Universal Store Holdings Limited
ABN 94 628 836 484

Appendix 4D and Interim Consolidated Financial Report for the Half-year Ended 31 December 2021

Appendix 4D

For the half-year ended 31 December 2021

1 Company details

Name of entity: Universal Store Holdings Limited
ABN: 94 628 836 484
Reporting period: For the half-year ended 31 December 2021
Previous period: For the half-year ended 31 December 2020

2 Results for announcement to the market

		Percentage change		Amount
		%		**$000**
Revenue from ordinary activities	down	8.2	to	108,278
Profit after income tax for the period	down	14.8	to	13,491
Profit for the period attributable to the owners of Universal Store Holdings Limited	down	14.8	to	13,491

Dividends

During the financial period, the Group paid a final dividend for the year ended 30 June 2021 of $7.7 million (31 December 2020: $34.1 million).

	Amount per security	Franked amount per security
	Cents	**Cents**
Final dividend in relation to year end 30 June 2021	10.5	10.5
Interim dividend in relation to half-year end 31 December 2021	11.0	11.0

Dividend declared and payment dates:

	Declared	Paid
Final dividend in relation to the year ended 30 June 2021	24 August 2021	29 September 2021
Interim dividend in relation to the half-year ended 31 December 2021	22 February 2022	28 March 2022

3 Net tangible liabilities per security

	31 December 2021	31 December 2020
	$000	**$000**
Net tangible liabilities per ordinary security	(0.45)	(0.68)

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

4 Other information

This report is based on the consolidated financial statements which has been reviewed by PricewaterhouseCoopers.

For further explanation of the figures above please refer to the ASX Announcement dated 23 February 2022 on the results for the half-year ended 31 December 2021 and the notes to the interim consolidated financial statements.

Universal Store Holdings Limited
ABN 94 628 836 484
Interim Consolidated Financial Report
for the Half-year Ended
31 December 2021

Contents

Directors' report

The Directors submit their report on the consolidated entity consisting of Universal Store Holdings Limited (the "Company") and its controlled entities (the "Group") for the half-year ended 31 December 2021.

Directors

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

Peter Birtles	
Alice Barbery	
Srdjan Dangubic	(Resigned: 31 December 2021)
Kaylene Gaffney	
David MacLean	
Trent Peterson	
Renee Gamble	(Appointed: 1 December 2021)

Principal activity

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

There were no significant changes in the nature of this activity during the period.

Dividends

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 was $7.7 million paid on 29 September 2021 (31 December 2020: $34.1 million).

On 22 February 2022, the Directors recommended an interim dividend for the half-year ended 31 December 2021 of $8.1 million to be paid on 28 March 2022.

Review of operations

The net profit from ordinary activities after tax of the Group for the half-year 31 December 2021 was $13.5 million (31 December 2020: $15.8 million).

	6 months to 31 December 2021	6 months to 31 December 2020	Change
	$000	$000	%
Revenue from contracts with customers	108,278	117,986	(8.2)%
Other income	-	2	(100.0)%
Expenses	(76,547)	(81,746)	(6.4)%
EBITDA[1]	**31,731**	**36,242**	**(12.4)%**
Depreciation, amortisation and impairment expense	(11,841)	(11,517)	2.8%
EBIT[2]	**19,890**	**24,725**	**(19.6)%**
Finance costs	(1,317)	(2,362)	(44.2)%
Finance income	34	797	(95.7)%
Profit before tax	**18,607**	**23,160**	**(19.7)%**
Income tax expense	(5,116)	(7,331)	(30.2)%
Profit after tax	**13,491**	**15,829**	**(14.8)%**

Directors' report (continued)

Review of operations (continued)

	6 months to 31 December 2021	6 months to 31 December 2020	Change
	$000	$000	%
Reconciliation to underlying EBIT			
EBIT	19,890	24,725	(19.6)%
Management Equity Plan (MEP) share expense	-	561	(100.0)%
Transaction costs associated with IPO	-	6,697	(100.0)%
Incremental standalone public company costs	-	(360)	(100.0)%
AASB 16 adjustments	(604)	(478)	26.4%
Underlying EBIT	**19,286**	**31,145**	**(38.1)%**
Underlying EBIT margin	17.8%	26.4%	(8.6)%

