

Lease payments that depend on sales or usage

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100% of lease payments are on basis of variable payment terms with percentages ranging from 10% to 15% of sales. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores and for mitigating the financial risks associated with COVID-19. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments.

14. TRADE AND OTHER PAYABLES

	2021 $000	2020 $000
Current		
Trade payables	10,423	12,451
GST payable	678	601
Accrued expenses	5,865	2,709
	16,966	**15,761**

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

15. BORROWINGS

	2021 $000	2020 $000
Current		
Bank borrowings	–	**1,000**
Non-current		
Bank borrowings (Facility A)*	14,797	35,555
Vendor loan notes	–	15,000
	14,797	**50,555**

* The amount includes borrowing costs of $203,000 for the current year (2020: $445,000).

Upon Completion, the Group repaid $35.6 million of bank borrowings and $15.0 million of a Vendor Loan Note. Three new debt facilities were also entered into with ANZ.

- Facility A for $15.0 million which is repayable annually and reviewed frequently in line with business cash requirements.
- Facility D, an $8.5 million revolving working capital facility, which is undrawn.
- Facility E, a $5.0 million standby letter of credit/guarantee facility.

Facilities A and D expire in April 2023. Facility E is reviewed annually.

Facilities are secured by a General Security Agreement (GSA) and Corporate Guarantee provided by Universal Store Holdings Ltd, US 1A Pty Ltd, US 1B Pty Ltd, US Australia Pty Ltd and Universal Store Pty Ltd. A negative pledge has been provided by all parties via the ANZ Facility Agreement.

The Group has complied with all of the financial covenants of its borrowing facilities during the 2021 and 2020 reporting period and continues to have significant headroom.

16. CONTRACT LIABILITIES

	2021 $000	2020 $000
Gift cards	1,100	480
Other contract liabilities	88	13
	1,188	**493**

	Gift cards $000	Other contract liabilities $000	Total $000
At 1 July 2019	**303**	**13**	**316**
Deferred during the year	2,746	344	3,090
Recognised as revenue during the year	(2,569)	(344)	(2,913)
At 30 June 2020	**480**	**13**	**493**
Deferred during the year	3,707	233	3,940
Recognised as revenue during the year	(3,087)	(158)	(3,245)
At 30 June 2021	**1,100**	**88**	**1,188**

17. PROVISIONS

	2021 $000	2020 $000
Current		
Employee benefits	**1,558**	**1,274**
Non-current		
Employee benefits	233	225
Make good provision	595	578
	828	**803**

(a) Information about individual provisions and significant estimates

Make good provision

The Group 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 the right-of-use asset and are amortised over the lease term.

(b) Movements in provisions

Movements in each class of provision during the financial year are set out below:

	Make good provisions $000	Employee benefits $000	Total $000
At 1 July 2019	527	1,443	1,970
Additional provision charged to right-of-use asset	51	–	51
Charged to profit or loss	–	56	56
At 30 June 2020	**578**	**1,499**	**2,077**
Additional provision charged to right-of-use asset	34	–	34
Charged/(credited) to profit or loss	(17)	292	275
At 30 June 2021	**595**	**1,791**	**2,386**

18. CONTRIBUTED EQUITY

	2021 $000	2020 $000
Ordinary shares	**92,161**	**56,252**

Ordinary shares issued and fully paid	Number of shares '000	$000
At 1 July 2019	**63,555**	**56,152**
MEP	666	100
At 30 June 2020	**64,221**	**56,252**
Issuance of shares on IPO	10,093	38,353
Transaction costs, net of tax	–	(1,606)
Buy-back of ordinary shares	(1,119)	(838)
At 30 June 2021	**73,195**	**92,161**

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of 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 Group does not have a limited amount of authorised capital.

The movement in share capital during the period was due to the IPO where an additional 10.1 million shares were issued on 16 November 2020, at a value of $38.4 million. Transaction costs on the issue of these shares, net of tax, amount to $1.6 million.

Share-based payments awards which vested during the period resulting in the IPO amount to seven million shares, with a remaining share-based payment expense of $561,000 that was accelerated upon IPO.

