ANNUAL REPORT 2023

Universal Store

YEAR IN REVIEW

During the year customer behaviours underwent notable shifts, initially demonstrating enthusiasm and increased spending as businesses reopened and footfall grew after the challenges of the COVID-19 pandemic.

As the year progressed, customers adopted a more cautious approach to spending due to mounting cost of living pressures. This change reflects the impact of external factors; with rising rents and interest rates all putting pressure on consumer sentiment.

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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ABOUT US

Universal Store Holdings is a leading Australian youth retailer specialising in premium brand on-trend fashion apparel, shoes, accessories and gifting.

Our team thoughtfully curate a range of local, international and vertically-integrated brands. Working collaboratively, the team develop exclusive styles and collections to offer customers a variety of head-to-toe outfitting options.

Our close-to-market product strategy delivers an evolving product mix based on closed-loop customer feedback to ensure we meet our customers wants and needs.

We welcome a diverse range of customers and aim to help them express their individuality. Customer experience is at our core. Whether visiting one of our stores or connecting online, the UNI team are here to help.

As a fashion retailer, we are committed to helping our team and our customers make more ethical and conscious decisions. The Group strives to constantly improve; aiming for a fairer, more sustainable, and more transparent business.

OUR LANGUAGE

"UNI" or "Group" or "the Company" means Consolidated group parent

"US" means Universal Store/Universal Store business (incl. PS)

"CTC" means THRILLS business and other emerging brands

"PS" means Perfect Stranger retail store format

Universal Store

Universal Store was founded in 1999 and is now a brand aggregator with over 50 Brands, targeting the latest and greatest youth trends. Specialises in outfits for youth gatherings and occasions. 50% of sales derived from private brands and 'sister businesses' (i.e. THRILLS). 77 stores at 30 June 2023.

PERFECT STRANGER

Perfect Stranger was founded in 2014 and is a versatile women's fashion label with its first standalone retail concept opening in 2021. The brand offers a range of on-trend pieces with a point of difference and cohesive collections. Creating a boutique retail experience at an accessible pricepoint. Eight standalone stores at 30 June 2023.

THRILLS

THRILLS was founded in 2013 and has evolved into a culture defining fashion label. Men's and women's casual fashion with collections carefully curated; high quality garments & vintage inspired pieces with timeless silhouettes. Vibrant wholesale channel with premium retail partners (including Universal Store). Emerging concept with ten standalone stores at 30 June 2023.

PERFECT STRANGER EXPANDED FROM 3 STORES TO 8 STORES AND CONTINUES TO PERFORM WELL WITH EXPANSION PLANS CONTINUING

ACQUISITION OF CTC (THRILLS) COMPLETED ON 31 OCTOBER 2022. CTC CONTINUES TO PERFORM STRONGLY AND IS SETTLING INTO THE GROUP WELL

UNIVERSAL STORE SUCCESSFULLY TRANSITIONED INTO NEW DISTRIBUTION CENTRE AND SUPPORT OFFICE (LATE SEPTEMBER 2022), PROVIDING IMPROVED SYSTEMS AND CAPABILITIES, ENABLING ENHANCED CUSTOMER SERVICE

PRIORITIES & PERFORMANCE UPDATE

NEW STORE ROLLOUT

FY23

- Group: Eight new stores opened in FY23, totalling 95 stores, including ten acquired THRILLS stores
- US: Three new stores opened in FY23 and two delayed to Q1 FY24
- PS: Five new stores opened with a further five to eight openings planned for FY24
- CTC: Ten THRILLS stores acquired on 31 October 2022

FY24

- **PS to grow by five to eight stores**
- **Plan to trial a new larger store format for THRILLS to prove concept before progressing with broader store footprint rollout**
- **Universal Store remains core with plans for a "capital light" refurbishment of ~10-20 stores, as well as seeking new stores in NSW and VIC ~four to six shops targeted**

DIGITAL GROWTH

FY23

- Online represented 14.1% of total sales in FY23 (up from 8.8% in FY20)
- Continue to scale digital and eCommerce launching Store to door nationally
- Improved speed and delivery options with delivery pricing review
- PS website exceeding $1 million+ pa run rate target in FY23. Further enhancements and customer acquisition strategy in progress
- Grew our Customer data platform and developed actionable insights leading to more efficient marketing term due to size/location and retention

FY24

- **Further enhance system architecture with upgrades to eCommerce to create seamless experiences between physical and digital retail**
- **Scale PerfectStranger.com.au – continue to build brand awareness, revenue and customer value through digital channel**
- **Retail Personalisation Strategy – continue Personalisation and CDP Strategy rollout to empower stores with personalised information and recommendations**
- **Enhanced customer experience (CX): redefine CX value interaction based on learnings from enhanced data capabilities with the view to maximise margin and consistently**

CUSTOMER

FY23

- Average LFL store growth over last four years is ~9.4%[1]
- Continued to expand market share through superior customer service, inspirational stores and curated brands
- Further developed our Customer Data Platform and re-platform our website to further enhance the customer experience
- Maintained our customer-led and complimentary private brand strategy, with particular focus on PS target customer

FY24

- **Remain agile and accommodate diverse customer budgets**
- **National rollout of "Right Team Right Time" (RTRT) to ensure we have our teams rostered on the right hour of each day, to help with customer service and sales conversion**
- **Introduce "capital light" a store refresh program to enhance tired looking Universal stores**
- **"Back to Basics" with enhanced team training focused on customer selling and service skills**
- **Maintained and enhance our customer-led and complimentary private brand strategy**
- **Build and execute the THRILLS retail customer proposition**

1 LFL (like-for-like) sales in FY23 exclude the CTC business and are calculated daily (Mon 27th Jun to Sun 2nd Jul), excluding closed stores from the day of closure and new stores until they have completed the first three weeks of operation. Stores that were closed during the COVID-19 pandemic are also excluded from LFL sales calculations for relevant periods.

> **CUSTOMER CENTRIC DIGITAL STRATEGY DELIVERS ON MISSION TO MAKE SHOPPING EASIER, MAKE SHOPPING PERSONAL AND MAKE SHOPPING VALUABLE.**

OPTIMISE PRODUCT MIX

FY23

- FY23 product gross margin grew to 59.0% (from 56.6% at FY20)
- Ensured ongoing brand and range curation, injecting fresh new product and brands into offering
- Progressed direct sourcing shift to further improve margins
- Further developed the PS brand and range with two new additions to the team; a dedicated designer and buyer

FY24

- **Maintain fresh and nimble product offer to maintain margins and deliver value**
- **Continue injecting fresh product and brands to enhance regional assortments**
- **Progress diversification of supply chain**
- **Elevate the storytelling aspect of our collections, creating a more engaging and immersive experience for our customers**
- **Continue to shift to preferred and certified raw materials**

PRODUCTIVITY

FY23

- Relocated Office and DC (late September 2022) to a brand new purpose built location
- Implemented our first Warehouse Management System (WMS) into our DC
- Invested and upgraded security to mitigate risk of cyber attacks and hardware malfunctions
- Full Human Capital Management (HCM) system implementation delayed until FY24 to ensure success

FY24

- **Refine our newly-implemented Warehouse Management System (WMS) to drive 20% improvement in fulfillment of customer and store orders with 99.8% accuracy**
- **Progressing to national rollout of Right team, Right time (RTRT) to drive productivity and lift conversion rates in stores**
- **Full Human Capital Management (HCM) system implementation planned for FY24**
- **Execute on IT roadmap, including ongoing upgrade to store network and progress our Enterprise Resource Planning review**

SUSTAINABILITY

FY23

- Set and published our sustainability targets out to 2030
- Established a Sustainability Committee to oversee the implementation of our Sustainability Plan to 2030
- Invested in dedicated resources and internal capability across brands to improve packaging and certification outcomes
- Initiated the "phase out" customer single use plastic bags for reusable totes

FY24

- **Deliver on our sustainability plan and individual initiatives**
- **Support CTC business and build capability through training, product certification reporting systems and supplier engagement**

Further details of our sustainability strategy and actions are set out on pages 20 and 37 of this report.

CHAIRPERSON'S REPORT

Dear Fellow Shareholders,

On behalf of the Board of Directors, I would like to welcome you to the annual report of Universal Store Holdings Limited and its controlled entities for the 2023 financial year.

It has been a pivotal year, in which the Group made several important strategic moves, which position the Group for significant growth in future years. These included the acquisition of Cheap Thrills Cycles (owner of the THRILLS and Worship fashion brands), the ongoing development of the standalone Perfect Stranger retail brand and the move into a more efficient and scalable distribution centre and office facilities.

The Universal Store business continued to perform creditably in an environment in which demand across the apparel sector slowed significantly in the second half of the year, reflecting the broader slowdown in consumer spending. The strength of its flexible business model enabled the management team to ensure that inventory investment remained in line with plan despite the changing demand patterns.

Three new Universal Store and five new Perfect Stranger stores were opened during the year.

Financial Results

Group revenue, at $263.1 million was 26.5% higher than FY22. Underlying group profit after income tax was 21.9% higher than FY22 at $25.6 million. This generated underlying earnings per share of 35.2 cents. Strong management of working capital produced an underlying operating cash flow after capital of $57.2 million ensuring that the Group is in a robust financial position with net cash of $6.6 million (excluding lease liabilities) and liquidity measures in a prudent position. Our Managing Director and Chief Executive Officer (CEO), Alice Barbery will provide further detail on the financial and operating profit of the Group in her report.

$25.6M

underlying NPAT up +21.9% on FY22

Capital Management

The Board is committed to delivering strong returns to shareholders while making the necessary investments to support the delivery of the Group's strategy. The current dividend policy of the Board is to target a payout ratio of 60% to 80% of statutory NPAT, subject to a number of factors outlined in the IPO Prospectus. The solid financial performance of the Group, enabled the Directors to declare a fully franked interim dividend of 14 cents per share and the Directors have declared a final dividend of 8 cents per share. Total FY23 full year dividends of 22 cents per share are 2.3% higher than FY22.

Strategy

The Group operates within the youth casual apparel segment of the broader Australian fashion market and we believe there is significant potential to increase our penetration of this large and fragmented segment. The Group acquired 100% of Cheap Thrills Cycles Pty Limited (CTC) in the first half of the year. CTC is an attractive business with a strong track record of growth and exciting prospects for future expansion. CTC owns a number of youth fashion apparel brands, including THRILLS and Worship. We anticipate continued growth in CTC's wholesale business and that Universal Store will assist CTC to accelerate the growth of its direct-to-consumer business. We have been pleased with the performance of the CTC business since acquisition.

We have also expanded the trial of the standalone Perfect Stranger retail apparel business throughout the year after promising performance from the initial Queensland stores. We believe that Perfect Stranger which originated as a private brand within Universal Store has the potential to provide a differentiated offer targeting the young female customer who has different tastes to a typical Universal Store customer. There are now eight Perfect Stranger stores across Queensland and New South Wales and we anticipate a further five to eight new stores in the next 12 months.

We continue to have strong confidence in the potential of Universal Store to generate significant growth and our strategy focuses on six areas:

1. **Expansion of the physical store network;**
2. **Focus on range differentiation and dynamic curation;**
3. **Delivering superior customer service;**
4. **Developing the online experience and integration with physical stores;**
5. **Sustainability of our product sourcing and supply chain; and**
6. **Productivity of our operations and technology.**

The Group's unique team culture, commitment to its retail formula and focus on execution underpin the successful implementation of our strategy.

“UNIVERSAL STORE CONTINUES TO EXECUTE ON ITS STRATEGIC GROWTH PILLARS WHILST INTEGRATING THE NEWLY ACQUIRED CTC BUSINESS.”

Environmental Social Governance

Universal Store is committed to responsible practices and to playing our part in accelerating the transformation of our industry towards a sustainable future. We have refined our approach to sustainability focusing on four strategic pillars: Tread Lightly, Transparency, Climate Action and Amplify our Actions. We provide a full report on our ESG strategy and initiatives in our Sustainability Report (refer to pages 20 to 37).

Diversity and inclusion is core to the ethos of the Group as regularly showcased in our marketing campaigns. The team comprises 71% women, with 41% senior leadership roles filled by women and the Board of Directors is equally split at 50%.

As a recently listed public company, the Board has adopted an approach of digestible continual improvement to Governance processes across the Group and has focused on the development of the governance of health and safety, cyber security and broader risk management throughout the year. The Group's processes are maturing, and we will continue to focus on these areas in the year ahead.

Remuneration

The Group has developed remuneration policies which are designed to achieve alignment between the implementation of strategy and delivery of sustainable performance and the reward to executive directors and senior leadership. Details of the arrangements are set out in the Remuneration report which is on pages 50 to 64.

During the year, the Board reviewed the LTI arrangements in place in the Group and established a new LTI layer with a particular emphasis on the retention of our highest performing leaders and deepening alignment towards outcomes which we believe drive long term shareholder value. Details of the new plan are set out in the Remuneration Report.

Conclusion

The downturn in consumer demand coupled with the impact of higher inflation on the cost of doing business will lead to challenging conditions in the year ahead. However, new store rollout and continued range development in our Universal Store business coupled with the substantial opportunities for growth in the Perfect Stranger and CTC businesses will generate the potential for a significant increase in the value of the Group over the medium to long term. Importantly we have the flexible business model, robust balance sheet, strong leadership and team culture that will enable the Group to tackle the short-term challenges and deliver long-term growth.

Finally, I would like to thank Alice Barbery, the Senior Leadership Team and the whole Universal Store team for their contribution during such a significant year. They have much to be proud of.

Peter Birtles
Chairperson

CEO'S REPORT

Dear Shareholders,

I am delighted to present the 2023 full year results for Universal Store, a year in which we delivered a very pleasing 23.8% underlying EBIT growth. FY23 brought unique challenges and opportunities as we transitioned from a COVID-19 impacted business climate to a dynamic economic landscape unlike anything we have experienced. Reflecting on the past year, we can aptly describe it as a "game of two halves", signifying the shifting tides we faced.

Consumer Landscape

Exiting COVID-19, we witnessed a surge in consumer enthusiasm as socialising and footfall in our stores increased to pleasing levels. However, as the year progressed, escalating cost of living pressures caused consumers to adopt a more cautious approach, prioritising essential items such as food, housing, and utilities. The historically sheltered youth fashion consumer faced the impact of relentless interest rate hikes, resulting in significantly inflated rental costs. Coupled with concerns about student loan debt tied to CPI, this shift in cost dynamics led to a more discerning and cautious approach to shopping.

Agility and Responsiveness

At Universal Store, we honed our adaptability and responsiveness to cater to our customers' ever-changing tastes and needs. With a focused effort on managing stock close to market, we can swiftly adjust our Group strategies. Our recent market research has provided deeper insights into shifting customer preference, empowering us to make well-informed decisions to retain our customer's trust.

CTC

During the year we acquired the CTC business and are pleased with this strategic decision and the results to date. The THRILLS brand remains highly sought after, reaffirming this popularity. Furthermore, the emerging 'Worship' brand has surpassed expectations, gaining traction among customers and retail partners alike. CTC commenced a collaboration with Hard Yakka which continues to evolve and attract a new customer.
The team also recently introduced a new brand 'Nu Feelings', aiming to appeal to a broader spectrum of customers. The initial outcomes have been promising and encouraging. Key roles are being filled as we work towards delivering a compelling retail offering and investing in people and process to support the growth of powerful brands in both wholesale and retail markets.

Perfect Stranger Performance

Our Perfect Stranger standalone stores continue to impress, and we are planning to open a further five to eight stores in FY24. Investment in dedicated product resources for the brand will expand the range and enable us to respond effectively to nuanced trends and local market demands. The micro-allocation skills honed within the Universal Store merchandising team is an asset for all company owned brands.

“OUR RECENT MARKET RESEARCH HAS PROVIDED DEEPER INSIGHTS INTO SHIFTING CUSTOMER PREFERENCE, EMPOWERING US TO MAKE WELL-INFORMED DECISIONS TO RETAIN OUR CUSTOMER’S TRUST.”

Planning to open a further

5-8

Perfect Stranger Stores in FY24

Commitment to Sustainability

Our commitment to sustainability remains resolute, as we strive to make the world a more welcoming and sustainable place, one interaction at a time. We have increased in-house dedicated resources to improve certification and packaging compliance. We have established a Sustainability Committee to drive the sustainability plan across departments.

Driving Productivity

Recognising the criticality of managing the Cost of Doing Business (CODB) for a healthy and sustainable business, we have implemented the Warehouse Management System (WMS) and embraced other cost efficiencies across all areas of the business.

Digital Growth

Our digital team has showcased remarkable resilience, successfully bringing the online business back to growth post COVID-19 disruptions. We continue to witness regular comparative gains on a weekly basis from the online stores.

FY23 was indeed a game of two halves, and I am proud of our teams ability to navigate though the challenges and emerge with a clean stock position and a clear plan for growth. Our dedicated team remains committed to our strategic priorities and approaches each challenge with a positive mindset and enthusiasm for staying close to our customer to deliver best in class results.

I extend my gratitude to our shareholders for your support. Together, we will continue to make strides toward making the world a more welcoming and sustainable place, one happy customer at a time.

Ali Barby

Alice Barbery
Managing Director/Chief Executive Officer

GROWING WITH PURPOSE

Our product strategy continues to evolve as we deliver differentiated ranges which address the unique needs and preferences of each of our target markets. Through Universal Store, Perfect Stranger and THRILLS, we aim to tailor our ranges to resonate with the distinct characteristics of each customer segment.

Our goal is to elevate the storytelling aspect of our collections, creating a more engaging and immersive experience for our customers. Encouraging individuality and diversity, we aim to strengthen our brand connection with consumers.