	6 months to 31 December 2021	6 months to 31 December 2020
	Cents	Cents
Basic earnings per share	20.1	27.0
Diluted earnings per share	18.9	25.0

[1] Earnings before interest, tax, depreciation and amortisation (EBITDA)
[2] Earnings before interest and tax (EBIT)

Retail

Total sales decreased to $108.3 million in H1 FY22, a decrease of 8.2% on the prior period. Group like for like sales (LFL) were down 2.2% (stores down 10.8% and online growth up 52.5%). The online channel delivered $20.9 million of sales contributing 19.3% of total sales. Underlying EBIT of $19.3 million is down on prior period by 38.1%.

The past six months of trade has seen significant business disruptions arising from the government mandated store closures. The store closures in NSW, VIC and the ACT resulted in 3,192 lost trading days in the half (equating to 25.5% of potential trading days).

Further, in the later part of the first half, with the increased prevalence and concerns about the Omicron variant of COVID-19, there was lower foot traffic levels in stores, and more aversion at a customer level to shopping in centres and attending events. There were also increases in the level of staffing changes needed to respond to cases and close contacts within our teams.

Given the above mentioned circumstances, we are satisfied with the overall result delivered, particularly having regard to the fact that we continue to cycle exceptional LFL sales growth compared to FY21. Total sales for the period remain more than 10% ahead of H1 FY20, which was unaffected by COVID-19 and had no associated store closures.

Our performance continues to demonstrate the strength of our offering and demand from customers when our stores are open, and customers feel safe to visit shops. We have also continued to make substantial progress in executing against our strategic priorities.

Our online channel continues to grow strongly, delivering sales growth of +52.5% over the H1 period, despite cycling +126.0% growth in the prior corresponding period. With increased investment into digital marketing and our omni channel model means that when demand in our physical stores is hampered as a result of COVID-19 and government restrictions, we see a level of diversion of this demand to our online channel, and vice versa as restrictions and customers concerns dissipate.

Gross profit margin excluding delivery remains strong up 0.6% to 60.3% versus 59.7% in H1 FY21, despite increased markdowns from mandated store closures in Q1 of FY22. Higher freight costs associated with online will see the reported net gross profit margin decline year on year by 0.4%.

Directors' report (continued)

Review of operations (continued)

Strong cash flow and balance sheet

Cash in bank at the half remains strong at $48.8 million, with net cash of $33.8 million (net of $14.9 million bank debt (refer to Note 10)).

Inventory levels have been controlled in line with demand and aged inventory remains at normal levels. We continue to be committed to our disciplined pricing and promotional strategy to protect brand, margin, and customer trust.

Store growth

The Group currently has 76 physical stores, with 73 Universal Stores and three Perfect Stranger stores. Universal Store brand is targeting a network of 100+ sites across Australia and New Zealand with Perfect Stranger stores being incremental to this target.

Nine new stores were opened in H1 FY22, comprising seven new Universal Store sites and two Perfect Stranger sites, with most of these new stores opened late November/December 2021. Further new store opportunities are currently being evaluated.

We are encouraged by the results being delivered by the Perfect Stranger trial stores. This trial is progressing well.

Supply chain

We have not experienced significant disruption to operations arising from COVID-19 with shipping/container challenges now factored into our modelling and forecasting.

Construction of our new distribution facility and Support Office is currently underway to ensure we have the capacity and flexibility to support future business growth. The project will be funded by the operating cash flows of the business.

Significant changes in the state of affairs

As a result of the COVID-19 pandemic, state governments have ordered lockdowns which have resulted in disruptions to trade. 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.

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

Significant events after the reporting date

On 22 February 2022, the Directors recommended an interim dividend for the half-year ended 31 December 2021 of $8.1 million to be paid on 28 March 2022.

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

Rounding

The amounts contained in the financial report have been 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 the legislative instrument applies.

Directors' report (continued)

Auditor's independence declaration

The Directors have received a declaration from the auditor of Universal Store Holdings Limited. A copy of the auditor’s independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

Signed in accordance with a resolution of the Directors.