(b) Related party disclosures

Management sale of MEP shares

On 25 September 2020, a former key management personnel ("KMP") exited the Company and sold 1,593,519 MEP shares back to US Holdings Pty Ltd and other KMPs at market value. 1,118,519 of the 1,593,519 shares were sold back to US Holdings Pty Ltd and were cancelled immediately. The remaining number of shares that were bought back by the following directors and KMPs on that date are as follows:

K Gaffney – 25,000 shares

P Birtles – 200,000 shares

On the same date, R Jones was issued with 250,000 shares, of which 200,000 were issued under the MEP.

MEP shares – accelerated vesting

At the beginning of the period, there were 8,002,822 MEP shares outstanding which had yet to vest.

On 16 November 2020, 100% of these MEP shares vested due to the IPO being considered an "exit event" with the exception of the 1,118,519 MEP shares that had already been repurchased by US Holdings Pty Ltd in September 2020 (as described above). This resulted in a share-based payment charge of $561,000 for the period, which has been recognised as an expense in the income statement.

The limited recourse loans relating to these MEP shares were reissued, and will only be repayable if/when one of the following exit events occurs:

- Shares are sold
- Dividends from these shares are paid to the individual
- Employee ceases work with the Company

There were no other MEP arrangements issued during the period. The MEP arrangements are in substance a share based arrangement and accounted for as a share-based payment transaction. The number of MEP shares vested and exercisable at 30 June 2021 is 3,124,124 with an exercise price of $1.00 (2,435,790 MEP shares), $1.50 (488,334 MEP shares) and $2.00 (200,000 MEP shares).

All MEP shares have vested at 30 June 2021.

19. SHARE-BASED PAYMENT RESERVE

	Share options $000
At 1 July 2019	**136**
Share-based payment	225
At 30 June 2020	**361**
Share-based payment	561
MEP loan repayment	5,158
Buy-back of ordinary shares	(1,799)
At 30 June 2021	**4,281**

(a) Nature and purpose of share-based payment reserve

The share-based payment reserve is used to record the fair value of the option attached to the limited recourse loans provided to management.

Limited recourse loans have been provided to employees under a MEP. These transactions are accounted for as a share-based payment in-substance arrangement.

20. DIVIDENDS

(a) Ordinary shares

A pre-IPO dividend for the year ended 30 June 2020 of $34.1 million was paid on 18 November 2020 (54 cents per share). In respect of the half-year ended 31 December 2020, an interim dividend of $3.7 million was declared on 25 February 2021 and paid on 4 May 2021 (5 cents per share) (2020: $nil) .

On 24 August 2021, the Directors recommended a final dividend of $7.7 million to be paid on 29 September 2021 (10.5 cents per share).

(b) Franked dividends

The final dividends recommended after 30 June 2021 will be fully franked out of existing franking credits, or out of franking credits that arose from the payment of income tax during the year ended 30 June 2021.

	2021 $000	2020 $000
Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the financial year at 30%	**13,303**	**17,548**

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.

The payment of the dividend proposed subsequent to year end is expected to give rise to franking debits of $3.3 million.

21. INTERESTS IN OTHER ENTITIES

Material subsidiaries

The Group's principal subsidiaries at 30 June 2021 and 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

		Ownership interest held by the Group	
Name of entity	Place of business/country of incorporation	2021 %	2020 %
Universal Store Pty Ltd	Australia	100	100
US Australia Pty Ltd	Australia	100	100
US 1B Pty Ltd	Australia	100	100
US 1A Pty Ltd	Australia	100	100

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, the Company and its controlled entities have entered into a deed of cross guarantee on 12 May 2021. The effect of the deed is that the Company has guaranteed to pay any deficiency in the event of winding up of any controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that the Company is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

22. RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

	2021 $	2020* $
Short-term employee benefits	1,555,418	1,175,252
Long-term employee benefits	6,785	16,057
Post-employment benefits	78,705	52,040
Share-based payments	194,997	73,470
	1,835,905	**1,316,819**