Core buying principles remain unchanged:

- ✓ **Customer led**
- ✓ **Nimble, Fast to market**
- ✓ **Differentiation**
- ✓ **Premium brands with high perceived value**

Universal Store

- Continue injecting fresh brands and products to enhance regional assortments
- Continue to expand retail footprint and omni-channel excellence
- Drive productivity and continue to provide superior customer service
- Continue our personalisation and customer database platform strategy rollout to empower store teams with personalised customer information and recommendations

PERFECT STRANGER

- Establish and embed dedicated teams to curate captivating collections, elevate our storytelling through marketing, and create compelling visual displays
- Elevate and differentiate to broaden our target customer base
- Continue national store rollout
- Continue to scale online channel

THRILLS

- Continue to deepen preferred relationships with premium retail partners
- Enhance assortments to retail partners whilst driving a clear proposition for each brand
- Refine and expand direct to customer channels, clearly showcasing the brands exclusive collections and assortments in our own THRILLS stores that are not found in other partner locations
- Design closer to market

"WE ARE FOCUSED ON MAKING OUR COLLECTIONS COME ALIVE AND CONNECT DEEPLY WITH OUR TARGET MARKETS. BY CELEBRATING UNIQUENESS AND TELLING COMPELLING STORIES, WE AIM TO BUILD STRONG, LONG-LASTING RELATIONSHIPS WITH OUR CUSTOMERS."

PERFECT STRANGER UPDATE

Pleasing Perfect Stranger performance to date as we continue the national store rollout, with sales of $8.9 million up $5.8 million on prior period. Eight stores as at 30th June 2023 (six in QLD and two in NSW), with a further two to open in NSW Q1 FY24 (Miranda & Eastgardens). We continue to be winning new customers not shopping in US stores with little to no cannibalisation of nearby US store locations observed.

The PS customer is shopping for dressier occasions and seeking more feminine looks for casual events than observed at US stores. To address this demand, Universal Store has recently invested in a dedicated PS designer and buyer, identifying further opportunities to enhance the range and offer. The specific objectives are:

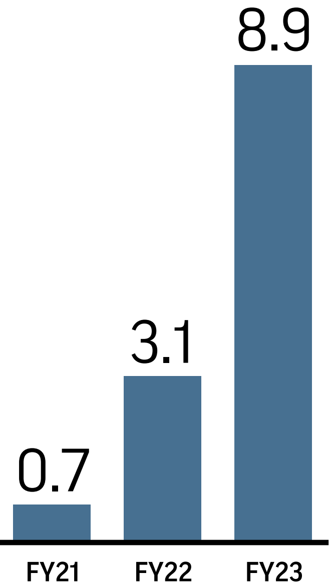
1. Target the gap between high-end labels and fast fashion, delivering quality on-trend fashion at accessible price points.
2. Provide rapid on-trend collections utilising detailed knowledge of customer demands to offer 'on-point' products and range differentiation.
3. Work closely with store teams to enhance storytelling techniques and create visually appealing window campaigns to attract new customers, generate buzz, and strengthen the brand's connection with target customers.

Further refinement of the fit out has increased product depth and reduced costs to <$200 thousand net of landlord contribution.

PS Online achieves a weekly run rate surpassing $1 million annually, with strategic emphasis now on scaling and building brand awareness.

Store profit contributions are strong, greater than the average Universal Store, whilst lower sqm and topline revenue, but higher gross profit results.

REVENUE (A$ MILLION)

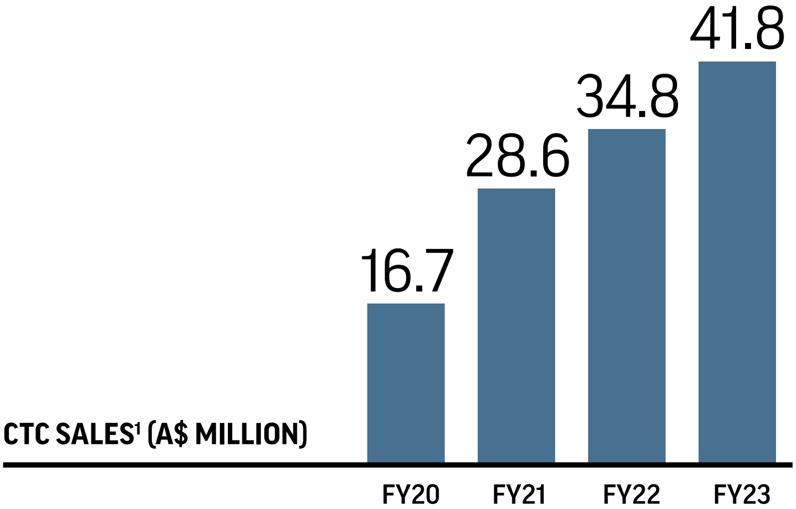


CTC PERFORMANCE UPDATE

FY23 revenue of

$41.8M

up +20.1% on FY22



CTC achieved $41.8 million in sales, showing the sustained sell through and consistent demand for the brands (including from Universal Store).

The THRILLS brand continues to be highly sought after by consumers, reaffirming their popularity. The collaboration with Hard Yakka continues to evolve, yielding positive results and contributing to our overall success.

The emerging 'Worship' brand has continued to meet expectations, showcasing its appeal amongst both male and female consumers.

The recent introduction of new brand, 'Nu Feelings' has already shown promising results whilst early days.

THRILLS retail channel experiencing strong growth of +107.1%. Enhancing the execution and capabilities of the existing retail channel is a key focus whilst redesigning and trailing the 'store of the future' in a larger footprint high traffic location will be critical to ensure sustainable growth and expansion of this channel.

Inventory levels appropriately balanced at $4.0 million[1], having regard to forward orders, and direct to customer demand. USA remains small, although growing strongly (<5% total CTC sales).

In FY23 the business invested into new roles and people as well as a larger warehouse space to support future growth. The team has integrated well into the UNI Group.

Brand	FY23 sales ($m)	YOY% growth
THRILLS	36.1	+7.3%
Worship	5.5	+446.8%
Other	0.2	(21.3%)
Total	**41.8**	**+20.1%**

1 Pro-forma unaudited CTC management accounts and excludes intercompany eliminations for partial UNI ownership period (31 October 2022 – 30 June 2023).

PEOPLE & CULTURE

STORE OPERATIONS UNIVERSAL STORE

During the fourth quarter of FY23, we conducted a trial called "Right Team Right Time" (RTRT) in a number of stores. The goal of this initiative was to optimise team rosters, ensuring that the right team are scheduled during peak hours to enhance customer service and conversion rates. The trial proved successful, leading to improvements in AWS (average weekly sales) and customer conversion rates. As a result, we are moving forward with a national rollout of the RTRT program in FY24.

Throughout FY23, we held national training roadshows with a "Back to Basics" theme. Our CEO and Head of Operations spent a week in each state collaborating with Universal Store managers to enhance team training, with a particular focus on customer-oriented selling and service skills along with team leadership techniques.

During the year, we invested further in Perfect Stranger team to support the retail concept as it matures and grows. We have created two leadership positions in Queensland and New South Wales to support the stores and team members effectively.

Our store operations team successfully opened five new stores during FY23, contributing to our brand's expansion and growth.

MEET JOSH, ASH & EMILY

Starting as a store team member, Josh channelled his passion for fashion into work. His proactive creation of a denim guide caught the buying team's eye, leading to a transition to the product team. His evolving skills in design and product development led to his role as Senior Designer, helping to shape the company's products.

Beginning in store visual merchandising, Ashleigh's creativity and leadership skills stood out and provided her with many career opportunities in our store network. Transitioning to an office role, her grasp of store operations and her studies in HR eventually led her to a role as a Corporate Safety and Wellbeing Officer, overseeing the organisation's health and safety.

Emily's retail journey started as a store team member, revealing her eye for detail and customer understanding. Her quick rise through the ranks showcased her knack for customer preferences and strategic merchandising. This led to her current role as Senior Product Merchandiser where she leads a team to ensure the company's inventory is strategically placed, and aligned with customer demand.

STORE OPERATIONS CTC

In FY24, the THRILLS retail channel will focus on three key initiatives:

1

THRILLS CUSTOMER PROPOSITION

The primary goal is to build and execute the THRILLS retail customer proposition. This entails creating a compelling and differentiated offering for customers that aligns with the brand's identity and values.

2

BUILD CAPABILITY IN STORE OPERATIONS

CTC will invest in developing the capability of its store operational team. This includes providing training, tools, and resources necessary for the team to excel in their roles, deliver exceptional customer service, and effectively implement the newly designed customer proposition.

3

NEW CONCEPT STORE DESIGN

CTC is crafting a new concept store design that reflects the essence of the brand, showcasing its products in a larger footprint store. The new store design will aim to create an immersive and distinctive environment, appealing to existing customers while also attracting potential new customers to experience the brand.

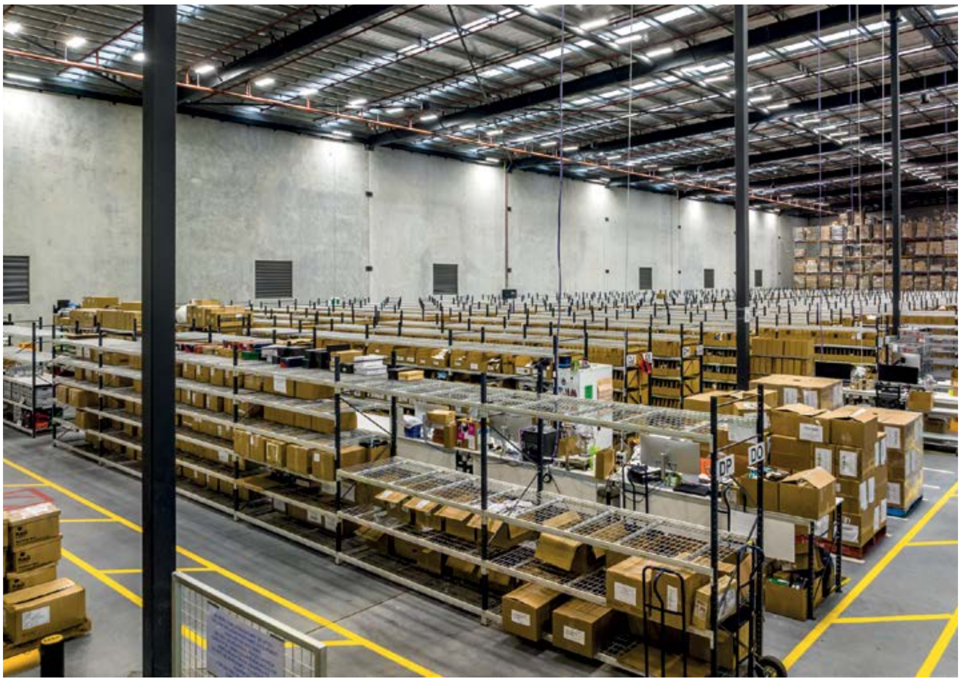
SUPPORT OFFICE & DC MOVE

During the year Universal Store successfully transitioned to a new purpose-built distribution centre and support office.

We developed a workplace and technology strategy to support our culture and future-proof our workspace.

Universal Store's vision and key objectives for the move centred around:

- ✓ **Showcasing the Universal Store brand**
- ✓ **Supporting our people and how we work**
- ✓ **Social connection and culture – One Team**
- ✓ **An inclusive workplace that supports sustainability and wellbeing**
- ✓ **Effortless and fit-for-purpose technology**
- ✓ **A future-proof workspace**



Results post move have seen our team's overall satisfaction score move to 8.1 into a world class category[1]. Some headline results from this survey were:

- 95% of respondents were happy or very happy about the workplace transformation;
- 3 top things people enjoyed most about going into the new office are "face to face collaboration", "in person time with my team" and "socialisation and 'buzz' in the office".

The implementation of the new Distribution Centre (DC) has been a game-changer for our business. With the introduction of the Warehouse Management System (WMS) and the additional space, we have experienced significant improvements in our operations. Notably, our pick accuracy has increased to an impressive 99.8% and beyond. This enhanced accuracy ensures that our customers receive the correct products on time, leading to higher customer satisfaction and loyalty.

Furthermore, the new DC, coupled with the WMS, has enabled us to drive down the cost per pick. During the year we appointed a General Manager of Logistics, whose contributions have been pivotal in fast-forwarding our operational efficiencies. Investing in experience and superior motivational leadership has played a crucial role in successfully delivering on our efficiency goals and ensuring a smooth and productive operation within the logistics department.

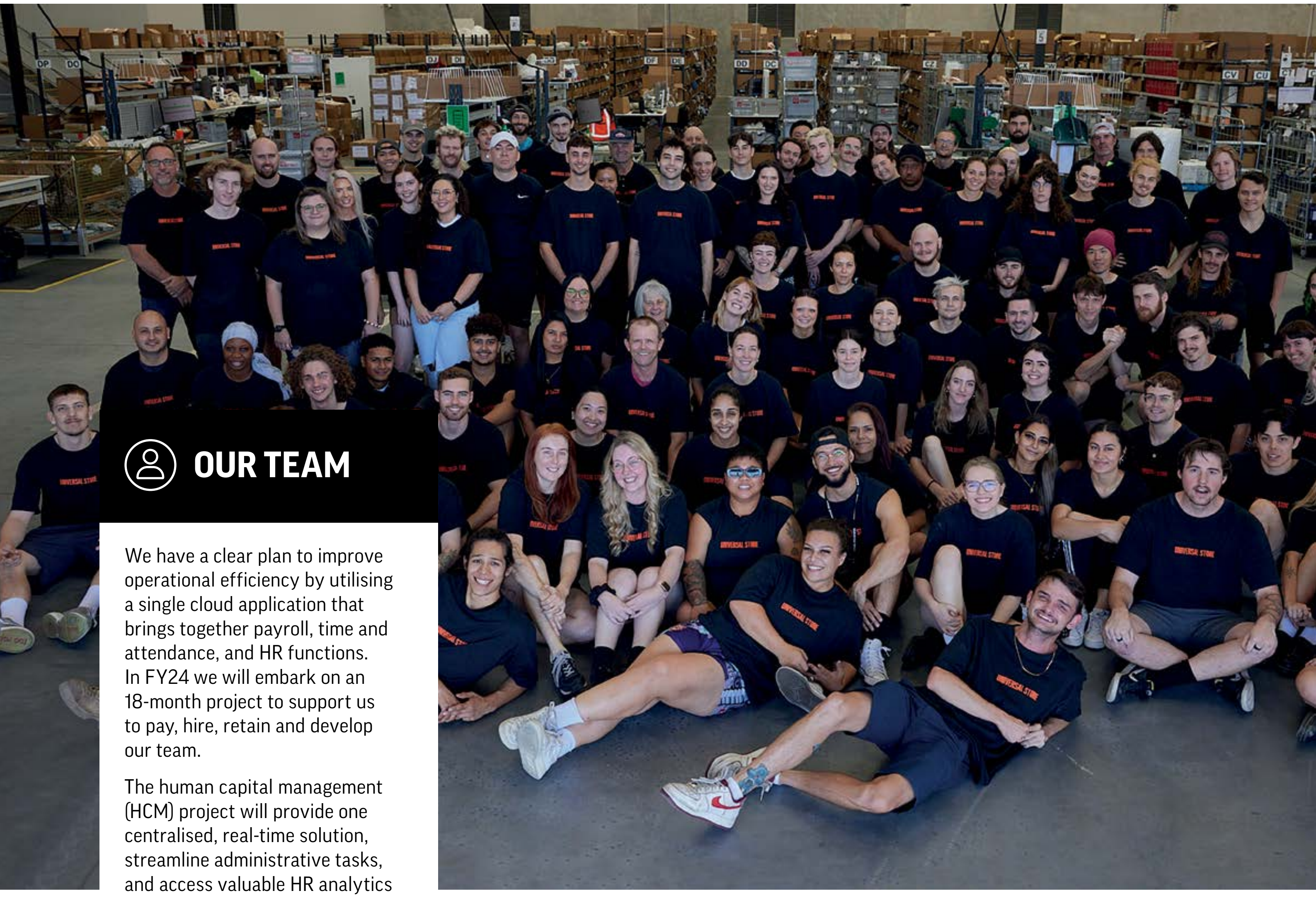
Our DC pick accuracy has now increased to

99.8%

as a result of moving to locations and investing into people and systems

1 Experience Index by Meta5 Group, Universal Store Post-Occupancy Workplace Experience Survey (2023) – Overall workplace satisfaction rating by employees, 3 months after moving into new workplace.

OPERATIONAL IMPROVEMENTS



OUR TEAM

We have a clear plan to improve operational efficiency by utilising a single cloud application that brings together payroll, time and attendance, and HR functions. In FY24 we will embark on an 18-month project to support us to pay, hire, retain and develop our team.

The human capital management (HCM) project will provide one centralised, real-time solution, streamline administrative tasks, and access valuable HR analytics to improve HR efficiency.

Further with talent, eLearning and enhanced communications modules this software will help us attract, engage, and retain top talent and further empower our people.

SUPPORT OFFICE

The Universal Store workplace vision included being connected, collaborative and supporting our people. As a result, kitchen and breakout spaces were moved to windows areas for access to natural light and increased in size, to support wellbeing and double as alternative workspace settings.

Offices were removed, meeting spaces were right-sized and quiet and focus rooms were added, to support our new way of working and functional requirements.

Seas of desks were split into smaller groups, of maximum 8 desks per pod, and informal drop-in spaces were used to break-up the workspace with added acoustic elements to help absorb and break-up noise in the open workspace.

INFORMATION TECHNOLOGY

Over the past two years, our IT team has diligently developed and enhanced our systems, security, and equipment to minimize risks and downtime in our Stores, DC, and Office. With the successful completion of this initial phase, we are now turning our focus to the "store of the future." As part of this vision, we aim to implement a new Point of Sale (POS) and inventory system that will support our stores' evolving needs.

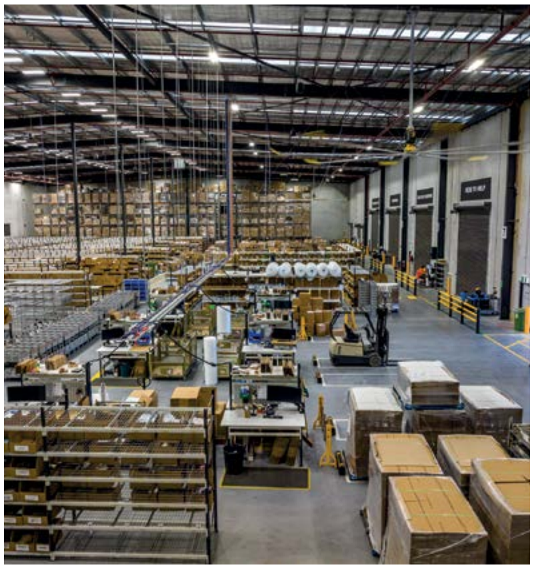
In FY24, we will embark on a cost-effective migration of our inventory to a new platform, and we are currently in the process of carefully evaluating suitable POS solutions. Once the scoping phase is complete, we will seamlessly integrate the chosen POS system into our operations at the opportune moment. This strategic upgrade of our core Enterprise Resource Planning (ERP) functions will not only streamline and optimise backend processes but also enable us to adapt more effectively to the dynamic retail landscape, ultimately delivering an enhanced shopping experience to customers.