Peter Birtles
Non-Executive Director and Chairman
22 February 2022

Auditor’s Independence Declaration

As lead auditor for the review of Universal Store Holdings Limited for the half-year ended 31 December 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 review; and

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

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

Kim Challenor
Partner
PricewaterhouseCoopers

Brisbane
22 February 2022

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Interim consolidated statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2021

	Notes	6 months to 31 December 2021 $000	6 months to 31 December 2020 $000
Revenue from contracts with customers	4	108,278	117,986
Materials and consumables used		(46,362)	(50,084)
		61,916	67,902
Other income		-	2
Other losses		-	(64)
Employee benefits expenses		(20,099)	(17,535)
Occupancy expenses		(3,215)	(3,429)
Depreciation, amortisation and impairment expense		(11,841)	(11,517)
Transaction costs associated with IPO	5	-	(6,697)
Marketing expenses		(4,096)	(1,851)
Banking and transaction fees		(21)	(24)
Other expenses		(2,754)	(2,062)
Finance costs		(1,317)	(2,362)
Finance income		34	797
Profit before tax		**18,607**	**23,160**
Income tax expense	6	(5,116)	(7,331)
Profit attributable to owners of Universal Store Holdings Limited		**13,491**	**15,829**
Other comprehensive income		-	-
Total comprehensive income for the period		**13,491**	**15,829**
Basic earnings per share (cents)	15	20.1	27.0
Diluted earnings per share (cents)	15	18.9	25.0

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

Interim consolidated statement of financial position

As at 31 December 2021

	Notes	31 December 2021 $000	30 June 2021 $000
Assets			
Current assets			
Cash and cash equivalents		48,779	33,406
Other receivables		1,815	2,433
Inventories	7	17,151	17,695
Total current assets		67,745	53,534
Non-current assets			
Plant and equipment	8	12,825	9,159
Right-of-use assets	11	50,983	48,776
Goodwill and intangible assets	9	92,879	92,720
Total non-current assets		156,687	150,655
Total assets		**224,432**	**204,189**
Liabilities			
Current liabilities			
Trade and other payables		26,825	16,966
Lease liabilities	11	21,103	19,222
Contract liabilities		2,676	1,188
Provisions		1,903	1,558
Current tax liabilities		2,807	5,121
Total current liabilities		55,314	44,055
Non-current liabilities			
Borrowings	10	14,853	14,797
Lease liabilities	11	37,053	35,769
Provisions		893	828
Deferred tax liabilities		5,265	5,764
Total non-current liabilities		58,064	57,158
Total liabilities		**113,378**	**101,213**
Net assets		**111,054**	**102,976**
Equity			
Contributed equity	12	92,161	92,161
Share-based payment reserve	13	6,554	4,281
Retained earnings		12,339	6,534
Total equity		**111,054**	**102,976**

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

Interim consolidated statement of changes in equity

For the half-year ended 31 December 2021

	Contributed equity (Note 12)	Share-based payment reserve	Retained earnings	Total equity
	$000	$000	$000	$000
At 1 July 2021	**92,161**	**4,281**	**6,534**	**102,976**
Profit for the period	-	-	13,491	13,491
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**13,491**	**13,491**
Transactions with owners in their capacity as owners				
MEP loan repayment	-	2,273	-	2,273
Dividends paid (Note 14)	-	-	(7,686)	(7,686)
At 31 December 2021	**92,161**	**6,554**	**12,339**	**111,054**
At 1 July 2020	**56,252**	**361**	**19,900**	**76,513**
Profit for the period	-	-	15,829	15,829
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**15,829**	**15,829**
Transactions with owners in their capacity as owners				
Contribution of equity (Note 12)	38,353	-	-	38,353
MEP loan repayment	-	4,623	-	4,623
Dividends paid (Note 14)	-	-	(34,076)	(34,076)
Share option recognised	-	561	-	561
Buy-back of ordinary shares	(838)	(1,799)	-	(2,637)
Transaction costs, net of tax	(1,606)	-	-	(1,606)
At 31 December 2020	**92,161**	**3,746**	**1,653**	**97,560**