* The amount has been restated to better reflect the key management personnel individuals who have the authority and responsibility for planning, directing and controlling the activities of the Group

(b) Transactions with other related parties

	2021 $	2020 $
Subscription of new ordinary shares by KMP	100,000	100,000
Repayment of MEP loans by KMP	(1,480,527)	–
	(1,380,527)	**100,000**
Amounts paid to KMP as shareholders		
Dividends	**4,414,562**	**–**

Five V Capital Pty Ltd is a related party as it is jointly controlled by Srdjan Dangubic and Five V Capital Pty Ltd manages the Five V funds who own shares in Universal Store Holdings Limited.

23. FINANCIAL RISK MANAGEMENT

(a) Interest rate

The Group's main interest rate risk arises from long-term borrowings with variable interest rates, which exposes the Group to cash flow interest rate risk. The Group's interest rate swap was settled during February 2021. Interest rate risk is monitored at the board level.

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group made some purchases in USD and its exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency). The Group's exposure to foreign currency risk is not significant.

(c) Liquidity risk

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2021 $000	2020 $000
Floating rate		
Expiring beyond 1 year (bank loans)	**8,500**	**760**

Maturities of financial liabilities

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Year ended 30 June 2021	Less than 6 months $000	6 to 12 months $000	1 to 2 years $000	2 and 5 years $000	Over 5 years $000	Total contractual cash flows $000
Trade and other payables	10,423	–	–	–	–	10,423
Borrowings	–	–	15,000	–	–	15,000
Lease liabilities	10,515	10,432	17,878	19,334	264	58,423
	20,938	**10,432**	**32,878**	**19,334**	**264**	**83,846**

Year ended 30 June 2020	Less than 6 months $000	6 to 12 months $000	1 to 2 years $000	2 and 5 years $000	Over 5 years $000	Total contractual cash flows $000
Trade and other payables	15,761	–	–	–	–	15,761
Borrowings	438	1,422	36,794	–	–	38,654
Vendor loan notes	756	744	1,500	17,005	–	20,005
Lease liabilities	10,424	10,132	18,786	28,959	1,656	69,957
	27,379	**12,298**	**57,080**	**45,964**	**1,656**	**144,377**

On 31 August 2020, the Group made an early repayment of the vendor loan note principal value of $15.0 million.

Risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. The Group's key risk concentration is in relation to its suppliers, with the majority of its suppliers being based in China. This was highlighted at the beginning of the COVID-19 pandemic when boarder closures resulted in significantly limited stock being available for sale to customers. The Group is working to mitigate this risk by creating a diversified portfolio of supplier based both locally and internationally.

(d) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

(i) Risk management

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

(e) Derivatives

The Group has the following derivative financial instruments in the following line items of the balance sheet:

	2021 $000	2020 $000
Current liabilities		
Interest rate swap	–	**243**

The interest rate swap is settled by cash in February 2021. A net income of $161,000 (2020: expense of $243,000) has been recognised through profit or loss during the year ended 30 June 2021.

24. CAPITAL RISK MANAGEMENT

Risk management

The Group's objective when managing capital are to:

- Safeguard our ability to continue as a going concern so that the Group can continue to provide returns to shareholders and benefits to other stakeholders.
- Maintain an optimal level of capital structure to reduce the cost of capital.

The capital structure of the Group consists of cash and cash equivalents, trade and other receivables, inventories, intangibles and net working capital. The equity issued to equity holders of the Parent entity comprises issued capital and reserves and retained earnings.

Management manages the capital position by assessing the Group's financial risk and ensuring due diligence on all capital investments, adjusting the capital structure in response to any risks or changes in market conditions. These responses include the ability to adjust debt levels, distributions to shareholders and share issues.

The Group monitors capital on the basis of a gearing ratio which is net debt divided by total equity. Included net debt, interest-bearing loans and borrowings, less cash and short-term deposits. Lease liabilities are excluded from the net debt calculation.