OPERATIONAL EFFICIENCIES

In FY24 our focus remains on productivity, and we have a number of initiatives in progress to reduce non-value activities in stores and the DC that will result in labour savings. These include:

- Advanced shipping notice. Now that our DC is consistently delivering stock accuracy of above 99.8% we can allow store teams to scan stock in and immediately refill the shop with the confidence stock delivered is accurate. We plan to launch pre-Christmas.
- Exploring options to improve security of high value product with less manual labour usage in stores.
- Improving our DC pick rate by +20%. In the DC we have trialled several new picking methods to service online customers and stores which will result in significant cost savings in FY24.
- Further refinement of the warehouse management system (WMS) continues to ensure we drive the cost per unit downwards to offset annual remuneration increases.
- Enhancing our product range to offer greater value and accommodate diverse customer budgets with various price points.
- Trialled Right Team Right Time in Q4 FY23, this initiative was to ensure we have our teams rostered on at the right hour of each day, to help with service and conversion. Post trial, we have seen improvements in average weekly sales and customer conversions. We are now progressing towards a national rollout.
- Continuing "Back to Basics" team training focused on customer service and selling techniques.

"ENHANCING OUR PRODUCTIVITY AND COST EFFICIENCY IS A TOP PRIORITY, WITH A MULTITUDE OF INITIATIVES IN PLAN TO DELIVER BOTH SHORT TERM AND LONG TERM BENEFITS."



SUSTAINABILITY

“

WE ACKNOWLEDGE TENSION EXISTS BETWEEN THE TRADITIONAL FASHION MODEL AND THE SYSTEMIC CHANGES REQUIRED TO ACHIEVE A TRANSITION TOWARDS SUSTAINABLE FASHION.

ALICE BARBERY, CEO

”

For Universal Store, FY23 has been a year of consolidating our approach to sustainability and researching strategies to determine our role as a fashion leader in the Australian market. We continue working towards our sustainability targets. Our journey towards a sustainable future continues. No matter what progress is made, we embrace the reality that there will always be more to do. As with other aspects of business operations, it is incumbent upon us to passionately drive continuous improvement and initiate required step changes.

Our business recognises the diverse impacts we have on the community and environment. We are also witnessing significant shifts that are impacting our industry. The topic of sustainability holds immense importance for our customers, team members, brand partners and investors. We understand there may be tensions between the traditional fashion model and the systematic changes needed to achieve a transition towards sustainable fashion. Throughout FY23, we have focused on enhancing our understanding of these changes, measuring impacts, strengthening our governance processes, and integrating sustainability further into our operations. Moreover, we have fostered collaborative relationships with our suppliers to encourage and support improvements in their practices.

Our Approach

This report is Universal Store's second sustainability report providing a summary of our sustainability approach, initiatives, and progress in line with our four strategic pillars: Tread Lightly, Transparency, Climate Action, and Amplify our Actions. All performance information presented in this report relates to Universal Store only. Cheap Thrills Cycles sustainability data will be progressively integrated during FY24.

Universal Store is committed to responsible practices and we must play our part in accelerating the transformation of our industry towards a sustainable future. We understand that the expectations of our stakeholders in regards to our social and environmental impacts are increasing; we are accelerating efforts to meet these expectations, reduce risks and pursue opportunities. This year, our sustainability targets were refined and a Sustainability Plan to 2030 launched to document initiatives to meet our commitments and targets.

Our goal is to grow our business in a way that reduces environmental impacts, supports fair employment practices in our supply chain, promotes climate action and engages our community on responsible consumption.

TREAD LIGHTLY

TREAD LIGHTLY

Reduce our impact.
Preserve our resources.
Restore the planet.

Our Tread Lightly pillar – for the product design and sourcing teams aims to reduce the environmental impact of garment production, make responsible fibre choices with consideration for durability and recyclability. More widely, Universal Store also aims to reduce the environmental impact of our operations and use virgin resources mindfully to reduce waste and increase the recycling of valuable materials.

- **Worked closely with brand partners on sustainable packaging practices**
- **APCO first Annual Report status 'Advanced', first Action Plan submitted**
- **Initiated the phase out of customer single use plastic bags for reusable totes**
- **Developed a new process to verify product green claims and certification**

TREAD LIGHTLY PRODUCT DESIGN AND SOURCING

PROGRESS AGAINST OUR TARGETS

1 **Procure at least 50% of cotton from certified sources by 2025.**

FY23 (baseline) performance

6.5%

2 **Procure at least 50% of polyester from certified recycled sources by 2025.**

FY23 (baseline) performance

0.5%

In our initial year of measurement, we have begun setting expectations with our suppliers regarding certification and implemented new processes to verify preferred fibre claims. While initial results have been relatively low, we are confident that in FY24, these numbers will improve significantly as our efforts expand and our processes become more integrated into supplier relationships. We are committed to scaling our sustainability initiatives and working closely with our suppliers to drive positive change.

FIBRE CONSUMPTION

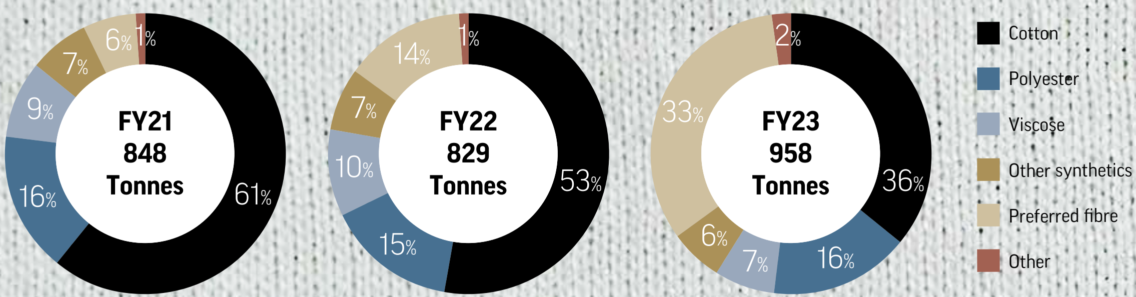
An essential component of Universal Store sustainability strategy is to invest in alternatives to conventional fibre materials in our apparel range. In 2023, we have continued to measure our fibre consumption based on the fibre composition of our assortment and used this data to understand our most used fibres. We found that cotton continues to be our most used fibre making up over half of our products, with polyester and viscose as second and third most used fibres.

Industry research (Mc Kinsey Fashion on Climate, 2020) established that over 70% of fashion's emissions are linked to upstream activities such as raw material production, yarn and fabric preparation, and processing. Transitioning from conventional to preferred fibres provides an opportunity to reduce the industry's carbon footprint and to mitigate some of the environmental impacts connected to raw material choices.

Universal Store has set targets on the use of certified cotton and recycled polyester by 2025, and our teams have translated these into category or brand level objectives. Our focus is to continue switching to preferred cotton fibres, as well as recycled polyester and more environmentally friendly man-made cellulosic fibres (better viscose).

> **"WE ARE EXCITED TO SEE ENCOURAGING POSITIVE TRENDS FROM THE CHOICE OF FIBRES IN PRODUCT DESIGN: IN TWO YEARS SINCE THE LAUNCH OF OUR PREFERRED FIBRE PROGRAMME, OUR USAGE OF PREFERRED FIBRE HAS INCREASED BY 13%. ONE IN THREE ITEMS ORDERED AS PART OF SOURCING ACTIVITIES NOW INCLUDES PREFERRED FIBRES IN ITS COMPOSITION."**

FIBRE USE (Total for apparel only excl. shoes, accessories, and gifting)



TREAD LIGHTLY CONT'D

OUR TRANSITION TOWARDS MORE RESPONSIBLE MATERIALS

Preferred fibres

We have developed a tool to capture our extensive research into preferred fibres and facilitate discussions with manufacturing suppliers and brand partners. Our preferred fibre guide categorises fibres from 'Best' to 'Avoid' supporting our team on product design and sourcing decision making.

BEST: Recycled Cotton, Regenerative Cotton, Organic Linen, Organic Ramie, Organic Hemp, TENCEL™ Lyocell, TENCEL™ x REFIBRA™ Lyocell, Recycled Leather.

BETTER: Organic Cotton, Cotton in Conversion, Tencel™ Modal, Lenzing™ Ecovero™, Conventional Linen, Conventional Hemp, Bemberg™ Cupro, Conventional Ramie.

GOOD: Australian Cotton, Better Cotton Initiative (BCI) Cotton, Fair Trade Cotton, FSC certified Viscose or Modal, Recycled Polyester, Recycled Synthetics, Wool, Feather and Down.

USE LESS: Conventional Cotton, Conventional Polyester, Viscose, Polyurethane (PU), Polyvinyl Chloride (PVC), Polyamide (Nylon), Elastane (Spandex). Acrylic, Leather, Silk, Conventional Cupro.

AVOID: Cashmere, Mohair, Fur, Angora or Rabbit hair, materials from wild caught animals.

WHY RECYCLED AND ORGANIC COTTON ARE CONSIDERED 'BEST'.

Organic cotton fibres are grown with less water than traditional cotton and without the use of harmful chemicals. Organic fibres can be substantiated through the Global Organic Textile Standard (GOTS), or the Organic Content Standard (OCS). Recycled fibres avoid the use of virgin fibres, requires less water and energy use than producing virgin fibres and can reduce pollution by diverting waste from landfill. We use the Global Recycled Standard (GRS) and the Recycled Content Standard (RCS) to evidence recycled content in garment composition. Limited supply and additional recycling steps required to produce these fibres typically increase the cost of these preferred raw materials.

Whilst understanding raw materials impacts is significant and a step in the right direction, there are other dimensions of sustainability performance in the production value chain that need to be measured to inform our understanding of the full garment production environmental impacts. Universal Store will continue to research, to measure, and to manage impacts where possible in collaboration with our manufacturing partners and brands.

Chain of Custody and Certification

To be able to substantiate any claims on preferred fibre composition in our products, during 2023 we have developed a Preferred Fibre Certification and Labelling process. This process seeks to associate a certification to evidence and substantiate the preferred fibre claims made on the products. We believe industry certification builds trust from customers, provides necessary transparency to the market, and substantiates claims associated with the textile materials' organic or recycled origin – satisfying regulatory scrutiny into greenwashing. We aim for our Preferred Fibres to be certified through industry certification or trademark verification systems. In the past year, we have engaged our manufacturing suppliers on certification of their facilities and finished products, so we are able to establish chain of custody and obtain certification of finished products.

Whilst we are working in partnership with our manufacturing suppliers to achieve certification of products, it is harder to influence our third-party brands that are at various stages of transitioning to certified preferred materials. We see it as our responsibility to continue to share knowledge and improve practices across the industry and will continue to set clear expectations with all our suppliers regarding certification and product labelling.

3RD PARTY BRANDS AND PRIVATE LABEL PRODUCTS ORDERED WITH PREFERRED FIBRE* IN COMPOSITION

(% procurement) (*counted only when preferred fibre material composition >50% of total composition)

19.4%

H2 FY22

33%

FY23

AS COLOUR CASE STUDY

Organic cotton fibres do not contain Genetically Modified Organisms (GMOs), require less water and chemicals, and deliver soil health benefits during cultivation. This is great, but how do we know organic cotton fibres really end up in our garments? We worked with AS Colour, to launch an exclusive range of organic cotton tees certified to the Global Organic Textile Standard (GOTS).

AS Colour are also committed to increasing the mix of sustainable fibres in their range. We are proud to partner with a brand that shares similar sustainability goals. Through continued collaboration, we can accelerate positive change through considered fashion. With independent certification, AS Colour upholds standards from harvesting of the raw materials to manufacturing and delivers certainty that organic fibres are used in the finished garments. AS Colour products are carried across 100% of our Universal Store outlets.

TREAD LIGHTLY CONT'D

WASTE AND RECYCLING

TREAD LIGHTLY WASTE AND RECYCLING

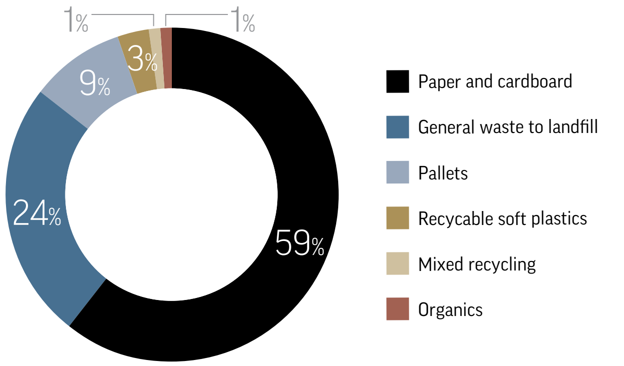
PROGRESS AGAINST OUR TARGETS

3 **Targeting zero waste to landfill from DC operations by 2030.**

FY22
61%

FY23
67%

WASTE AND RECYCLING MATERIALS



Our recycling performance hinges on our adept handling of paper and cardboard materials. In FY23, we dedicated resources to enhance our DC's infrastructure, bolstering our capacity to process cardboard volumes efficiently, especially during peak periods. Despite strides, substantial general waste still reaches landfills. Our ongoing mission is to innovate waste reduction, channelling more eligible materials into recycling streams. We're united in our pursuit, empowering every team member through awareness, information, and training.

4 ***100% of bags and online mailers are reusable, recyclable or compostable by 2025.***

FY22:
NA

FY23:
Customer totes (US – in store) recycled and reusable;

Online satchels (US) recycled and reusable; and

Online satchel (Perfect Stranger) compostable.

APCO membership

As a member of the Australian Packaging Covenant (APCO), Universal Store works alongside other industry members, to meet the 2025 National Waste and Recycling targets. We care about minimising waste across product packaging, distribution packaging and customer packaging. We reported on our packaging performance for the first time and identified further areas of improvement in our *APCO Action Plan*. We continue to encourage and learn from third party brands to make more conscious choices in packaging materials and practices.

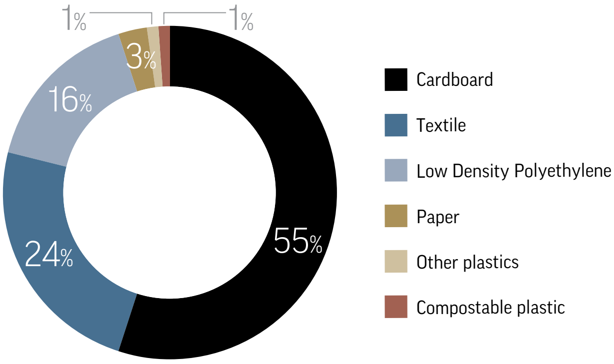
Product Packaging

Universal Store is committed to minimise product packaging waste. We have documented principles to avoid, reduce and transition to better packaging in our Sustainable Packaging Commitment. Our biggest opportunity is to avoid in-coming stock packaging, reuse packaging and invest in recycled content.

CASE STUDY:
CHAMPIONS POLYBAG PROJECT

Polybags are used widely across the industry to individually protect garments during handling, storage, and transportation phases and ensure customers receive fresh and clean products. Polybags contribute to a significant portion of plastic waste for fashion brands. Champion is a key partner brand for Universal Store, so we were excited to learn from their polybag project which removed unnecessary polybags and leveraged existing carton liner packing methods. We used this case study and our own sustainable packaging commitment to share best practices with other third-party brands that are yet to start their sustainable packaging journey.

UNIVERSAL STORE PACKAGING



Customers and Online Packaging

In 2023, we initiated our national phase out of customer single use plastic bags. We are now offering customers the option to purchase a recycled cotton tote bag. The tote bag is sturdy, reusable and certified under the Global Recycled Standard.

Upparel Partnership

Universal Store teams are committed to reduce textile waste ending up in landfill. Our commercial and procurement strategies are designed to optimise the quantity of garments we procure. Universal Store has 3 DFO locations to further liquidate aging stock. To ensure no usable textile resource ends up in landfill, we have partnered with Upparel to process any remaining faulty and damaged stock and recycling the fabrics into new products for the construction industry such as roof tiles, insulation products, or soundproofing panels.

TEXTILES DIVERSION FROM LANDFILL (TONNES):

4.8 tonnes
FY22

3.6 tonnes
FY23

CASE STUDY: E-WASTE

We have partnered with Truis to recycle E-waste that can contain harmful chemicals and components and should stay out of landfill.

eWASTE RECYCLED:

FY22:
728 kg

FY23:
1,261 kg

TRANSPARENCY

Transparency

TRANSPARENCY IN THE SUPPLY CHAIN

Improve working conditions and the lives of workers in our supply chain.

Under our Transparency pillar, Universal Store continues to build close ties with suppliers to achieve transparency, ensure adherence to ethical principles and respect for human rights across our supply chain. Our goal is to ensure ethical practices are the norm, not the exception. We continue to gather information on the environmental impact of clothing production across our supply chain to make better and more informed decisions.

- ✓ **THRILLS acquisition: capability building through training, product certification reporting systems and supplier engagement**
- ✓ **Mapped our Tier 1 supply chain (US & THRILLS) and Tier 2 suppliers (US)**
- ✓ **Collected audit data for 100% of our private label factories**
- ✓ **Ethical Fashion 2022 Report identified Universal Store as one of 'most improved' brands**

TRANSPARENCY POLICIES AND PROCEDURES

PROGRESS AGAINST OUR TARGETS

5 **100% of our manufacturing suppliers endorse our Supplier Code of Conduct by 2022.**

Private label suppliers with endorsed Code of Conduct:

FY22	FY23
100%	**100%**

6 **100% of 3rd party brands endorse our Supplier Code of Conduct by end FY23.**

Third Party brands with endorsed Code of Conduct or equivalent ethical policies:

FY22	FY23
88%	**94%**

Despite great progress in this area, we haven't yet convinced a small number of brands to sign our Code of Conduct within the set timeframe. We will continue to work collaboratively with these brands and determine next steps.