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

Interim consolidated statement of cash flows

For the half-year ended 31 December 2021

	Notes	6 months to 31 December 2021 $000	6 months to 31 December 2020 $000
Operating activities			
Receipts from customers (inclusive of GST)		122,302	132,956
Payments to suppliers and employees (inclusive of GST)		(77,782)	(80,166)
Interest received		34	47
Interest paid		(1,261)	(2,373)
Income taxes paid		(7,929)	(6,134)
Transaction costs in relation to existing shares		-	(6,697)
Net cash flows from operating activities		**35,364**	**37,633**
Investing activities			
Proceeds from sale of plant and equipment		-	365
Purchase of plant and equipment	8	(5,668)	(1,335)
Purchase of intangible assets	9	(309)	(168)
Net cash flows used in investing activities		**(5,977)**	**(1,138)**
Financing activities			
Proceeds from issues of shares and other equity securities	12	-	38,354
Payment of principal portion of lease liabilities		(8,601)	(8,564)
Proceeds from borrowings		-	14,728
Repayment of borrowings		-	(51,250)
Proceeds from MEP loan repayments		2,273	4,623
Payments for buy-back of ordinary shares		-	(2,637)
Transaction costs with respect to newly issued shares		-	(2,293)
Dividends paid to equity holders of the Parent	14	(7,686)	(34,076)
Net cash flows used in financing activities		**(14,014)**	**(41,115)**
Net increase/(decrease) in cash and cash equivalents		15,373	(4,620)
Cash and cash equivalents at beginning of year		33,406	41,813
Cash and cash equivalents at 31 December		**48,779**	**37,193**

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

Notes to the interim consolidated financial statements

For the half-year ended 31 December 2021

1 Corporate information

The interim condensed consolidated financial statements of Universal Store Holdings Limited (the "Company" or "Parent") and its controlled entities (the "Group") for the half-year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 22 February 2022.

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

The registered office and principal place of business of the Group is Unit 6, 2 Jenner Street, Nundah, QLD 4012.

The nature of the operations and principal activity of the Group are described in the directors' report.

2 Significant accounting policies

2.1 Basis of preparation

These consolidated financial statements for the half-year ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

These consolidated financial statements do not include all the notes of the type normally included in annual financial reports. Accordingly, these consolidated financial statements are to be read in conjunction with the Annual Report for the year ended 30 June 2021 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements requires the Group to make estimates and judgements that affect the application of policies and reported amounts. Uncertainty about these judgements and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. There have been no changes to the Group's significant accounting judgements, estimates, and assumptions since the year ended 30 June 2021.

The amounts contained in the financial report have been 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 Group is an entity to which the legislative instrument applies.

Comparatives have been reclassified where appropriate to ensure consistency and comparability with the current period.

2.2 Changes in accounting policies and disclosures

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. The Group has not adopted any new or amended accounting standards or interpretations that have been issued but are not yet effective.

Agenda Decision - IAS 2 *Inventories* paragraph 28

During June 2021, the IFRS Interpretations Committee concluded that when determining the net realisable value (NRV) of inventories, entities must estimate all costs necessary to make the sale in the ordinary course of business. Entities are required to use judgement to determine which of its costs are necessary to sell inventories.

Management have assessed the agenda decision to not have a material impact on these financial statements.

Notes to the interim consolidated financial statements (continued)

For the half-year ended 31 December 2021

3 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 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.

4 Revenue from contracts with customers

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

	6 months to 31 December 2021	6 months to 31 December 2020
	$000	$000
Total revenue from contracts with customers	**108,278**	**117,986**

5 Transaction costs

	6 months to 31 December 2021	6 months to 31 December 2020
	$000	$000
Transaction costs associated with IPO in relation to initial public offering	**-**	**6,697**

IPO transaction costs net of tax of $nil (31 December 2020: $1.6 million) have been classified as equity as they relate to the issuance of new shares.