	2021 $000	2020 $000
Borrowings (Note 15)	14,797	51,555
Less: cash and cash equivalents (Note 8)	(33,406)	(41,818)
Net debt	**(18,609)**	**9,737**
Total Equity	**102,976**	**76,513**
Net debt to equity ratio	**(18)%**	**13%**

The Group had access to the following undrawn debt facilities at the end of the reporting period:

	2021 $000	2020 $000
Working capital facility	**8,500**	**760**
Bank guarantee facility	**2,145**	–
	10,645	**760**

25. FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Fair value measurement hierarchy for liabilities as at 30 June 2021:

		Fair value measurement using		
	Total $000	Quoted prices in active markets (Level 1) $000	Significant observable inputs (Level 2) $000	Significant unobservable inputs (Level 3) $000
Liabilities measured at fair value:				
Derivatives financial liabilities:				
Interest rate swap	–	–	–	–

Fair value measurement hierarchy for liabilities as at 30 June 2020:

		Fair value measurement using		
	Total $000	Quoted prices in active markets (Level 1) $000	Significant observable inputs (Level 2) $000	Significant unobservable inputs (Level 3) $000
Liabilities measured at fair value:				
Derivatives financial liabilities:				
Interest rate swap	243	–	243	–

Valuation techniques used to determine fair value

If one or more of the significant inputs is not based on observables market date, the instrument is included in level 3. This is the case for bank loans at FVPL and warrants where the fair values have been determine based on underlying EBITDA multiples or contractual minimum values as applicable.

Fair value measurements using significant observable inputs (level 2)

	Derivative liabilities $000
At 1 July 2019	**–**
Issuance	243
At 30 June 2020	**243**
Changes in fair value	(162)
Repayment	(81)
At 30 June 2021	**–**

There were no transfers between Level 1 and Level 2 during 2021 (2020: $nil).

26. COMMITMENTS AND CONTINGENCIES

The Group had contingent liabilities at 30 June 2021 in respect of:

Guarantees

The Group has given guarantees in respect of various retail tenancies amounting to $2,855,385 (2020: $2,832,000).

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

Lease commitments

The Group has various lease contracts that have not yet commenced as at 30 June 2021. The future lease payments for these non-cancellable lease contracts are $456,000 within one year, $2,356,000 within five years and $122,000 thereafter.

27. AUDITOR'S REMUNERATION

The auditor of Universal Store Holdings Limited (formerly US Holdings Pty Ltd) is PwC.

	2021 $	2020 $
Amounts paid or payable to PwC for:		
Audit and other assurance services:		
Audit services – Group audit and half-year review	233,416	136,520
Tax compliance services	34,578	32,538
Tax advisory services, including IPO advisory services	211,140	59,760
Other non-audit services		
Modern slavery and chain of responsibility	34,350	–
Modern slavery training workshop	9,990	–
Total remuneration of PwC Australia	**523,474**	**228,818**

28. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting date, as a result of the COVID-19 pandemic, state governments have ordered lockdowns which have resulted in disruptions to trade including the following:

- Greater Sydney closures from 27th June to the date of this report;
- Newcastle closures from 6th August to the date of this report;
- Albury closure from 15th August to the date of this report;
- Victoria store closures during 16th July to 27th July and from 6th August to the date of this report (except Geelong which was not closed from 10th August to 21st August);
- ACT store closures from 13th August until the date of this report;
- South Australia store closures from 20th July to 27th July;
- Greater Brisbane closures from 30th June to 1st July and a further period from 1st August to 8th August;
- Cairns store closures from 9th August to 11th August;
- Sunshine Plaza had 1 day closure on 20th July;
- Darwin store closure from 27th June to 1 July and then a further period from 12pm 16th August to 18th August; and
- Perth store closures from 29th June to 2nd July.

The outbreak and the response of Governments in dealing with the pandemic is impacting general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments continue to be uncertain as at the date of this report.

The Group is continuing to negotiate with its landlords for COVID-19 related rent concessions in relation to certain periods of store closures.

The Group has signed a Heads of Agreement with TradeCoast Central Pty Ltd to build and relocate the support office and distribution centre, with an anticipated relocation date of August 2022 for an initial term of 10 years.