ETHICAL SOURCING POLICY

Universal Store is committed to high ethical and social standards, so we can meet stakeholders' expectations and manage social risks throughout our supply chain. We acknowledge our responsibility to support decent work conditions and foster inclusive and sustained economic development in the countries of production. Our ethical sourcing programme is centred around building strong, lasting, and trusting relationships with our suppliers who own or contract to manufacturing facilities overseas.

In 2023, we have reviewed our Supplier Code of Conduct and extended its application to Cheap Thrills Cycles' suppliers. All our manufacturing partners and third-party brands are required to abide by our Code and follow the 13 key ethical principles in support of worker welfare, human rights environmental protection and ethical best practices. Our Code forms part of our standard commercial terms of trade and is publicly available on our website.

We review international third-party brands' ethical policies to ensure their policies are equivalent and align with the principles outlined in our Supplier Code of Conduct. We continue to engage with all third-party brands to obtain their endorsement of our Supplier Code of Conduct or to get assurance that adequate policies, systems, and processes are available to manage Modern Slavery risks in their supply chain. We have had specific conversations with our top-20 third party brands on their own ethical sourcing systems and outlined our own due diligence approach to meet the requirements of the Modern Slavery Act.

Our Ethical Sourcing training suite (Introduction to Universal Store Supplier Code of Conduct and Modern Slavery awareness) is available on our e-learning platform for new team members' onboarding. The Introduction to Universal Store Supplier Code of Conduct training is mandatory for all new Product Team members and the Modern slavery awareness is mandatory for all new Support Office team member. During FY23, we have made this training available to the Cheap Thrills Cycles' team.

Achieving transparency across a complex, global and multi layered supply chain is a challenge. Obtaining details and monitoring performance of indirect commercial partners takes time and effort and we are committed to continue this important initiative to obtain transparency of deeper tiers of our supply chain and increase confidence on human rights conditions across all tiers of our supply chain.

ETHICAL SOURCING TRAINING:

Supplier Code of Conduct training completion (mandatory for Product team members):

100% FY22

100% FY23

Modern Slavery Awareness training completion (mandatory for Support Office team members):

63% FY22

100% FY23

TRANSPARENCY CONT'D

TRANSPARENCY SOCIAL AUDITS

PROGRESS AGAINST OUR TARGETS

7 **100% of Tier 1 audited by 2022.**

Tier 1 factories audited during the period:

FY22:

100%

FY23:

100%

FY23:

All overseas factories located in countries that have elevated social risks have had a valid audit during the period.

8 **100% of Tier 2 audited by end FY24.**

FY23:

Mapping completed, on track for obtaining audit reports during FY24

9 **Targeting manufacturing from facilities applying best practice water, waste and chemical management practices by 2025.**

FY23:

We will start to progress on this goal during FY24

Ethical Sourcing monitoring

Universal Store's ethical sourcing programme is founded upon a requirement for all manufacturing partners supplying private label goods to undertake an independent social audit before commencing production for us. Our expectation is for the factory to undertake an annual audit. Our team reviews findings raised in audit reports, work collaboratively with the supplier to implement the recommendations made in the corrective action plans and ensure non-compliance are addressed within the agreed timeframes.

Our aim is to improve the working conditions of workers in our supply chain by undertaking thorough social and labour risk assessments, establish robust risk monitoring routines and maintain open communication with our suppliers to drive improvements.

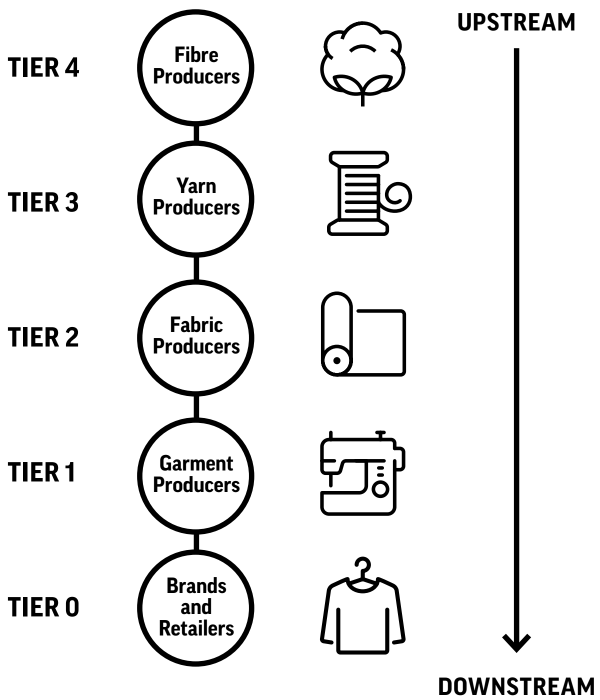
During the FY23 period, we obtained audits for 100% of our Tier 1 private label suppliers and we supported our suppliers to set priorities in remediating health and safety issues within 30 days. Most of the health and safety non-conformances raised during the 12-month period have been resolved. The non-conformances that could not be resolved within 30 days are monitored and re-audited.

Supply chain mapping

Increasing transparency of our supply chain has been a priority this year. We surveyed our trading agents and manufacturing partners to obtain details of the facilities involved in the production of Universal Store and Cheap Thrills Cycles' garments. Transparency is key to ensure human rights are respected and decent working conditions are provided at each stage of production but also helps increase traceability of preferred fibre materials flows.

We define the textile supply chain tiers as follows:

- **Tier One:** Garment production facilities including Cut-Make-Trim, production units, garment sewing, garment finishing.
- **Tier Two:** Fabric Production, Embroidering, trims and accessories suppliers.
- **Tier Three:** Yarn Production.
- **Tier Four:** Raw Material Suppliers (Cotton farming. Wool/Rawhide: husbandry & shearing. Synthetic Fibres: Crude oil refining, Plastics extraction, refining).



At present, Universal Store has full visibility of Tier 1 suppliers and partial visibility of Tier 2 suppliers. Cheap Thrills Cycles has full visibility of Tier 1 suppliers. We will build on this work to obtain assurance of labour conditions in Tier 2 facilities in FY24.

We maintain a list of active suppliers and factories involved in the production of our goods and information supporting our suppliers' engagement activities. Our list of active manufacturing partners as at year end is available on the Universal Store website.

TRANSPARENCY CONT'D

As of 30 June, our supply partners were operating predominantly in China. Universal Store has 24 private label suppliers and produce from 39 factories in China, one in India, one in New Zealand and one in Australia.

MAP OF SUPPLIERS

16	GUANGDONG
8	ZHEJIANG
4	FUJIAN
2	SHANDONG
2	JIANGSU
2	ANHUI
1	JIANGXI
1	QINGDAO
1	AUSTRALIA (VICTORIA)
1	NEW ZEALAND (DUNEDIN)
1	INDIA (TIRRUPPUR)

“ OUR MANUFACTURING PARTNERS PROVIDE ANNUAL INDEPENDENT AUDIT REPORTS TO DEMONSTRATE HUMAN RIGHTS ARE ADHERED TO. ”

Social Audit Programme

Universal Store requires manufacturing partners to provide an annual independent audit report to demonstrate human rights are adhered to, adequate health and safety systems available, and workers hours and wages are in alignment with local and industry standards. These audits are conducted by on-site third party auditors that have expertise in international labour standards and locally applicable regulations.

Universal and Cheap Thrills Cycles are members of SEDEX – an online platform and industry community, which allows us to assess risk in our supply chain at country, industry, and commodity level. The system enables us to assess supplier specific risks and monitor site issues.

We accept audit reports conducted in line with widely adopted industry methodologies. Our preferred standard is the SEDEX Member's Ethical Trade Audit (SMETA) methodology, however to reduce duplication and the audit burden on suppliers we also accept Amfori BSCI reports. In 2023, 53% overseas factories located in countries were social labour risks are elevated, were audited per the SMETA methodology, 42% per the Amfori BSCI method, and 5% of factory audits based on 'Other' methodologies.

Collecting audit data allows Universal Store to identify assess risks linked to worker demographics, gender diversity, and the proportion of migrant workers.
We also benchmark factories on alignment to minimum wage regionally applicable and the availability of effective grievance mechanisms to workers.

PRIVATE LABEL FACTORIES – WORKER DEMOGRAPHICS

FY23

Factory workforce	Gender diversity
2,253 workers	**73% women**

No foreign migrants

The most common issues raised in social audits include health and safety practices, excessive use of overtime hours and inadequate social insurance payments. We work collaboratively with our suppliers to remediate issues, identifying better practices and obtain evidence of improvements within agreed timeframes. We request suppliers to address matters of Health and Safety as a top priority.

MODERN SLAVERY STATEMENT

Our third *Modern Slavery Statement* provides details of our supply chain modern slavery risk assessment, due diligence systems and implemented monitoring processes to eliminate modern slavery risks in our supply chain.

CLIMATE ACTION

CLIMATE ACTION

Reduce emissions and take action to end the climate crisis.

Through our Climate Action pillar, Universal Store goal is to reduce emissions that are generated directly from our operations and indirectly through our supply chain. In addition, we aim to switch our electricity usage to renewable energy for our support office and distribution centre in the first instance.

- ✓ **Calculated our initial greenhouse gas emissions baseline**
- ✓ **110kw solar PV system installed at our new Support Office and Distribution Centre**

CLIMATE ACTION

PROGRESS AGAINST OUR TARGETS

1 **100% stores equipped with energy efficient LED lights by 2022.**

FY22:
Target met.

2 **Develop a climate action plan by end FY23 with the goal of achieving at least a 30% reduction* in emissions by 2030.**

*The Fashion Climate Charter target has been updated to 50% reduction by 2030. Universal Store's target will be adjusted once we have established our climate action plan.

FY23:
We are well progressed with our climate action plan, due to be presented to the Board in Q1 FY24 for final approval.

3 **Develop a plan to target 100% of electricity for our support office and DC from renewable sources by 2025.**

FY23:
We will start to progress on this goal during FY24.

Universal Store acknowledges that urgent action is required to mitigate climate change. As the fashion industry contributes significantly to greenhouse gas emissions, it is our shared responsibility to act.

Emissions footprint

Last year we committed to develop an inventory of emissions sources, to identify areas of opportunity to reduce emissions in our operations and our supply chain and to develop a climate action plan to reduce emissions by 2030. During FY23, we have delivered on the first and second steps and calculated our first emissions footprint not just for scope 1 and 2 emissions but for optional scope 3 emissions as well. Universal Store now has a complete emissions inventory developed in alignment with the Greenhouse Gas Protocol.

TOTAL EMISSION FOOTPRINT*
(UNIVERSAL STORE)

FY23

19.2 kt CO_2-e

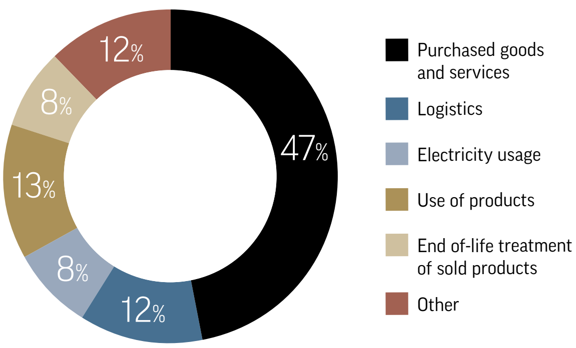
comprised of 1.6 kt (Scope 1+2 emissions) and 17.6 kt (Scope 3 emissions)

8% of emissions related to scope 2 emissions, from the use of electricity across our operations.

92% of emissions are scope 3 emissions, such as emissions relating to upstream and downstream activities.

* Visit www.universalstore.com/sustainability#policies for information about the basis of our emissions footprint calculations and the procedures outlining how we gather and disclose our data.

EMISSIONS SOURCES IN %



The most important sources of emission are purchased goods and services (47%) such as emissions associated with fibre consumed and manufacturing of products. This is followed by the use of sold products (13%), inbound freight (12%), end of life treatment of sold products (8%) and electricity usage (8%). The remaining 12% includes various emission sources such as employee commuting, postage and courier services, waste, and business travel. To achieve greater accuracy, we will seek to improve available data quality in future inventories.

SCOPE 1	**Direct emissions from activities owned or controlled by Universal Store (e.g. fuel combustion for on-site equipment).**
SCOPE 2	**Indirect emissions associated with the purchase of electricity for our facilities (incl. stores).**
SCOPE 3	**Indirect emissions from upstream and downstream activities such as emissions from purchased goods and services, and emissions linked to the use and end of life disposal of our products.**

Emissions reduction

Universal Store identified several emission reduction opportunities such as decarbonising our supply chain including – continuing our switch to preferred fibres and the increased use of maritime freight instead of air freight. To reduce emissions of our operations, we will continue to work with waste service providers to increase diversion from landfill and switching to renewable energy for our operations.

There are also significant opportunities to reduce emissions associated with the use, care and disposal of clothing items by our customers. Therefore, in FY24 we plan to focus on providing information to customers on responsible consumption behaviours and practices.

AMPLIFY OUR ACTIONS

AMPLIFY OUR ACTIONS

Work as a team with our community, suppliers, and customers to deliver impact.

- ✓ **We joined industry forums and working groups to discuss solutions to Textile waste and Modern Slavery**
- ✓ **Pledged to the National Clothing Stewardship Scheme**
- ✓ **We engaged suppliers on certification of preferred fibre products and outlined our expectations on certified product's chain of custody**
- ✓ **Launched a customer textile take back trial in selected VIC stores with Upparel, set up recycling facilities in our Support Office and DC for team member textile recycling**

AMPLIFY OUR ACTIONS

PROGRESS AGAINST OUR TARGETS

1 **We plan to have 1 million customer education touchpoints on responsible use and care of garments by 2025.**

FY23:

We will start to progress on this goal during FY24

CASE STUDY: UPPAREL TRIAL IN VIC STORES

For the past year, Universal Store has partnered with Upparel to set up a trial in-store clothing recycling service across a selected number of stores in Victoria. Customer and team members are invited to recycle end-of life items, not fit for local op-shops.

Upparel process is innovative, as it does not require chemicals nor creates further waste. All items that Upparel receives are completely recycled, either through charity partners or shredded to fibres to make new products such as roof tiles, insulation, or soundproofing panels for the construction industry. We are very proud to be providing this new service to our VIC customers and hope to be able to expand on this new initiative in the coming year.

Arch & Hook

Universal Store is switching hangers from conventional plastics to Blue® certified recycled plastic and FSC® certified wood hangers. Arch & Hook is a company dedicated to eliminating the use of non-sustainable materials in fashion and retail industries. We are delighted to partner with companies like this that go the extra mile to change to way we do business.

Arch&Hook believe that by using smart engineering solutions, the creation of new plastics is entirely unnecessary. This is a significant shift for Universal Store with a big impact over the period as we were able to replace the use of more than 675,000 conventional plastic hangers using:

- 509,000 GRS recycled plastic hangers made of 15.4 tonnes of plastic waste
- 166,000 FSC certified wood hangers from responsible carbon absorbing plantations

Universal Store has made significant progress in the reporting period to embed measure and manage our sustainability and ethical sourcing performance. We know there is much more we need to do to continue our journey towards a sustainable future. For feedback and queries please contact sustainability@universalstore.com.au.

FINANCIALS

DIRECTORS' REPORT

For the year ended 30 June 2023

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 year ended 30 June 2023.

DIRECTORS

The names and details of the Group'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 (Independent Non-Executive Director and Chairman)

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

Peter is Chair and Non-Executive Director of Metcash Limited (since August 2022). Peter was previously a Non-Executive Director of GWA Group Limited (November 2010 – June 2022). 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 (Managing Director and Chief Executive Officer)

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

Prior to joining Universal Store, Alice served as the Leadership Development Manager at former ASX listed Virgin Australia Holdings Ltd 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 former ASX listed Colorado Group Limited, 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.

Alice is also a Non-Executive board member of the National Retail Association since May 2021.

Kaylene Gaffney (Independent Non-Executive Director)

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

Kaylene has had a career in senior financial roles for over 25 years in the retail, health, aviation, telecommunications and information technology sectors.

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

David MacLean (Independent Non-Executive Director)

Appointed to the Board of Universal Store Holdings Limited in October 2019 as a Non-Executive Director and as a member of the People and Remuneration Committee.

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 (since January 2002), and Dusk Group Limited (since November 2015) and runs his family investment office as well as holding minority interests in several private retail businesses (since January 2002).

Trent Peterson (Independent Non-Executive Director)

Appointed to the Board of Universal Store Holdings Limited in September 2018 as a Non-Executive Director and as Chairman 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 Pty Ltd and the Managing Director of Catalyst Direct Capital Management Pty Ltd.

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

Trent is also a Non-Executive Director of ASX listed Adairs Limited (since November 2010), Shaver Shop Group Limited (since May 2016) and Dusk Group Limited (since February 2015) and is Chairman of non-ASX listed Australian Doctor Group Pty Ltd. Trent was previously a Director of Just Group Limited (now delisted) and Global Television Limited (now delisted).

Renee Gamble (Independent Non-Executive Director)

Appointed to the Board of Universal Store Holdings Limited in December 2021 as a Non-Executive Director and as a member of the Audit and Risk Management Committee.

Renee Gamble is Managing Director at Google Australia, leading the Sydney headquartered Large Customer Solutions sales team. Renee is also the Executive Sponsor of Google's APAC Retail Leadership Steering Committee and a member of the Google APAC Hiring Committee.

She is a Graduate of the Australian Institute of Company Directors and brings an extensive track record of technology and business innovation leadership with over 10 years at Microsoft in Singapore and Australia in various sales and business leadership roles. Renee previously worked as an industry analyst and business leader with International Data Corporation across Hong Kong, Beijing, and Singapore.

Interests in the shares and options of the Group 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 were:

	Number of ordinary shares	Number of options over ordinary shares
Peter Birtles	220,000	–
Alice Barbery	2,162,897	–
Kaylene Gaffney	25,000	–
David MacLean	1,129,113	–
Trent Peterson	1,300,000	–
Renee Gamble	–	–

COMPANY SECRETARIES

Renee Jones

Appointed on 27 October 2020.

Renee has a 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.

Clare Craven

Appointed on 13 May 2022.