Notes to the interim consolidated financial statements (continued)

For the half-year ended 31 December 2021

6 Income tax

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim consolidated statement of profit or loss and other comprehensive income are:

	6 months to 31 December 2021	6 months to 31 December 2020
	$000	$000
Income taxes		
Current income tax expense	5,615	9,937
Prior period adjustment	52	-
Deferred income tax benefit	(551)	(2,606)
Income tax expense recognised in the interim consolidated statement of profit or loss	**5,116**	**7,331**

7 Inventories

	31 December 2021	30 June 2021
	$000	$000
Stock on hand at cost	17,509	18,701
Valuation provision	(358)	(1,006)
Carrying value of inventory	**17,151**	**17,695**

Inventories recognised as an expense during the half-year ended 31 December 2021 amount to $41.4 million (31 December 2020: $45.5 million). Write-downs of inventories to net realisable value recognised as an expense during the half-year ended amounted to $212,000 (31 December 2020: $433,000). These were included in raw materials and consumables used (together with merchant fees and freight).

Notes to the interim consolidated financial statements (continued)

For the half-year ended 31 December 2021

8 Plant and equipment

	Fixtures and fittings	Leasehold improvements	Other equipment	Total
	$000	$000	$000	$000
Cost				
At 1 July 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**
Additions	536	3,719	1,413	5,668
At 31 December 2021	**4,111**	**14,257**	**5,297**	**23,665**
Accumulated depreciation				
At 1 July 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**
Depreciation charge for the period	291	1,376	335	2,002
At 31 December 2021	**1,953**	**6,503**	**2,384**	**10,840**
Net book value				
At 30 June 2021	1,913	5,411	1,835	9,159
At 31 December 2021	**2,158**	**7,754**	**2,913**	**12,825**

Notes to the interim consolidated financial statements (continued)

For the half-year ended 31 December 2021

9 Goodwill and intangible assets

	Goodwill	Brand names	Software	Total
	$000	$000	$000	$000
Cost				
At 1 July 2020	55,516	36,620	733	92,869
Additions	-	-	429	429
Disposals	-	-	(3)	(3)
At 30 June 2021	**55,516**	**36,620**	**1,159**	**93,295**
Additions	-	-	309	309
At 31 December 2021	**55,516**	**36,620**	**1,468**	**93,604**
Accumulated amortisation				
At 1 July 2020	-	-	157	157
Amortisation	-	-	206	206
Impairment	-	212	-	212
At 30 June 2021	**-**	**212**	**363**	**575**
Amortisation	-	-	150	150
At 31 December 2021	**-**	**212**	**513**	**725**
Net book value				
At 30 June 2021	55,516	36,408	796	92,720
At 31 December 2021	**55,516**	**36,408**	**955**	**92,879**

Impairment testing of goodwill

Goodwill was subject to a full annual impairment test as at 30 June 2021. No indicators of impairment were identified that would require a full impairment test to be performed as at 31 December 2021. The annual financial report details the most recent annual impairment tests undertaken for all goodwill. The key assumptions used for the impairment tests are disclosed in the Annual Report.

Notes to the interim consolidated financial statements (continued)

For the half-year ended 31 December 2021

10 Borrowings

	31 December 2021 $000	30 June 2021 $000
Non-current		
Secured		
Bank borrowings (Facility A)*	**14,853**	**14,797**

* The amount includes borrowing costs of $147,239 for the period ended 31 December 2021.

- Facility A for $15.0 million which is repayable in April 2023.
- Facility D a $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 periods and continues to have significant headroom.

11 Leases

(a) Amounts recognised in the interim consolidated statement of financial position

The interim consolidated statement of financial position shows the following amounts relating to right-of-use assets and leases:

	31 December 2021 $000	30 June 2021 $000
Right-of-use-assets	50,983	48,776
Lease liabilities (current)	(21,103)	(19,222)
Lease liabilities (non-current)	(37,053)	(35,769)

Additions to the right-of-use assets during the half-year ended 31 December 2021 were $9.2 million (30 June 2021: $6.1 million).

Notes to the interim consolidated financial statements (continued)

For the half-year ended 31 December 2021

11 Leases (continued)

(b) Amounts recognised in the interim consolidated statement of profit or loss and other comprehensive income

The interim consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	6 months to 31 December 2021	6 months to 31 December 2020
	$000	$000
Depreciation expense of right-of-use assets	9,640	9,584
Interest expense on lease liabilities	1,051	1,182
Expense relating to short-term leases	15	55
Expense relating to variable lease payments not included in lease	3,200	3,073

Total cash outflow for leases for the half-year ended 31 December 2021 was $12.9 million (31 December 2020: $12.9 million).