On 24 August 2021, the Directors of Universal Store Holdings Limited declared a final dividend on ordinary shares in respect of the 2021 financial year. The total amount of the dividend is $7.7 million to be paid on 29 September 2021.

There were no other significant events occurring after the balance date which may affect either the Group's operations or results of those operations or the Group's state of affairs.

29. INFORMATION RELATING TO UNIVERSAL STORE HOLDINGS LIMITED (FORMERLY US HOLDINGS PTY LTD) (THE PARENT)

	2021 $000	2020 $000
Current assets	208	10
Non-current assets	121,782	59,472
Total assets	**121,990**	**59,482**
Current liabilities	5,121	3,230
Non-current liabilities	14,797	–
Total liabilities	**19,918**	**3,230**
Contributed equity	92,161	56,252
Retained earnings/(accumulated losses)	43,365	(361)
Dividends paid	(37,735)	–
Share-based payment reserve	4,281	361
Total equity	**102,072**	**56,252**
Profit/(loss) of the Parent entity	43,726	(225)
Total comprehensive income/(loss) of the Parent entity	43,726	(225)

The Parent entity did not have any contingent liabilities or commitments as at 30 June 2021 or 30 June 2020.

The financial information for the Parent entity has been prepared on the same basis as the consolidated financial statements.

Directors' Declaration

In accordance with a resolution of the Directors of Universal Store Holdings Limited (formerly US Holdings Pty Ltd), I state that:

In the opinion of the Directors:

1. (a) the consolidated financial statements and notes of Universal Store Holdings Limited (formerly US Holdings Pty Ltd) for the financial year ended 30 June 2021 are in accordance with the *Corporations Act 2001*, including:

    (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and its performance for the year ended on that date; and

    (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

   (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.1; and

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

2. This declaration has been made after receiving the declarations required to be made to the Directors by the chief executive officer and chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2021.

On behalf of the Board

Peter Birtles
Non-Executive Director and Chairman

24 August 2021

Independent auditor's report

To the members of Universal Store Holdings Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Universal Store Holdings Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2021
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- 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 Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if

PricewaterhouseCoopers, ABN 52 780 433 757
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

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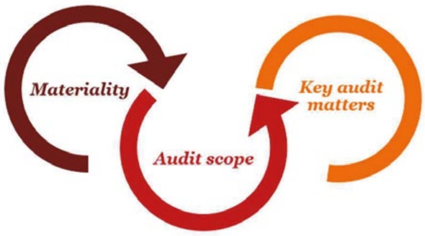
individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality
• For the purpose of our audit we used overall Group materiality of $2.1 million, which represents approximately 5% of the Group's profit before tax adjusted for the items as described below. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose the adjusted Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We adjusted for transaction costs associated with Initial Public Offering ('IPO') as they are unusual or infrequently occurring items impacting profit and loss. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.
Audit scope
• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	*How our audit addressed the key audit matter*
Valuation of indefinite life intangibles: Goodwill and Brand names *(Refer to Note 12) Goodwill: $55.5m, Brand names: $36.4m* The valuation of Goodwill and Brand names was a key audit matter due to their size and the judgements involved in estimating the cash flow forecasts, including consideration of the new store openings, store performance growth assumptions, discount and terminal value rates.	Amongst other procedures, we assessed the impairment model as follows: • Obtained an understanding of and evaluated the Group's process and controls relating to the annual impairment test in light of the requirements of Australian Accounting Standards. • Compared the Net Assets of the Group to the market capitalisation at 30 June 2021. • Evaluated the Group's assessment that the indefinite life assumption for brand names remained appropriate with respect to the period over which the Group expects to generate cashflows. • Assessed the appropriateness of the Group's identification of CGUs with respect to Goodwill and Brand names. • For a sample of calculations, tested the mathematical accuracy of the model. • Compared actual results with historical forecasts to assess the Group's ability to reliably make forecasts used in the cash flow models. • Based on our knowledge of the Group's operations, assessed whether the carrying value of the CGU included all assets and liabilities directly attributable to the CGU and that the impairment model included all cashflows directly attributable to the CGU. • Compared the cash flow forecasts for FY2022 in the impairment model to the Board-endorsed FY2022 budget. • Considered alternative assumptions to those presented by the Group with respect to revenue growth.