BLegS, FGIA, FCG, GAICD

Clare has over 25 years' legal, company secretarial and corporate governance experience gained in listed, non-listed public and private companies across various industries including banking, financial services and wealth management, retail, construction and not-for-profit. She currently acts as Company Secretary for several of Company Matters Pty Limited's clients. Previously, Clare held various senior leadership roles within Group Secretariat at Westpac Banking Corporation.

Clare is admitted as a Solicitor of the Supreme Court of NSW and holds a Bachelor of Legal Studies and a Graduate Diploma in Applied Corporate Governance.

DIVIDENDS

A final dividend of $7.7 million was declared on 25 August 2022 and paid on 29 September 2022. In respect of the half-year ended 31 December 2022, an interim dividend of $10.7 million (14 cents per share) was declared on 22 February 2023 and paid on 29 March 2023 (2022: $8.0 million). On 23 August 2023, the Directors declared a final dividend of $6.1 million to be paid on 3 October 2023.

PRINCIPAL ACTIVITY

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

Universal Store Holdings Limited acquired 100% of Cheap Thrills Cycles Pty Ltd (CTC) on the terms announced to the market on 26 September 2022 and the transaction successfully completed on 31st October 2022. CTC's principal activity included designing, wholesaling and retailing casual youth fashion apparel.

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

REVIEW OF OPERATIONS

The net profit after tax of the Group for year ended 30 June 2023 was $23.6 million (2022: $20.6 million).

	2023 $'000	2022 $'000	Change %
Revenue from contracts with customers	263,052	207,969	26.5
Expenses	(197,652)	(150,866)	31.0
EBITDA[1]	**65,400**	**57,103**	**14.5**
Depreciation, amortisation and impairment expense	(26,829)	(25,114)	6.8
EBIT[2]	**38,571**	**31,989**	**20.6**
Finance costs	(4,558)	(2,611)	74.6
Finance income	639	100	539.0
Net profit before tax	**34,652**	**29,478**	**17.6**
Income tax expense	(11,081)	(8,904)	24.4
Net profit after tax	**23,571**	**20,574**	**14.6**

	2023 $'000	2022 $'000	Change %
Reconciliation to underlying EBIT			
EBIT	**38,571**	**31,989**	**20.6**
Transaction costs associated with acquisition of CTC	1,806	–	–
Nundah office onerous lease impairment	–	624	–
Underlying EBIT[3]	**40,377**	**32,613**	**23.8**
Underlying EBIT margin	**15.3%**	**15.7%**	**(2.5)%**

	2023 Cents	2022 Cents
Basic earnings per share	32.5	30.2
Diluted earnings per share	31.8	28.9
Adjusted EPS[4]	35.2	30.9

1 Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA).
2 Earnings before interest and tax (EBIT).
3 Underlying EBIT includes the impact of AASB 16 *Leases*.
4 Adjusted EPS is calculated using underlying NPAT and the weighted average number of ordinary shares outstanding during the period 72.6 million (2022: 68.0 million).

OPERATIONS

The Group delivered a solid performance in FY23, generating revenue of $263.1 million, representing a substantial growth of $55.1 million or 26.5% compared to FY22[1].

The year unfolded in two distinct halves, with exceptional results in the first half of FY23, up 34.5% from the prior period (28.6% excluding CTC sales). The strong performance in quarter one was primarily driven by the reopening of physical stores and the return of customers following government-mandated closures in the previous comparative period. However, the second half of the year witnessed a softening in trade, with revenue growth of 17.8% (4.7% excluding CTC). This was primarily influenced by consumer responses to the macro environment and the impact of rising living costs, exacerbated by interest rate increases. As a result, store traffic experienced a slowdown, although maintaining positive compared to the prior year.

Despite the macro environment challenges, the Group achieved a commendable growth of 1.2% in like-for-like (LFL) sales compared to the previous comparative period[2]. It is important to note that this calculation excludes the days when stores were closed in the prior period. Additionally, brick-and-mortar stores experienced significant growth, with a 23.9% increase in FY23, delivering 2.4% LFL sales growth[2]. Although Online LFL sales experienced a decrease of 4.5%, the channel returned to LFL growth in the second half with quarter four particularly strong up 13.0% on FY22[2]. Group Online revenue grew by 3.7% and contributed 14.1% of total sales, generating $37.1 million.

The Group's continued focus on sustainable gross margin improvement remains a key focus, with gross profit reaching $155.3 million or 59.0% of sales, a 70-basis point improvement on FY22. This improvement was supported by strategic initiatives such as price adjustments to maintain product quality, private brand penetration, enhancements in direct sourcing, and reductions in freight costs. It is worth mentioning that the prior period was impacted by one-off markdowns associated with store closures.

The Group's cost of doing business rose by 260 basis points to 33.5% of sales, mainly driven by increased employee costs, occupancy costs, and expenses related to the CTC acquisition. The rise in employee costs reflects the addition of the CTC team and an investment of $8.0 million in store wages and $2.3 million in distribution centre wages, as all stores were open during the period. In contrast, the prior comparative period saw lower spending due to mandated store closures.

1 CTC ownership commenced from 31 October 2022. Financial statements include results post this date, with revenue of $19.4 million after inter-company eliminations.
2 LFL (like-for-like) sales exclude CTC and are calculated daily, excluding closed stores from the day of closure and new stores until they have completed the first three weeks of operation. Stores that were closed during the COVID-19 pandemic are excluded from LFL sales calculations.

The Group opened eight new stores during the period and relocated one store. At 30 June 2023, the Group has in total 95 stores, comprising of 77 Universal Store stores, eight Perfect Stranger standalone stores and ten CTC stores.

In FY23, Universal Store undertook significant operational enhancements. The support office and distribution centre were relocated to a larger, purpose-built facility, ensuring improved efficiency and capacity. Additionally, the successful implementation of a warehouse management system streamlined operations and optimised inventory management.

The strategic acquisition of CTC on 31 October 2022, has significantly enhanced the portfolio, adding a highly profitable brand with a diverse business model and impressive expertise in brand, product development and sourcing. CTC has proven its value by generating revenue of $41.8 million[3] for the full financial year, representing a substantial increase over the prior year. CTC's performance and its contribution to overall growth have been pleasing to date.

Moving forward, the Group is actively working on expanding CTC's direct-to-customer operations and CTC is closely collaborating with the Universal Store team to ensure alignment with the Group's governance and compliance standards. These efforts will further strengthen the position in the market and support the continued success.

Throughout the year, the Group remained committed to delivering on strategic priorities while effectively navigating unique trading environments, ensuring adaptability and focus on seizing opportunities to maintain profitable sales momentum.

Group underlying EBIT reached $40.4 million, representing a 23.8% increase from the prior period[3].

Inventory levels were managed closely again in FY23 with Group inventory of $24.4 million, up $6.3 million on FY22, of which $4.0 million relates to CTC[4]. Aged inventory remains in line with expectations, and commitment to disciplined pricing and promotional strategy persists to protect brand, margin and customer trust.

Capital expenditure of $10.2 million was driven by the opening of new stores, investment into the new support office and distribution centre, and maintenance capital. Continuing investment in digital platforms, enhancement of warehouse management system, and infrastructure upgrades support the expanding of store network and distribution centre.

Cash on hand at the end of the financial year was $21.4 million and represents a $17.3 million decrease in cash from the prior year end balance.

The Group cashflow and balance sheet remain in a healthy position, delivering an underlying cash flow from operations of $66.8 million, representing operating cash flow conversion of 99.0% with a net cash position of $6.6 million (excluding lease liabilities).

The Group has the following debt facilities available with ANZ.

- Facility A for $15.0 million which is fully drawn.
- Facility A1 a $10 million revolving working capital facility, which is undrawn.
- 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 2025. Facility A1 expires in October 2025. 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 the financial covenants of its borrowing facilities during the 2023 and 2022 reporting periods and continues to have significant headroom.

Key business risks

The Group is committed to maintaining effective risk management systems to address both financial and non-financial risks. Universal Store Group continues to evolve its approach to risk management to meet the demands of the trading environment. The business risks faced by the Group that may have a material effect on its financial results are listed below, including an overview of the Group's mitigating actions:

3 CTC ownership commenced from 31 October 2022. Financial statements include results post this date, with revenue of $19.4 million after inter-company eliminations.

4 Excluding impact of inter-company eliminations.

Key Risk and Description	Mitigation Activities
Retail Environment and economic conditions The Group's products are generally discretionary in nature. Consumer spending on these items is potentially sensitive to changes in general consumer sentiment. Factors which affect general consumer sentiment may or may not have a direct impact on the income levels of the Group's customers but can adversely affect their spending levels notwithstanding. These factors include house prices, political uncertainty, economic outlook, employment certainty, conflict and terror events. Disposable incomes of Universal Store, Perfect Stranger and CTC's customers can vary as a result of changes to factors such as petrol prices, rent, food and energy prices, interest rates, unemployment levels and taxation. Any material reduction in consumer spending on discretionary items may in turn result in lower levels of revenue and profitability for Universal Store and CTC wholesale business, as well as impact the planned Bricks and Mortar expansion for THRILLS stores.	▪ Proactively monitor the market, economic conditions, and customer sentiment. ▪ Promptly react to consumer demand and using predicative analysis to mitigate risks or act on opportunities. ▪ Keep our cost of doing business variable with sales and invest in initiatives that will drive efficiency and productive gains into the future.
Pandemic Events related to the COVID-19 pandemic have resulted in significant market volatility and the increased risk of further pandemics in the future. Continued uncertainty remains as to the ongoing and future responses of governments and authorities both in Australia and globally. There is a likelihood of an Australian economic recession of unknown duration or severity. As such, the full economic impact of COVID-19 on consumer behaviour, suppliers, employees and the Group is not fully known. Pandemics may create an adverse impact on the Group's supply chain. This may occur if the ability to deliver products into Australia by the Group's key suppliers is negatively affected or the Group is otherwise unable to efficiently distribute products to customers who have placed online orders. If the Group's supply chain is disrupted, it may have a material adverse effect on financial and/or operating performance.	▪ Developed COVID-19 safe plans and policies and executed across all departments within the business. ▪ Established enhanced monitoring and communications with team members in relation to government requirements. ▪ Enhanced cleaning and personal hygiene in all stores and office areas. ▪ Online and digital contingency plans in place should stores need to close. ▪ Continue to diversify our supply chain.
Competition The Australian clothing, footwear and accessories market in which the Group operates is highly competitive and is subject to constantly changing consumer preferences in relation to trends, brands and shopping channels. The competitor set is fluid and evolving. There is a risk that Universal Store may lose market share to new or existing competitors. Some practical examples of the risks Universal Store faces include: ▪ Existing Australian-based competitors may rollout additional stores and existing competitors may successfully reposition their offering to more effectively compete with Universal Store's offering. ▪ Online retailers may rollout physical stores. ▪ Existing or new market entrants may increase or gain market share through aggressive marketing campaigns, new product offerings or price discounting. Universal Store's customers may choose to purchase products from its competitors rather than from Universal Store and this may in turn reduce Universal Store's revenue. Such a reduction in revenue may have an adverse impact on Universal Store's financial performance.	▪ Remain relevant and nimble, ensuring our channels continuously exceed customer expectations both in stores and online channels. ▪ Continue to enhance the online proposition and build CRM platform. ▪ Monitor and stay close to competition ensuring our customer base continues to grow and take appropriate actions to course correct. ▪ Maintain strong private brand close to market strategies. ▪ Continue exclusive special make up product with third party brands.

Key Risk and Description	Mitigation Activities
Fashion trends and consumer preferences Demand for the Group's products is sensitive to its successful range development and the specific brand, product selection, and quantification decisions made by its team. While a level of error rate in this area is normal, sustained and material misjudgements in relation to evolving fashion trends and product range can adversely affect sales levels and consumer perspectives of its brand and result in a loss of market share. The Group can also mis-quantify the consumer demand arising from certain fashion trends, and therefore offer too much or too little product that is relevant to a particular fashion trend. In addition, with third party brands currently contributing approximately 55%[5] of Universal Store's clothing range, the business is also reliant on the trend judgements and range development of these suppliers. In the longer term, trend misjudgements may adversely impact the Group's brand and reputation.	▪ Remain relevant, ensuring curated outfits are in demand and on trend. ▪ Continue to test and trial before investing heavily. ▪ Monitor and stay close to customers and the events, social outings, occasions they are attending. ▪ Continue to work with suppliers on special make up and diversification. ▪ Enhance analytical tools to back best sellers with speed and exit underperforming products. ▪ Maintain shorter lead ties to react to trends with speed.
Branded supplier relationships The success of the Group's business relies in part on its ability to retain its existing key supplier relationships and its ability to continue to attract suppliers on acceptable terms. The deterioration of the Groups relationships with its key suppliers or the inability of the Group to maintain functioning arrangements with its key suppliers on acceptable terms may have a material adverse effect on financial and/or operational performance in the future. Similarly, Universal Store relies on its key product suppliers for matters including product innovation, product quality and maintaining and building the consumer appeal and demand for these brands. The Group's position in retailing these third-party brands and their appeal to customers can also be affected by the distribution channel strategy of the brand owners. Material changes by any of Universal Store's key suppliers of their distribution channel strategy, may impact Universal Store's financial and/or operational performance in the future.	▪ Maintain respectful and transparent relationships. ▪ Continue to build relationships based on trust and develop win/win strategies for the Group and supplier. ▪ Continue to enhance the Group's brand positioning (marketing, campaigns, etc.).
Product sourcing The Group's products have historically been predominantly sourced from China and within Australia. While the Group has a diversified supplier base, the business still relies on key suppliers. Regardless of the nature and domicile of the supplier, most of the goods are manufactured in China. Any material change or disruption to product sourcing or supply chain could have an adverse impact on inventory availability at Universal Store. The following matters are examples of factors which could adversely impact the timing, cost and reliability of Universal Store's product sourcing and supply chain, and therefore the business' overall financial performance: Adverse effects of acts of war or terrorism, natural disasters or an outbreak of an epidemic (such as COVID-19), including disruption to critical points of infrastructure such as ports. Any adverse change in existing relationships or operations with product and service suppliers, unexpected, prolonged or repeated disruption to services provided by suppliers, or adverse changes to the terms and conditions of suppliers. These may result in material delays in the supply chain, which may adversely affect cost of sales and overall financial performance.	▪ Diversification and reducing reliance on China are in plan as the Group explores and builds partnerships outside of China. ▪ Limited dependency on a single vendor which creates more flexibility and reduces risks. ▪ Monitor and stay close to key suppliers to prevent or mitigate disruptions.

5 Includes CTC business, with THRILLS/Worship sister brands treated as third party to Universal Store.

Key Risk and Description	Mitigation Activities
Cyber attacks The Group's business may be materially adversely affected by malicious third parties or applications that interfere with, or exploit, security flaws in websites. The security of information stored in the Group's systems could be put at risk by attacks from malicious software programs or persons, or inadvertent breaches. There is a risk that, if a cyber-attack were successful, any data security breaches, failure to protect confidential information or disruption to the Group store's website could result in a loss of information integrity, breaches of obligations under applicable laws and website and system outages. Similarly, given some third-party suppliers hold confidential or customer data in relation to the Group may be involved in such a breach. The occurrence of any of these events may potentially have a material adverse impact on Universal Store Group's reputation, business, financial performance and operations.	▪ Continue to conduct annual risk assessment and penetration testing to determine vulnerabilities. ▪ Continue to monitor and enhance network access controls, encryption (bitlocker), firewalls and antivirus software. ▪ Continue to enforce multi-factor authentication for key accounts and improve user access security. ▪ Document and test disaster recovery processes within an overall business continuity plan. ▪ Ensure payment card industry (PCI) compliance to ensure the security of each one of the Group's credit card transactions.
Health and Safety The Group operates nationally across Australia and must comply with safety standards to ensure their customers are shopping in a safe and risk-free environment. The Group's employees are at risk of workplace accidents and incidents. Should an employee, supplier, contractor or customer be injured in the course of their employment or engagement with the business on premises, the Group may be liable for penalties or damages as a result. If Universal Store, Perfect Stranger or THRILLS (CTC) business were required to pay monetary penalties, this may adversely affect its financial position as well as the reputation of Universal Store Group.	▪ Encourage employee assistance program usage and optimise as necessary. ▪ The Group's Health & Safety committee is responsible for reporting, tracking training, and proving risk mitigation plans. ▪ Continue to facilitate and mitigate risks by training programs, in particular the Distribution centres and Stores.
Legal and compliance The Group is subject to, and must comply with, a variety of laws and regulations in the ordinary course of its business. These laws and regulations include those that relate to fair trading and consumer protection, product safety, employment, property, taxation (including GST and stamp duty), customs and tariffs. Changes to laws and regulations in these areas may adversely affect the Group, including by increasing costs either directly (such as an increase in the amount of tax the Group is required to pay), or indirectly (including by increasing the cost to the business of complying with legal requirements). Any such adverse effect may impact Universal Store Group's future financial performance. The Group may be involved in disputes or litigation, be the subject of disputes, complaints, inquiries or audits. These disputes may be related to warranties, product descriptions, personal injury, health, environmental, safety or operational concerns, nuisance, negligence or failure to comply with applicable laws and regulations. If the Group were to be found liable under a claim, the Group's financial position and future financial and operational performance may be adversely affected.	▪ External assurance and support engaged to ensure compliance with all laws and regulations. ▪ Experienced leadership team ensuring appropriate governance is embedded to support the business in its operations.

Key Risk and Description	Mitigation Activities
Environmental & Social Sustainability The Group has a moderate exposure to environmental risks in that it's supply chain and store operations could be disrupted by extreme weather events and natural disasters. The Group recognises that climate change increases the potential frequency and severity of these events and could lead to an increase in operating costs from managing the impact and the likely increase in insurance premiums. The Group has a moderate exposure to social risks. In this regard, the overarching goal is to ensure we are a responsible business that contributes positively to the health, safety and livelihoods of the people that work for us and continues to provide customers with high quality, on-trend products that provide value for money.	▪ The Group recognises the significance of understanding and responding to the environmental and social impacts of our business on the wider community. ▪ The Group monitors performance against published sustainability targets and has established an ESG committee to ensure all business units are on track to meet both short and long term committed targets. ▪ Continue to refine and enhance the Group's responsible procurement policy which addresses the risk of modern slavery throughout the supply chain and business operations. ▪ For further information on how environmental risks are managed, refer to the Sustainability Report, available in the annual report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Group acquired 100% of CTC on the terms announced to the market on 26 September 2022 and the transaction successfully completed on 31 October 2022.