12 Contributed equity

	31 December 2021	30 June 2021
	$000	$000
Ordinary shares	92,161	92,161

(a) Movement in ordinary shares

	Number of shares '000	$000
At 1 July 2020	**64,222**	**56,252**
Issuance of shares on IPO	10,093	38,353
Buy-back of ordinary shares	(1,119)	(838)
Transaction costs, net of tax	-	(1,606)
At 30 June 2021	**73,196**	**92,161**
At 31 December 2021	**73,196**	**92,161**

(b) 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 and amounts paid on the shares held.

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

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

Notes to the interim consolidated financial statements (continued)

For the half-year ended 31 December 2021

13 Share-based payment reserve

	Share options
	$000
At 1 July 2020	**361**
Share-based payment	561
MEP loan repayment	5,158
Buy-back of ordinary shares	(1,799)
At 30 June 2021	**4,281**
MEP loan repayment	2,273
At 31 December 2021	**6,554**

Nature and purpose of other reserves

The management equity plan reserve is used to record the fair value of the shares attached to the non-recourse loans provided to management.

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

14 Dividends

(a) Ordinary shares

	31 December 2021	31 December 2020
	$000	$000
Final dividend for the year ended 30 June 2021 of 10.5 cents (2020: 54.0 cents) per ordinary share	**7,686**	**34,076**

(b) Franked dividends

The final dividends recommended after 31 December 2021 will be fully franked out of existing franked credits, or out of franking credits arising from the payment of income tax in the period ended 31 December 2021.

	31 December 2021	31 December 2020
	$000	$000
Franking credits available for subsequent reporting periods based on a tax rate of 30.0%	15,625	6,844

The above amounts are calculated from the balance of the franking accounts as at the end of the reporting period, 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 period.

On 22 February 2022, the Directors recommended an interim dividend for the half-year ended 31 December 2021 of $8.1 million to be paid on 28 March 2022.

Notes to the interim consolidated financial statements (continued)

For the half-year ended 31 December 2021

15 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 period.

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 period 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:

	6 months to 31 December 2021	6 months to 31 December 2020
	$000	**$000**
Profit attributable to ordinary equity holders	**13,491**	**15,829**

	6 months to 31 December 2021	6 months to 31 December 2020
Weighted average number of ordinary shares for basic earnings per share	67,085,794	58,665,758
Effect of dilution from:		
MEP shares	4,323,672	4,300,223
Weighted average number of ordinary shares adjusted for the effect of dilution	**71,409,466**	**62,965,981**

	6 months to 31 December 2021	6 months to 31 December 2020
	Cents	**Cents**
Basic earnings per share	20.1	27.0
Diluted earnings per share	18.9	25.0

16 Fair value measurement

Financial assets and liabilities

The carrying amount of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values.

Notes to the interim consolidated financial statements (continued)

For the half-year ended 31 December 2021

17 Commitments and contingencies

Commitments

The Group has signed a 10 year lease with TradeCoast Central Pty Ltd to build and relocate the Group's support office and distribution centre, with an anticipated relocation date of August 2022.

Contingent liabilities

The Group had contingent liabilities at 31 December 2021 in respect of:

(i) Guarantees

The Group has given guarantees in respect of various retail tenancies amounting to $2,779,826 (30 June 2021: $2,855,385).

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.

18 Significant events after the reporting period

On 22 February 2022, the Directors recommended an interim dividend for the half-year ended 31 December 2021 of $8.1 million to be paid on 28 March 2022.

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

Directors' declaration

In accordance with a resolution of the Directors of Universal Store Holdings Limited, I state that:

In the Directors' opinion:

1. the consolidated financial statements and notes of the Group for the half-year ended 31 December 2021:

   (i) give a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date; and

   (ii) comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulation 2001* and other mandatory professional reporting requirements

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

3. 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 half-year ended 31 December 2021.

Peter Birtles
Non-Executive Director and Chairman
22 February 2022

Independent auditor's review report to the members of Universal Store Holdings Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Universal Store Holdings Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Universal Store Holdings Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

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

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

Kim Challenor	Brisbane
Partner	22 February 2022