	• Audited management's estimate of disposal costs by comparing to the latest market transactions of a comparable size. • Together with our valuation experts, assessed the valuation methodology of the model and compared the discount rate, growth rate and terminal value assumptions to market observable inputs. • Evaluated the adequacy of the disclosures made in the financial report, in light of the requirements of Australian Accounting Standards.
Accounting for AASB 16 Leases *Right of Use Asset $48.8m, Lease Liabilities $55.0m* *(Refer to Note 13)* The Group adopted Australian Accounting Standard AASB 16 Leases (AASB 16) in the prior period. As a result, Right of Use assets and Lease Liabilities are recognised in the balance sheet. This was a key audit matter due to the: • Financial significance of the balances included in the financial report. • Critical judgements used in determining the lease assumptions in the lease calculations, such as the incremental borrowing rate used for discounting.	We performed the following audit procedures, amongst others: • Obtained an understanding of and evaluated the Group's process and controls. • Assessed whether the Group's accounting policies are in accordance with the requirements of AASB 16. • Evaluated the adequacy of the disclosures made in Note 13 in light of the requirements of Australian Accounting Standards. • Utilised our internal valuations experts to provide assistance on the audit of the incremental borrowing rate utilised in calculating the Group's lease liabilities and right of use assets. For a sample of lease agreements, we: • Compared the inputs of the lease calculation to the original lease agreement. • Assessed the Group's application of the Australian Accounting Standards to these leases to evaluate whether they had been accounted for appropriately. • Tested the mathematical accuracy of the lease calculations.

	• Engaged internal valuation experts to assess the reasonableness of the incremental borrowing rate applied to each sampled lease.
Valuation of inventory *Inventory - $17.7m (Refer to Note 10)* The valuation of inventory was a key audit matter because of the judgements involved in estimating the provisions required for net realisable value ('NRV') and stock losses.	We performed the following audit procedures, amongst others: • Obtained an understanding of and evaluated the Group's process and controls. • Assessed the Group's accounting policies against the requirements of Australian Accounting Standards. • For a sample of individual items, obtained relevant invoices to reperform the weighted-average cost calculation and compared this to the recorded average cost. • Assessed the valuation of the Group's inventory balance by comparing the sale price of an individual item to its cost, on a sample basis, to corroborate that the item was not sold below its cost price. • Assessed the basis for the Group's inventory provision to determine whether inventory was recorded at the lower of cost and net realisable value. • Tested the mathematical accuracy of the stock loss provision and the assumptions management has made in calculating this amount.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021 but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Director's Report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or 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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and 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 Group 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 Group 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 12 to 21 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Universal Store Holdings Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Kim Challenor	Brisbane
Partner	24 August 2021

ASX Additional Information

In accordance with ASX Listing Rule 4.10, the Company provides the following information not otherwise disclosed in this Annual Report. The information is current as at 30 July 2021.

(A) DISTRIBUTION OF EQUITY SECURITIES

Ordinary share capital

- 73,195,836 fully paid ordinary shares are held by 1,547 individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends. There is one class of share, being fully paid ordinary shares. The number of shareholders, by size of holding is:

	Number of shareholders
1–1,000	500
1,001–5,000	734
5,001–10,000	183
10,001–100,000	98
100,001 and over	32
	1,547
Holding less than a marketable parcel	44

(B) SUBSTANTIAL SHAREHOLDERS

	Fully paid	
Ordinary shareholders	Number	%
BBRC International Pte Ltd*	12,000,000	16.39
Bennelong Fund Management Group Pty Ltd	4,812,316	6.57
Milford Asset Management Limited	4,736,842	6.47
Rayra Pty Ltd*	4,500,000	6.15
Five V Fund II, LP*	4,000,000	5.46
	30,049,158	**41.04**

* These substantial shareholdings are included in the ordinary shares that will be realised from Escrow.