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

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 23rd August 2023, the Directors of Universal Store Holdings Limited declared a final dividend on ordinary shares in respect of the 2023 financial year. The total amount of the dividend is $6.1 million to be paid on 3 October 2023.

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

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 PricewaterhouseCoopers ("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 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:

	2023 $	2022 $
Amounts paid or payable to PwC for:		
Audit services – Group audit and half-year review	370,000	250,000
Tax compliance services	17,000	15,500
Tax advisory services	29,000	2,024
Sustainability reporting	31,000	–
Total remuneration of PwC Australia	**447,000**	**267,524**

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:

	Board Meetings		Meetings of Committees: Audit and Risk		Meetings of Committees: People and Remuneration	
Total number of meetings held	12		4		3	
	Attended	Eligible*	Attended	Eligible*	Attended	Eligible*
Peter Birtles	12	12	4	4	3	3
Alice Barbery	12	12	4	–	3	–
Kaylene Gaffney	12	12	4	4	–	–
David MacLean	12	12	1	–	3	3
Trent Peterson	12	12	–	–	3	3
Renee Gamble	12	12	4	4	–	–

* The Directors attended all meetings that they were eligible to attend. At times, non-member Directors attend meetings of sub-committees by invitation.

COMMITTEE MEMBERSHIP

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

Audit and Risk Management	People and Remuneration
Kaylene Gaffney (Chair)	Trent Peterson (Chair)
Peter Birtles	Peter Birtles
Renee Gamble	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 Group is an entity to which this legislative instrument applies.

CORPORATE GOVERNANCE STATEMENT

Universal Store Holdings Limited Corporate Governance Statement discloses how the Group complies with the Principles and Recommendations of the ASX Corporate Governance Council (4th Edition) and sets out the Group's main corporate governance practices. This statement has been approved by the Board and is current as at 23 August 2023. The Corporate Governance Statement of Universal Store can be found on the Group's website: https://investors.universalstore.com/investor-centre/#governance

AUDITOR'S INDEPENDENCE DECLARATION

The Directors have received a declaration from the auditor of Universal Store Holdings Limited. This has been included on page 65.

The Directors of Universal Store Holdings Limited present the Remuneration Report (the "Report") for the Group for the year ended 30 June 2023. This Report forms part of the Directors' report and has been audited in accordance with section 300A of the *Corporations Act 2001*.

REMUNERATION REPORT (AUDITED)

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 Group.

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

Name	Position	Terms at KMP
Non-Executive Directors		
Peter Birtles	Non-Executive Director and Chairman	Full financial year
Kaylene Gaffney	Non-Executive Director	Full financial year
David MacLean	Non-Executive Director	Full financial year
Trent Peterson	Non-Executive Director	Full financial year
Renee Gamble	Non-Executive Director	Full financial year
Executive Directors and Senior Executives		
Alice Barbery	Chief Executive Officer, Managing Director	Full financial year
Renee Jones	Chief Financial Officer	Full financial year

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

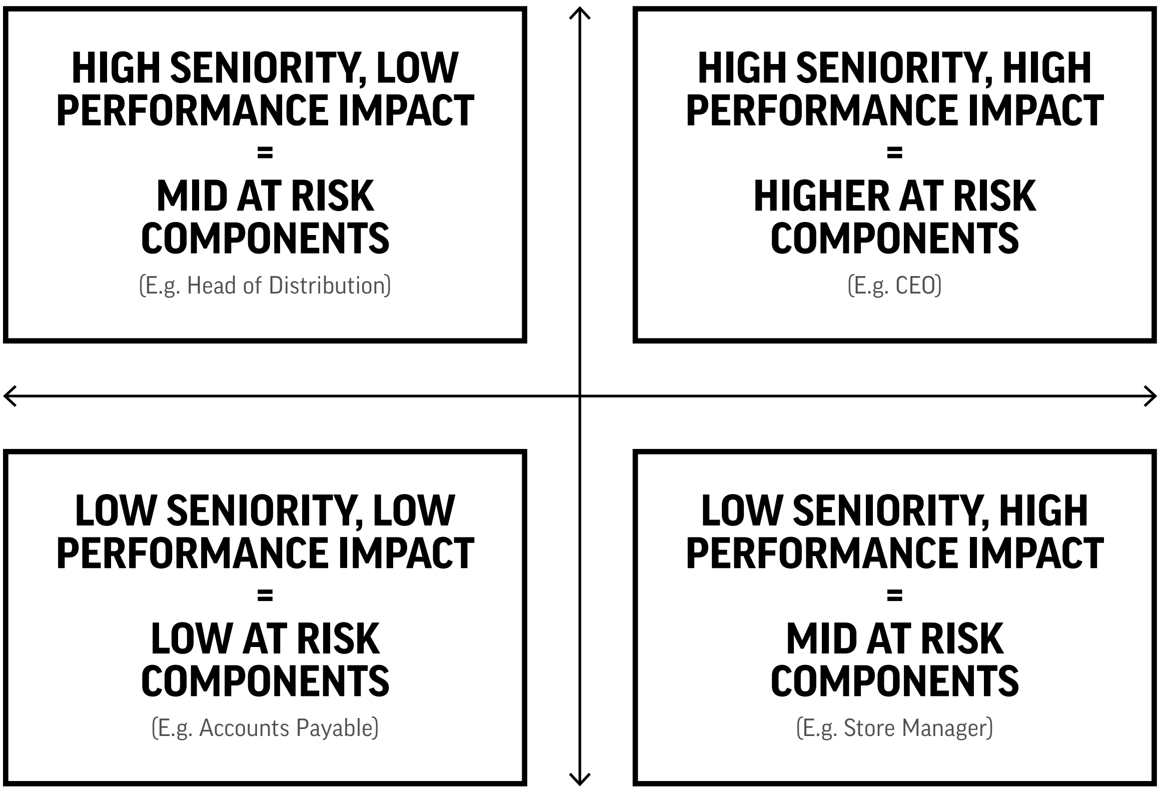
The People and Remuneration Committee (PRC) is responsible for determining and reviewing the remuneration arrangements for its Directors and Executives.

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 Group's performance through their teamwork, choices and leadership. The Board believe that our people are a key source of competitive advantage that is fundamental to the long-term success of the Group. Fostering a workplace culture that supports the imperative to maintain and develop current and future generations of leaders is a key priority of the Group.

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 responsibility level and (2) ability to impact performance and shareholder value.



In considering the remuneration arrangements of KMP and applying the market remuneration governance standards, the PRC 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

The Committee considers individual remuneration arrangements, assesses how the individual's contracted terms measure up against these principles. Market movements and benchmarks are considered, however do not set specific remuneration objectives or benchmarks (e.g. meet 'second quartile' remuneration benchmarks) or adhere to the benchmarks or movements strictly. Instead, granular knowledge of roles, market dynamics, individual capabilities and circumstances, the risk and return trade-offs faced by the Group to determine remuneration arrangements. Remuneration is considered as just one part of an employee's reward for employment with the Group.

The remuneration policies are designed to achieve alignment between the Group's business strategy, values and the behaviour of employees as well as recognise and reward individual responsibility. The Board reviews the Group's 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 with each other and with shareholder interests through the ownership of shares or related securities. Management KMP have material shareholdings in the Group, as do other members of the leadership team and various Board members. As discussed further below, the Board has also decided to implement a new layer to our existing LTI plans to deepen this alignment and bring the Group's remuneration approach more in line with mechanics commonly offered by our ASX listed peers.

Executive Directors and Senior Executives' remuneration

The Managing Director and Senior Executives are rewarded 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; and
- Individual performance.

As discussed above, fixed remuneration is set with reference to comparable roles in similar companies, coupled with detailed knowledge of an individual's performance, nuance of their role, and the risk and return trade-offs associated with the role and its contribution to the Group. Additionally, there is consideration for the context of an individual's participation in STI and LTI plans of the Group and their remuneration history.

Variable remuneration

Variable remuneration includes STI in the form of a cash-based reward and an LTI in the form of an equity reward.

Short-Term Incentive Plan

Members of the Group's Management (including the Executive Director and Senior Executives who are considered KMP) are eligible to participate in the Group's 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 Group's actual underlying EBIT result delivered in the relevant year relative to pre-set annual underlying EBIT targets (benchmarks are set pre-AASB 16 *Leases*, and may ignore one offs and other abnormal or non-trading items). In FY23, the STI underwent a modification that introduced a performance range.

The budget for Universal Store was set prior to the acquisition of CTC. As such the targets for the FY23 STI scheme exclude any contribution from CTC (and any other financial impact, such as transaction costs), and any actual results achieved would also exclude any contribution from CTC following acquisition.

For the FY23 STI arrangements, the Board set a performance based STI range linked to the US business' FY23 underlying EBIT result, with the minimum and maximum underlying EBIT thresholds per the below:

- At the low end: KMP will receive an STI of 20% of the Maximum Bonus Amount if Universal Store underlying EBIT (excluding CTC) reaches $34.0 million in FY23.
- At the high end: an STI of 100% of the Maximum Bonus Amount will be paid if Universal Store underlying EBIT (excluding CTC) reaches $40.0 million or more in FY23.

For results falling within this STI range, a pro-rated payment will be made, and the final payment will be subject to the Board's discretion.

The Board continue to believe that underlying EBIT is an appropriate primary measure for determining STI outcomes. Underlying EBIT is widely understood by both our team and shareholders and in most circumstances, underlying EBIT based targets achieve a balance between a measure that can be materially influenced by management and a measure of sound proxy for the leadership team's ability to deliver results that contribute to driving shareholder value.

The participants in the executive STI plan have varying levels of direct influence over the Group's underlying EBIT result. Notwithstanding, the participants all play an important role in delivering our results and managing the risks associated with our short and long term financial results. Team work is required from all leadership to deliver our financial results, coupled with the collaborative culture the Group strives to build and maintain, is a sound reason for having one primary financial measure to assess and drive the STI outcome.

Payments under the STI plan will be made following the release of the full-year financial results. Participants in the STI plan may have to repay the Group some or all of the payments made under the STI plan in an event of any serious misconduct or material misstatement in the financial statements of the Group during any of the three preceding financial years, subject to Board approval. Generally, 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. An individual's eligibility to receive an STI in any year is also subject to Board discretion in relation to any major Environmental, Social or Governance ("ESG") breach or incident which the Board consider to be sufficiently material and attributable to an individual or group of individuals that the payment of all or part of an STI entitlement would be inappropriate.

Long-Term Incentive Plan

The existing equity ownership arrangements for Executive Directors and Senior Executives were established during the Group's transition from private to public ownership (in some instances, many years prior to the IPO). As a result, Managing Director and Senior Executives each hold a material number of shares with significantly greater value than their individual fixed and short-term incentive arrangements. A portion of the shareholdings of these executives were subject to escrow arrangements as described in the Prospectus. The final portion of these securities were released from voluntary escrow upon the Group's FY22 results being released to the ASX.

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 Group's shareholders. In FY23, the Board reviewed the LTI arrangements and established a new LTI layer with a particular emphasis on the retention of our highest performing leaders, and deepening alignment toward outcomes which we believe drive long term shareholder value.

An overview of the parameters are set out in the section below titled 'New Executive LTI'.

The CEO and CFO currently hold in aggregate 2,746,230 shares, representing 3.6% of the shares on issue as at 30 June 2023.

583,333 of these shares are loan-backed by the Group, 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.

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

It is noted that the aggregate value of loans receivable by the Group from KMP is approximately $0.7 million as at 30 June 2023 ($1.1 million at 30 June 2022). This amount is not included on the balance sheet of the Group as these instruments are accounted under AASB 2 *Share based Payment* as share-based payments. It is expected that proceeds from the repayment of these loans will be collected by the Group over time in accordance with the terms of the loan agreement.

Discussion of the impact of the acquisition of CTC completed on 31 October 2022

Background

On 31 October 2022, the Group acquired all of the shares in CTC. The acquisition of CTC was led by Alice Barbery (CEO), Trent Peterson (Non-Executive Director) and Renee Jones (CFO), with the oversight and final approval of the Board. The Group also engaged legal, tax and corporate advisors to support the due diligence process and execution of the acquisition.

The acquisition process and subsequent post-completion activities have significantly increased the demands and workload of the KMP both directly and indirectly. Post acquisition, the CEO has direct oversight over the key leaders of CTC, including a newly appointed General Manager appointed post completion of the acquisition.

The CFO has the responsibility of consolidating CTC results, expanded audit requirements and additional reporting on CTC's performance for the Group's Board and shareholders. Additionally, the CFO is accountable for overseeing the implementation of new systems and processes pertaining to various areas such as risk management, modern slavery, payroll compliance, tax compliance, and treasury management.

The CEO, CFO and Trent Peterson sit on an internal Advisory Board for the CTC business which provide specific guidance and strategic oversight to the business and its operational leaders.

While CTC is managed as a standalone business on a day-to-day basis, our KMP are accountable for the results and the ultimate success of the acquisition strategy. The Board believe CTC will contribute strongly to the Group earnings and shareholder value creation over the medium and longer term.

Fixed Remuneration

The fixed remuneration arrangements for the KMP remained unchanged in FY23. However, the Board acknowledge the growing complexity of the organisation and the increasing demands of the KMP roles. These factors will be considered alongside future reviews of the remuneration arrangements.

As compensation for his role in completing the acquisition and chairing the Advisory Board of CTC post-acquisition, Non-Executive Director Trent Peterson is paid an additional amount of $40,000 per annum. This amount is included in the remuneration disclosures for his role as a Non-Executive Director of the Group.

FY23 Short-Term Incentive Implications

The acquisition of CTC was not known or included in the underlying EBIT targets when set for the purpose of determining the potential STI payments to KMP for FY23. As such, in calculating any STI payable for FY23 the underlying EBIT contribution of CTC and other related financial impacts of the transaction (e.g. transaction costs) were excluded from calculating the underlying EBIT of the Group.

For FY24, both the Group CEO and CFO will have financial targets for the purpose of determining their STI that include the underlying EBIT contribution of CTC in the Group's results.

Long-Term Incentive Implications

The Group funded the acquisition of CTC through a combination of $16.5 million cash reserves (and secured additional debt facilities), issuance of 3,524,974 ordinary shares and deferred contingent consideration (to be paid based on earnings performance over the period FY23, FY24 and FY25).

The Group's existing Long-Term Incentive uses measures which the Board believe are appropriate indicators of success in growing earnings (specifically EPS), effectively allocating capital, managing risk and driving shareholder returns. These matters were revisited in view of the CTC acquisition and the Board remain comfortable that the measures and metrics for the existing tranche of the Group's LTI scheme remain appropriate and unchanged adequately serving the primary purpose of deepening the alignment between LTI participants and shareholders.

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 in the position of CEO of the Group. Alice is entitled to a base salary of $545,000 per annum (inclusive of statutory superannuation) for the 2023 financial year.

In addition to her base salary, Alice is eligible to participate in the Group's STI plan. Alice will receive a cash bonus of $234,000 (inclusive of superannuation) under that STI plan for the FY23 period.

Alice holds shares which were partially funded by limited recourse loans under the Group's LTI Plan, the limited recourse loan has been repaid in full during the 2023 financial year.

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 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 in the position of CFO of the Group. Renee is entitled to a gross annual base salary of $415,000 per annum (inclusive of superannuation) for the 2023 financial year.

In addition to her base salary, Renee is eligible to participate in the Group's STI plan. Renee will receive a cash bonus of $139,750 (inclusive of superannuation) under that STI plan for the FY23 period.

Renee holds shares partially funded by limited recourse loans under the Group'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.

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 or operating revenue.

Directors may also be reimbursed for all reasonable travel 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 Group.

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.

An example of this is the work undertaken by Trent Peterson in relation to the acquisition of CTC. Trent was closely involved in this acquisition and committed significant time to the project throughout the course of FY23. Since completion, Trent has also chaired the Advisory Board for CTC and works closely with KMP and the management of CTC in this area. For these services, Trent was paid an additional fee of $40,000, and this amount will continue to be paid on an annual basis in relation to his role as Chairman of the CTC Advisory Board.

The Board believes the current levels of Non-Executive Director remuneration are fair and appropriate and reflect the alignment between shareholders' interests and the Group's remuneration policies and practices.

Other policies

Claw back policy

If the Group becomes aware of serious misconduct or a material misstatement in its financial statements, 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 recommending the remuneration packages and policies related to the CEO, CFO, Directors and other members of Management to the Board for approval. 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. No advice or guidance was sought or obtained during FY23.

The Group complies with the recommendations set by ASX Listing Rules and ASX Corporate Governance Council in relation to the composition and operation of the Committee. The Committee comprises Trent Peterson (as Chair), David MacLean and Peter Birtles.

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

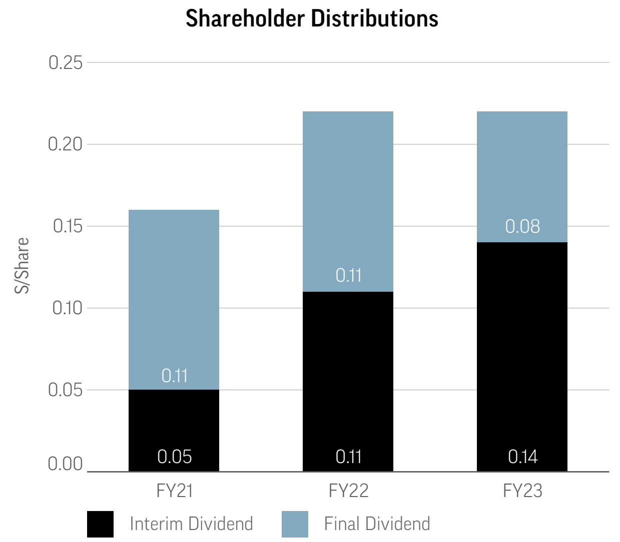
Overview of Our Results and the STI Outcomes for KMP

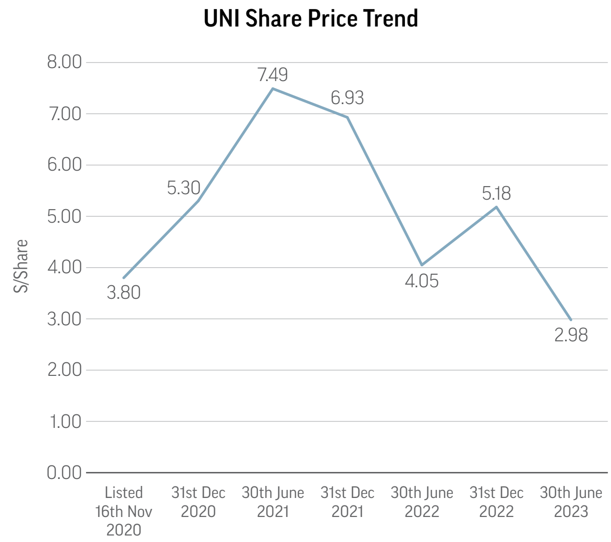
FY23 is the Group's third annual result since its IPO in November 2020.