As advised to the market on 17 August 2021, 30,886,889 ordinary shares (representing 46.87% of Issued Capital) will be released from Escrow following close of trade on 25 August 2021.

As a result Universal Store Holdings Limited, will cease to be a substantial holder as it will no longer have a relevant interest in these shares.

ASX Additional Information (Continued)

(C) TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

	Fully paid	
	Number	%
BBRC International Pte Ltd	12,000,000	16.39
National Nominees Limited	10,705,455	14.63
Citicorp Nominees Pty Limited	9,845,093	13.45
J P Morgan Nominees Australia Pty Limited	5,049,396	6.90
HSBC Custody Nominees (Australia) Limited	5,040,044	6.89
Rayra Pty Ltd	4,500,000	6.15
Five V Fund II, LP	4,000,000	5.46
The Myer Family Investments Pty Ltd	2,250,000	3.07
Dorothy Alice Barbery	2,230,924	3.05
Hoang George Minh Do	2,230,924	3.05
UBS Nominees Pty Ltd	1,588,028	2.17
Catalyst Direct Capital Management Pty Ltd	1,575,000	2.15
James Cameron	1,264,192	1.73
Five V Bare Nominee 2 Pty Ltd	672,500	0.92
Renee Jones	583,333	0.80
Stephen Harris & Monique Harris	540,532	0.74
The House of Linen (Aust) Pty Ltd	450,000	0.61
D.M. & L.M. Holdings Pty Ltd	325,000	0.44
CS Third Nominees Pty Limited	312,265	0.43
Flocolo 1 Pty Ltd	252,500	0.34
	65,415,186	**89.37**

D) SHARES UNDER VOLUNTARY ESCROW ARRANGEMENTS

34,308,240 of the Company's shares are held under voluntary escrow, which prevents the shareholder from disposing of their respective escrowed shares until the applicable escrow period is complete. For 30,886,889 shares, the voluntary escrow period will be complete upon the release of the Company's financial results for FY2021, while for the remaining 3,421,351 shares, the voluntary escrow period will be complete upon the release of the Company's financial results for FY2022.

(E) USE OF PROCEEDS

In accordance with listing rule 4.10.19, the Company confirms that it has used its cash and assets in a form readily convertible to cash in a way consistent with its business objectives at the time of admission.

Corporate Information

ABN 94 628 836 484

DIRECTORS

Peter Birtles, Non-Executive Director and Chairman

Alice Barbery, Chief Executive Officer and Executive Director

Srdjan Dangubic, Non-Executive Director

Kaylene Gaffney, Non-Executive Director

David MacLean, Non-Executive Director

Trent Peterson, Non-Executive Director

Nicholas Larkin, Non-Executive Director
(Resigned: 27 October 2020)

COMPANY SECRETARIES

Eddie MacDonald	(Appointed: 27 October 2020), (Resigned: 16 April 2021)
Renee Jones	(Appointed: 27 October 2020)
Anne Maree Cresswell	(Appointed: 19 April 2021)

REGISTERED OFFICE

Unit 6, 2 Jenner Street
Nundah QLD 4012
Australia

Phone: 1300 553 520

PRINCIPAL PLACE OF BUSINESS

Unit 6, 2 Jenner Street
Nundah QLD 4012
Australia

Phone: 1300 553 520

SHARE REGISTER

Link Market Services Limited

Level 12, 680 George Street
Sydney NSW 2000
Australia

Phone: 07 3320 2200

Universal Store Holdings Limited
(formerly US Holdings Pty Ltd) shares are
listed on the Australian Stock Exchange (ASX)

SOLICITORS

Gilbert + Tobin

Level 35, Tower Two
International Towers Sydney
200 Barangaroo Avenue
Barangaroo NSW 2000
Australia

BANKERS

Australia and New Zealand Banking Group Ltd

324 Queen Street
Brisbane QLD 4000
Australia

AUDITORS

PricewaterhouseCoopers

480 Queen Street
Brisbane QLD 4000
Australia

Universal Store

www.universalstore.com