The table below summarises the headline results and the outcomes under the STI plan for our KMP across the last 4 years.

	FY2020	FY2021	FY2022	FY2023
Sales ($m)[1]	154,869	210,817	207,969	243,634
Underlying EBIT adjusted to exclude AASB 16 *Leases* ($m)[1,2]	23,666	44,040	30,943	35,972
CEO Fixed Rem ($000's)	430	430	545	545
CEO Max STI available ($000's)	231	231	327	360
CEO Actual STI received ($000's)	120	231	–	234
CFO Fixed Rem ($000's)	320	320	400	415
CFO Max STI available ($000's)	160	160	200	215
CFO Actual STI received ($000's)	96	128	–	140

1. This number is unaudited as it excludes CTC as STI targets were agreed prior to acquisition.
2. This is a non-IFRS measure that is unaudited but derived from audited Financial Statements.





Executive Director and Senior Executives Remuneration Structure

The Executive Director and Senior Executives are currently 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 at risk elements as a percentage of total target remuneration for 30 June 2023 was as follows:

	% of total target remuneration for 30 June 2023		
		At risk remuneration	
	Fixed Remuneration	STI maximum opportunity	LTI maximum opportunity
Alice Barbery	37.6%	24.8%	37.6%
Renee Jones	45.0%	23.4%	31.6%

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 Group, 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 did not receive an increase in base salary in FY23. The CFO received an increase in base salary to $415,000 (2022: $400,000).

The Board have agreed given the current macro environment, the fixed remuneration of the CEO and CFO will remain unchanged in FY24.

Short-Term Incentive Plan

The 30 June 2023 STI plan was assessed following the completion of the performance period from 1 July 2022 to 30 June 2023. 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	360,000	234,000	65%	35%
Renee Jones	215,000	139,750	65%	35%

The maximum (100%) STI measure for KMP was set at an underlying EBIT level of $40.0 million in FY23. This threshold was not met.

In FY23, the underlying EBIT targets were set with an underlying assumption that there would not be any widespread or prolonged period of store closures because of COVID-19. Despite challenging macro environment in the second half of FY23 the business performance has been pleasing with Universal Store achieving 90% of corporate budget expectation.

The Board believe that the STI opportunity for KMP is in need of further review. Our analysis and experience suggest that the STI opportunity remains underweight compared to peers (as a % of total remuneration package). In determining the STI amounts paid to KMP in relation to the FY23 period, the Board considered the results for the year and the significant strategic projects led by the KMP including the successful DC and support office relocation, various significant IT projects, the progress made in the refinement and expansion of the Perfect Stranger retail store format and the acquisition of CTC. Each of these projects lay the foundations for further growth in revenue and earnings over the medium and long term period, as such the Board has approved a 65% of Target STI in relation to the FY23 period.

The Board would like to note that the leadership team again worked exceptionally hard in the period and persevered through unpredictable and difficult conditions. The Board is pleased with the results delivered in this environment. Our team has adapted admirably, shown great skill and resilience, materially progressed our strategic priorities, and driven financial results that in context are pleasing.

The Board have increased the Target STI for the CEO to $375,000 (4.2% increase from FY23 Target STI) and the CFO to $230,000 (7.0% increase from FY23 Target STI) for the FY24 period.

Existing Long-Term Incentive Plan

The existing LTI 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 Group. No further loans were made to participants since the IPO. The loans are accounted for as share-based payments, all of which are fully vested, and no options or rights have been granted during the period.

In the case of the KMP, as at 30 June 2023, the value of the loans owed to the Group are as follows, together with the total number of shares held, and the market value of their shareholding at that date:

KMP	Amount vested and exercisable at 30 June 2022	Amount vested and exercisable at 30 June 2023	Value of loan outstanding at 30 June 2023^	Market value of shares at 30 June 2023**	Implied LVR (%)*
Renee Jones	583,333	583,333	693,890	1,738,332	39.92%
Total	**583,333**	**583,333**	**693,890**	**1,738,332**	**39.92%**

^ Balance represents the loan balance yet to be repaid to exercise the in substance-options into ordinary shares. Amounts have been recognised in accordance with AASB 2.

* 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 2023, the UNI share price was $2.98 per share.

For the avoidance of doubt, no Non-Executive member of the Board is a beneficiary of loans from the Group.

New Executive Long-Term Incentive Plan

Universal Store listed on the ASX in November 2020. As a listed Company, the Board believe there is both scope and merit in implementing a new LTI scheme which will supplement (not replace) the existing LTI scheme which in most part was established prior to listing on the ASX.

The new LTI plan was approved at the AGM on 24 November 2022.

An overview is set out below:

Instrument	Performance Rights
Quantum	CEO: Target ~100% of TFR.* CFO: Target ~70% of TFR. Vesting period: shares vest after the end of the Performance period (1 July 2022 to 30 June 2025). Allocation Price: 5 trading day volume weighted average price (VWAP) immediately following the date of release of annual results. Performance measure: Return on Capital Employed (ROCE) gateway target in the final year of the performance period (FY25) of not less than 20%. ROCE is calculated by dividing EBIT by total shareholder equity. Performance measure: Earning Per Share growth. Service condition: the Participants must remain employed or engaged in a full-time capacity by the Group, and must not have given notice of resignation or been given notice of termination, as at the end of the Performance period. Shares vest after the end of the Performance period (1 July 2022 to 30 June 2025). Straight line pro-rata grading as between Minimum Threshold and Maximum. Threshold for FY25 EPS are per the below:

	Minimum Threshold	Maximum Threshold
FY2025 EPS Target	$0.45	$0.60
% of Performance Rights that vest	30%	100%

EPS will be calculated based on Statutory EPS and may be adjusted where deemed necessary by the Board to deliver a fair outcome for all stakeholders. Adjustments may be made for matters including for material one off items that do not reflect the underlying earnings and therefore EPS of the Company, or where there was a major capital event (e.g. acquisition) changing the Company's capital structure such that statutory EPS did not fairly represent the performance of the Company in FY25. The Board would only make adjustments to Statutory EPS in circumstances where the prima facie result for stakeholders was considered to be unfair or inappropriate in material respects.

* TFR is made up of salary and superannuation.

The Board believes that EPS is a sound measure as an indicator of long-term performance of the Company and management's ability to drive results which are strongly correlated with shareholder value. This plan coupled with the existing shareholdings of management together ensure that the participants have a significant focus on and alignment with the share price performance of the Company over the long term.

Details of the performance rights for the Senior Executives are included in Section 4 of the Remuneration Report.

The Board intends to issue a further grant of securities to KMP under the LTI Plan in FY24. Having reviewed and implemented a new LTI arrangement in FY23 (i.e. Performance Rights), it is expected that a further grant of Performance Rights will be issued to KMP in FY24. The grant will be issued under the same plan rules as the FY23 grant and in proportions (relative to TFR) equal to those granted to KMP in FY23. The performance measure will again be EPS and the details and number of securities to be issued to Alice will be provided in the Notice of Meeting and Explanatory Memorandum for the upcoming AGM.

Claw back policy

The Board may claw back overpayment if the Group becomes aware of participant actions or circumstances that may lead to unfair benefits. This includes instances of fraud, serious misconduct, material financial losses, material reputational damage, breach of duties, convictions, or material misstatement in the financial statement. Additionally, the Board may act if it becomes aware of relevant circumstances after a participant's employment ceases, or if the initial Award is no longer justified based on new information. The PRC will review this claw back policy at lease annually and make recommendations to the Board as to any changes it considers should be made.

SECTION 4: DETAILS OF REMUNERATION

Non-Executive and Executive Directors' remuneration

The following annual base fees are payable to Directors:

Director fees	$	Directors in office
Chair	$150,000	Peter Birtles
Non-Executive Directors	$120,000	Trent Peterson*
	$80,000	Kaylene Gaffney
	$80,000	David MacLean
	$80,000	Renee Gamble

* Annual fees paid to Trent Peterson have increased to $120,000 (2022: $80,000) during the 2023 financial year to reflect additional responsibilities with CTC Advisory Board and his contribution to the acquisition process.

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
Non-Executive Directors	$4,000	Peter Birtles
		Renee Gamble
People and Remuneration Committee		
Chair	$5,000	Trent Peterson
Non-Executive Directors	$2,000	Peter Birtles
		David MacLean

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 Group for the current financial year are set out below.

Name	Financial year	Short-term benefits Board and committee fees $	Superannuation $	Total $
Non-Executive Directors				
Peter Birtles*	2023	156,000	–	156,000
Kaylene Gaffney	2023	81,448	8,552	90,000
David MacLean	2023	74,208	7,792	82,000
Trent Peterson*	2023	125,000	–	125,000
Renee Gamble	2023	84,000	–	84,000
Total Non-Executive Directors	**2023**	**520,656**	**16,344**	**537,000**

* Fees paid for Peter Birtles are paid to Trent Bridge Consulting, fees paid for Trent Peterson are paid to Catalyst Direct Capital Management.

Name	Financial year	Short-term benefits Board and committee fees $	Superannuation $	Total $
Non-Executive Directors				
Peter Birtles*	2022	156,000	–	156,000
Srdjan Dangubic (resigned December 2021)*	2022	42,000	–	42,000
Kaylene Gaffney	2022	81,818	8,182	90,000
David MacLean	2022	74,545	7,455	82,000
Trent Peterson*	2022	85,000	–	85,000
Renee Gamble (appointed December 2021)	2022	49,000	–	49,000
Total Non-Executive Directors	**2022**	**488,363**	**15,637**	**504,000**

* 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 for Srdjan Dangubic were paid to Five V Capital.

Name	Financial year	Short-term benefits Salary & fees $	Cash bonus $	Annual leave $	Long-term benefits Long-service leave $	Post-employment Super-annuation $	Share-based payments Share-based payments $	Total $	% Performance related
Executive Directors and Senior Executives									
Alice Barbery	2023	519,708	234,000	7,553	9,000	25,292	174,446	969,999	42.1%
Renee Jones	2023	389,708	139,750	1,984	–	25,292	92,984	649,718	35.8%
Total Executive Directors and Senior Executives	**2023**	**909,416**	**373,750**	**9,537**	**9,000**	**50,584**	**267,430**	**1,619,717**	

Name	Financial year	Short-term benefits Salary & fees $	Cash bonus $	Annual leave $	Long-term benefits Long-service leave $	Post-employment Super-annuation $	Share-based payments Share-based payments $	Total $	% Performance related
Executive Directors and Senior Executives									
Alice Barbery	2022	521,432	–	38,788	30,780	23,568	–	614,568	0.0%
Renee Jones	2022	376,432	–	18,060	–	23,568	–	418,060	0.0%
Total Executive Directors and Senior Executives	**2022**	**897,864**	**–**	**56,848**	**30,780**	**47,136**	**–**	**1,032,628**	

Performance rights

Performance rights under the LTI scheme have been granted during FY23. The performance rights vest after three years from the grant date. On vesting, each right automatically converts into one ordinary share. The executives do not receive any dividends and are not entitled to vote in relation to the rights during the vesting period. If an executive ceases employment before the rights vest, the rights will be forfeited, except in limited circumstances that are approved by the Board on a case-by-case basis.

The fair value of the rights is determined based on the market price of the Group's shares at the grant date, with an adjustment made to take into account the three year vesting period and expected dividends during that period that will not be received by the KMP.

Grant date	Vesting date	Grant date value	Exercise price
24 November 2022	30 June 2025	$4.59	nil
21 December 2022	30 June 2025	$4.59	nil

Performance rights

This table shows how many performance rights were granted, vested and forfeited during the year.

Name	Performance Rights Grant Date	Balance at start of the Year (Number)	Granted during the period (Number)	Exercised during the period (Number)	Forfeited during the period (Number)	Balance at end of the period (Number)	Maximum value yet to vest
Alice Barbery	24 November 2022	–	114,017	–	–	114,017	523,338
Renee Jones	21 December 2022	–	60,774	–	–	60,774	278,953
Total		**–**	**174,791**	**–**	**–**	**174,791**	**802,291**

Shareholdings of KMP*

Shares held in Universal Store Holdings Limited (number)

	Balance 1 July 2022 Ord	Shares acquired during the year through the vesting of LTI Ord	Other shares acquired (disposed of) during the year Ord	Balance 30 June 2023 Ord	Held nominally 30 June 2023 Ord
Non-Executive Directors					
Peter Birtles	200,000	–	20,000	220,000	–
Kaylene Gaffney	25,000	–	–	25,000	–
David MacLean	650,000	–	479,113	1,129,113	–
Trent Peterson	1,200,000	–	100,000	1,300,000	–
Renee Gamble	–	–	–	–	–
Executive Directors and Senior Executives					
Alice Barbery**	2,162,897	–	–	2,162,897	–
Renee Jones**	583,333	–	–	583,333	–

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

** Represent options held at the beginning of the year as part of the existing limited recourse loans (refer to "Existing Long-term Incentive Plan" section). Alice has fully repaid her loan balance during the year ($368,583) and the these have therefore been exercised into ordinary shares. Renee's loan balance remains outstanding and therefore the amount disclosed above represent in-substance options in accordance with AASB 2.

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.

Other transactions and loans with KMP

There are no other transactions or outstanding loans to KMP in the current or prior period.

Signed in accordance with a resolution of the Directors.

Peter Birtles
Independent Non-Executive Director and Chairman

23 August 2023

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 2023, 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
23 August 2023

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

	Notes	2023 $'000	2022 $'000
Revenue from contracts with customers	5.1	263,052	207,969
Raw materials and consumables used	5.2	(107,721)	(86,690)
		155,331	121,279
Employee benefits expenses	5.3	(60,827)	(42,468)
Occupancy expenses		(9,886)	(7,167)
Depreciation, amortisation and impairment expense	5.4	(26,829)	(25,114)
Transaction costs associated with acquisition of CTC	5.5	(1,806)	–
Marketing expenses		(8,232)	(7,634)
Banking and transaction fees		(35)	(44)
Other expenses		(9,145)	(6,863)
Finance costs	5.6	(4,558)	(2,611)
Finance income		639	100
Profit before income tax		**34,652**	**29,478**
Income tax expense	6	(11,081)	(8,904)
Profit for the period		**23,571**	**20,574**
Profit for the year is attributable to:			
Owners of Universal Store Holdings Limited		23,571	20,574
Other comprehensive income		–	–
Total comprehensive income for the period		**23,571**	**20,574**
Total comprehensive income for the period is attributable to:			
Owners of Universal Store Holdings Limited		23,571	20,574
		23,571	**20,574**

Earnings per share			
Basic earnings per share (cents)	7	32.5	30.2
Diluted earnings per share (cents)	7	31.8	28.9

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 2023

	Notes	30 June 2023 $'000	30 June 2022 $'000
Assets			
Current assets			
Cash and cash equivalents	8	21,444	38,768
Trade receivables	9	1,896	–
Other receivables	10	3,016	2,419
Inventories	11	24,353	18,024
Current tax assets		717	571
Total current assets		**51,426**	**59,782**
Non-current assets			
Plant and equipment	12	16,061	10,904
Right-of-use assets	14	56,942	39,833
Goodwill and intangible assets	13	140,416	93,034
Total non-current assets		**213,419**	**143,771**
Total assets		**264,845**	**203,553**
Liabilities			
Current liabilities			
Trade and other payables	15	23,036	17,675
Lease liabilities	14	20,686	19,969
Contract liabilities	18	1,568	1,467
Provisions	19	2,181	1,912
Total current liabilities		**47,471**	**41,023**
Non-current liabilities			
Borrowings	17	14,879	14,865
Lease liabilities	14	42,396	28,589
Provisions	19	1,071	906
Other payables	16	9,634	–
Deferred tax liabilities	6	12,951	6,661
Total non-current liabilities		**80,931**	**51,021**
Total liabilities		**128,402**	**92,044**
Net assets		**136,443**	**111,509**
Equity			
Contributed equity	20	110,844	92,161
Share-based payment reserve	21	9,083	7,977
Retained earnings		16,516	11,371
Total equity		**136,443**	**111,509**

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 2023

	Notes	Contributed equity $'000	Shared-based payment reserve $'000	Retained earnings $'000	Total equity $'000
At 1 July 2022		**92,161**	**7,977**	**11,371**	**111,509**
Profit for the period		–	–	23,571	23,571
Other comprehensive income		–	–	–	–
Total comprehensive income for the period		**–**	**–**	**23,571**	**23,571**
Transactions with owners in their capacity as owners:					
Dividends paid	22	–	–	(18,426)	(18,426)
Share-based payment	21	–	494	–	494
MEP loan repayment	21	–	612	–	612
Issue of ordinary shares as consideration for acquisition of CTC	28	18,683	–	–	18,683
At 30 June 2023		**110,844**	**9,083**	**16,516**	**136,443**
At 1 July 2021		**92,161**	**4,281**	**6,534**	**102,976**
Profit for the period		–	–	20,574	20,574
Other comprehensive income		–	–	–	–
Total comprehensive income for the period		**–**	**–**	**20,574**	**20,574**
Transactions with owners in their capacity as owners:					
Dividends paid	22	–	–	(15,737)	(15,737)
MEP loan repayment	21	–	3,696	–	3,696
At 30 June 2022		**92,161**	**7,977**	**11,371**	**111,509**

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 2023

	Notes	2023 $'000	2022 $'000
Operating activities			
Receipts from customers (inclusive of GST)		293,205	229,354
Payments to suppliers and employees (inclusive of GST)		(226,288)	(171,229)
Transaction costs associated with acquisition of CTC	28	(1,806)	–
Interest received		639	100
Interest paid		(3,842)	(2,497)
Income taxes paid		(10,943)	(13,699)
Net cash flows from operating activities	**8**	**50,965**	**42,029**
Investing activities			
Payment for acquisition of subsidiary, net of cash acquired	28	(16,526)	–
Proceeds from sale of plant and equipment		621	945
Purchase of plant and equipment	12	(9,871)	(7,118)
Purchase of intangible assets	13	(355)	(618)
Net cash flows used in investing activities		**(26,131)**	**(6,791)**
Financing activities			
Payment of principle portion of lease liabilities	8.3	(24,864)	(19,948)
Lease incentives and COVID-19 abatements received in cash		645	2,160
Upfront finance charge of borrowings	8.3	(125)	(47)
Dividends paid to the equity holders of the Parent	22	(18,426)	(15,737)
Proceeds from MEP loan repayments		612	3,696
Net cash used in financing activities		**(42,158)**	**(29,876)**
Net (decrease)/increase in cash and cash equivalents		(17,324)	5,362
Cash and cash equivalents at the beginning of the financial year		38,768	33,406
Cash and cash equivalents at end of the period	**8**	**21,444**	**38,768**

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 2023

1. CORPORATE INFORMATION

The consolidated financial statements of Universal Store Holdings Limited (the "Company" or "Parent") and its controlled entities (the "Group") for the year ended 30 June 2023 were authorised for issue in accordance with a resolution of the Directors on 23 August 2023.

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 23. Information on other related party relationships of the Group is provided in Note 24.

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, except for certain financial liabilities measured at fair value or remeasured amount.

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 Group under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Group 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.

The Directors have the power to amend and reissue the financial statements.

2.2 Changes in accounting policies and disclosures

New and amended standards adopted by the Group

The Group has not applied any new standards or amendments for the first time for its annual reporting period commencing 1 July 2022.

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 2023. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2023. 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) Foreign currencies

The Group's consolidated financial statements are presented in Australian dollars.

(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.

(c) 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. An asset's recoverable amount is the CGU's fair value less costs of disposal.

For the purpose of assessing the recoverability of property, plant and equipment, all stores are individual CGUs. For the purpose of assessing the recoverability of goodwill, brand names and other net CGU assets, the testing is performed at the operating segment level. 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 fair value, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 operating segments. 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 and other comprehensive statement 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 and other comprehensive income.

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 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 CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

(d) 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.

(e) 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.

(f) 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 period.

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 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 estimated interest rate.

Measurement of fair value

The Group applies specific accounting policies and disclosures that require measuring fair values for both financial and non-financial assets and liabilities.

To ensure accurate fair value measurements, the Group finance team regularly reviews important inputs and adjustments used for fair value measurements. When third-party information is used, the team carefully examines the evidence to ensure compliance with AASB 13 *Fair Value Measurement* and proper classification in the fair value hierarchy.

The Group primarily uses observable market data when determining fair values. Fair values are categorised into three levels in the fair value hierarchy based on the inputs used:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market (e.g. over-the counter derivatives) is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

If inputs used for fair value measurement fall into different levels, the entire fair value is categorised under the level of the lowest significant input to ensure consistency. Transfers between levels are recognised at the end of the reporting period.

All of the Group's financial instruments were valued using the Level 3 technique, with no transfers between levels during the period.

The fair value of contingent consideration is determined by calculating the present value of the future expected cash flows using a risk-adjusted discount rate. The expected cash flows are determined by considering the possible scenarios of forecast underlying EBIT from FY24 to FY25, the amount to be paid under each scenario and the probability of each scenario.

For more details about the assumptions in measuring fair values, please refer to the relevant notes.

- Note 16 – Other payables (Level 3).
- Note 28 – Business combination (Level 3).

Make good provisions

Make good provisions are for the estimated cost of the legal obligations 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.

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. Management uses cash flow projections based on approved financial budgets and projections covering a five-year period. Cash flows beyond the five-year period are extrapolated using a terminal growth rate of 2.5%. For further information refer to Note 13.

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 2023 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, brands, right-of-use assets and inventory.

4. REPORTABLE 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 two reportable segments, being Universal Store and CTC. Prior to the acquisition of CTC on 31 October 2022, the focus on the performance was of the Group as a whole. 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 two reportable segments.

4.1 Segment information provided to the CODM's

The table below shows the segment information provided to the CODM's for the reportable segments for the year ended 30 June 2023 and also the basis on which revenue is recognised:

For the year ended 30 June 2023	Universal Store $'000	CTC $'000	Inter-segment elimination $'000	Total $'000
Total segment revenue	243,634	25,739	(6,321)	263,052
Revenue from external customers	**243,634**	**25,739**	**(6,321)**	**263,052**

	2023				2022			
Reconciliation to underlying EBIT	Universal Store $'000	CTC $'000	Inter-segment Elimination/ Unallocated items $'000	Total $'000	Universal Store $'000	CTC $'000	Inter-segment Elimination/ Unallocated items $'000	Total $'000
EBIT	38,453	3,097	(2,979)	**38,571**	31,989	–	–	**31,989**
Transaction costs associated with acquisition of CTC	–	–	1,806	**1,806**	–	–	–	**-**
Nundah office onerous lease impairment	–	–	–	**-**	624	–	–	**624**
Underlying EBIT[1]	**38,453**	**3,097**	**(1,173)**	**40,377**	**32,613**	**-**	**-**	**32,613**

1 Underlying EBIT includes the impact of AASB 16 *Leases*.

	2023 Total $'000	2022 Total $'000
Underlying EBIT	**40,377**	**32,613**
Nundah office onerous lease impairment	–	(624)
Transaction costs associated with the acquisition of CTC	(1,806)	-
Finance costs	(4,558)	(2,611)
Finance income	639	100
Profit before tax	**34,652**	**29,478**

4.2 Segment assets

Segment assets are measured in the same way as in the consolidated financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Reportable segments' assets are reconciled to total assets as follows:

	2023 $'000	2022 $'000
Universal Store	200,885	203,553
CTC	63,960	–
Total segment assets	**264,845**	**203,553**

4.3 Segment liabilities

Segment liabilities are measured in the same way as in the consolidated financial statements. These liabilities are allocated based on the operations of the segment.

The Group's borrowings and derivative financial instruments are not considered to be segment liabilities, but are managed by the treasury function.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2023 $'000	2022 $'000
Universal Store	119,410	92,044
CTC	8,992	–
Total segment liabilities	**128,402**	**92,044**

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:

	2023 $'000	2022 $'000
Total revenue from contracts with customers	**263,052**	**207,969**

Within the revenue stream of sales of goods, the Group has three channels of sales being store sales, online sales and wholesale, at 81%, 14% and 5% of the total sales of goods respectively during the period. (2022: 83% store sales, 17% online sales and nil wholesale).

Significant accounting policies

Revenue from contracts with customers is recognised when performance obligations are satisfied and the amount of transaction price allocated to satisfied performance obligations. A performance obligation is satisfied by transferring a promised good to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. 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 when the inventory leaves the warehouse or store.

Wholesale

Revenue from sale of wholesale goods is recognised when the Group's performance obligations is satisfied, which is when the inventory leaves the warehouse.

Rights of return assets and refund liabilities

For online sales, store sales and wholesale 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. 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 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.

5.2 Included in raw materials and consumables used

Raw materials and consumables used includes net foreign exchange gains and losses and merchant fees.

5.3 Employee benefits expense

	2023 $'000	2022 $'000
Employee benefits expense	60,827	42,468

5.4 Depreciation, amortisation and impairment expense

	Notes	2023 $'000	2022 $'000
Plant and equipment	12	4,496	4,428
Right-of-use assets	14	21,920	19,758
Intangible assets	13	413	304
Impairment of right-of-use assets	14	–	624
Depreciation, amortisation and impairment expense		**26,829**	**25,114**

5.5 Transaction costs

	2023 $'000	2022 $'000
Transaction costs associated with acquisition of CTC	**1,806**	**–**

5.6 Finance costs

	Notes	2023 $'000	2022 $'000
Interest on debt and borrowing		1,208	702
Changes in fair value of contingent consideration	28 (a)	535	–
Interest on lease liabilities	14	2,815	1,909
		4,558	**2,611**

Significant accounting policies

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 effective interest rate (EIR) method.

6. INCOME TAX

The major components of income tax expense for the years ended 30 June 2023 and 2022 are:

	2023 $'000	2022 $'000
Current income tax:		
Current income tax expense	9,537	7,877
Under/over provision for income tax	102	130
Deferred tax:		
Deferred income tax expense	1,442	897
Income tax expense reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	**11,081**	**8,904**

Reconciliation of tax expense and the accounting profit multiplied by Australia's domestic tax rate for the years ended 30 June 2023 and 2022:

	2023 $'000	2022 $'000
Accounting profit before income tax	**34,652**	**29,478**
At Australia's statutory income tax rate of 30% (2022 – 30%)	10,396	8,843
Adjustments in respect of current income tax of previous years	102	130
Non-deductible expenses for tax purposes	583	(69)
Income tax expense reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	**11,081**	**8,904**

Deferred tax balances

(i) Deferred tax assets

	2023 $'000	2022 $'000
The balance comprises temporary differences attributable to:		
Employee benefits	825	727
Provisions	1,843	441
Lease liabilities	18,954	14,568
Blackhole expenditure	1,299	1,975
Other	577	188
Total deferred tax assets	23,498	17,899
Set-off of deferred tax assets pursuant to set-off provisions	(23,498)	(17,899)
Net deferred tax assets	**–**	**–**

	Employee benefits $'000	Provisions $'000	Lease liabilities $'000	Blackhole expenditure $'000	Other $'000	Total $'000
At 1 July 2021	**555**	**298**	**16,497**	**2,826**	**85**	**20,261**
(Charged)/credited to profit and loss	172	143	(1,929)	(851)	103	(2,362)
At 30 June 2022	**727**	**441**	**14,568**	**1,975**	**188**	**17,899**
(Charged)/credited to profit and loss	28	1,402	3,518	(676)	389	4,661
Acquisition of subsidiary	70	–	868	–	–	938
At 30 June 2023	**825**	**1,843**	**18,954**	**1,299**	**577**	**23,498**

(ii) Deferred tax liabilities

	2023 $'000	2022 $'000
The balance comprises temporary differences attributable to:		
Right-of-use assets	17,077	11,869
Property, plant and equipment	3,885	1,769
Intangible assets	15,487	10,922
Total deferred tax liabilities	36,449	24,560
Set-off of deferred tax assets pursuant to set-off provisions	(23,498)	(17,899)
Net deferred tax liabilities	**12,951**	**6,661**

	Right-of-use assets $'000	Property, plant and equipment $'000	Intangible assets $'000	Other $'000	Total $'000
At 1 July 2021	**14,633**	**470**	**10,922**	**–**	**26,025**
Charged/(credited) to profit and loss	(2,764)	1,299	–	–	(1,465)
At 30 June 2022	**11,869**	**1,769**	**10,922**	**–**	**24,560**
Charged/(credited) to profit and loss	4,341	2,116	–	(353)	6,104
Acquisition of subsidiary	867	–	4,565	353	5,785
At 30 June 2023	**17,077**	**3,885**	**15,487**	**–**	**36,449**

Offsetting within tax consolidated group

Universal Store Holdings Limited 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.

Significant accounting policies

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 and Other Comprehensive Income. 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 and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Universal Store Holdings Limited 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 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.

7. EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing profit for the period attributable to ordinary equity holders of the Group 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 Group 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:

	2023 $'000	2022 $'000
Profit attributable to ordinary share holders	**23,571**	**20,574**

	2023	2022
Weighted average number of ordinary shares for basic earnings per share	72,564,258	68,046,034
Effect of dilution from:		
MEP shares and share-based payments	1,637,246	3,066,509
Weighted average number of ordinary shares adjusted for the effect of dilution	**74,201,504**	**71,112,543**

	2023 Cents	2022 Cents
Basic earnings per share	32.5	30.2
Diluted earnings per share	31.8	28.9

8. CASH AND CASH EQUIVALENTS

	2023 \$'000	2022 \$'000
Cash on hand	63	54
Cash at bank	21,381	38,714
	21,444	**38,768**

	2023 \$'000	2022 \$'000
Cash flow reconciliation		
Profit after tax	23,571	20,574
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation of plant and equipment	4,496	4,428
Depreciation of right-of-use assets	21,920	19,758
Amortisation of intangible assets	413	304
Non-cash share-based payment	494	–
Amortisation of debt issue costs	137	115
Amortisation of lease incentives[1]	(108)	–
Impairment of right-of-use assets	–	624
Change in operating assets and liabilities, net of assets and liabilities acquired as part of a business combination:		
Decrease in trade and other receivables	2,970	14
Increase in inventories	(2,378)	(329)
Increase in deferred tax liabilities	1,442	897
(Decrease)/Increase in trade and other payables	(784)	989
Decrease in current tax liabilities	(1,304)	(5,692)
Increase in other provisions	96	347
Net cash flows from operating activities	**50,965**	**42,029**

1 Lease incentives include amounts received that fall outside the scope of AASB 16 *Leases*.

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 14.

8.2 Net debt reconciliation

	Notes	2023 \$'000	2022 \$'000
Net debt			
Cash and cash equivalents	8	21,444	38,768
Lease liabilities	14	(63,082)	(48,558)
Borrowings	17	(14,879)	(14,865)
		(56,517)	**(24,655)**

8.3 Changes in liabilities arising from financing activities

	1 July 2022 $'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 2023 $'000
Borrowings	15,000	–	(1,208)	–	–	1,208	15,000
Debt issue costs	(135)	–	(125)	139	–	–	(121)
Lease liabilities	48,558	–	(24,219)	–	38,743	–	63,082
Total liabilities from financing activities	**63,423**	**–**	**(25,552)**	**139**	**38,743**	**1,208**	**77,961**

	1 July 2021 $'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 2022 $'000
Borrowings	15,000	–	(702)	–	–	702	15,000
Debt issue costs	(203)	–	(47)	115	–	–	(135)
Lease liabilities	54,991	–	(19,948)	–	13,515	–	48,558
Total liabilities from financing activities	**69,788**	**–**	**(20,697)**	**115**	**13,515**	**702**	**63,423**

* Interest paid on borrowings.

Significant Accounting Policy – Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise of 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.

9. TRADE RECEIVABLES

	2023 $'000	2022 $'000
Trade receivables	1,896	–
	1,896	**–**

Significant accounting policy

(i) Classification as trade receivables

Trade receivables are amounts due from wholesale customers for goods sold in the ordinary course of business. They are generally due for settlement within 30 days from end of month and are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 25.4.

(ii) Fair values of trade receivables

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

(iii) Impairment and risk exposure

The Group has assessed the impairment based on historical loss experience, which has been adjusted to reflect information about current conditions and has concluded that the balance of trade receivables is not impaired.

10. OTHER RECEIVABLES

	2023 $'000	2022 $'000
Other receivables	1,038	1,208
Prepayments and deposits	1,978	1,211
	3,016	**2,419**

Significant accounting policy

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.

11. INVENTORIES

	2023 $'000	2022 $'000
Stock on hand at cost	26,087	18,820
Provision for inventory write-downs	(1,734)	(796)
	24,353	**18,024**

Inventories recognised as an expense during the year ended 30 June 2023 amount to $95.4 million (2022: $77.9 million). Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2023 amounted to $2.3 million (2022: $531,000). These were included in raw materials and consumables used.

Significant accounting policies

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.

12. PLANT AND EQUIPMENT

	Fixtures and fittings $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Cost				
At 1 July 2021	3,575	10,538	3,884	17,997
Additions	722	5,298	1,098	7,118
Disposals	–	(945)	–	(945)
At 30 June 2022	**4,297**	**14,891**	**4,982**	**24,170**
Acquisition of subsidiary (Note 28)	–	403	–	403
Additions	2,721	4,664	2,486	9,871
Disposals	(808)	(1,554)	(387)	(2,749)
At 30 June 2023	**6,210**	**18,404**	**7,081**	**31,695**
Depreciation				
At 1 July 2021	1,662	5,127	2,049	8,838
Depreciation charge for the period	621	3,084	723	4,428
At 30 June 2022	**2,283**	**8,211**	**2,772**	**13,266**
Depreciation charge for the period	856	2,529	1,111	4,496
Disposals	(808)	(933)	(387)	(2,128)
At 30 June 2023	**2,331**	**9,807**	**3,496**	**15,634**
Net book value				
At 30 June 2022	2,014	6,680	2,210	10,904
At 30 June 2023	**3,879**	**8,597**	**3,585**	**16,061**

Significant accounting policies

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 period 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:

Fixtures 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 period.

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(c)).

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

13. GOODWILL AND INTANGIBLE ASSETS

	Goodwill $'000	Brand names $'000	Software $'000	Total $'000
Cost				
At 1 July 2021	55,516	36,620	1,159	93,295
Additions	–	–	618	618
At 30 June 2022	**55,516**	**36,620**	**1,777**	**93,913**
Acquisition of subsidiary (Note 28)	32,226	15,214	–	47,440
Additions	–	–	355	355
Disposals	–	–	(68)	(68)
At 30 June 2023	**87,742**	**51,834**	**2,064**	**141,640**
Amortisation				
At 1 July 2021	–	212	363	575
Amortisation	–	–	304	304
At 30 June 2022	**–**	**212**	**667**	**879**
Amortisation	–	–	413	413
Disposals	–	–	(68)	(68)
At 30 June 2023	**–**	**212**	**1,012**	**1,224**
Net book value				
At 30 June 2022	55,516	36,408	1,110	93,034
At 30 June 2023	**87,742**	**51,622**	**1,052**	**140,416**

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.

Carrying amount of goodwill and brand names allocated to the CGUs is as follows:

	Universal Store $'000	CTC $'000
Goodwill	55,516	32,226
Brand	36,408	15,214

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 the CGU's 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:

Universal Store	CTC
WACC (post tax) 11.5% (2022: 11.5%)	WACC (post tax) 13.5%
Terminal growth rate 2.5% (2022: 2.5%)	Terminal growth rate 2.5%
Year 1 forecast sales are based on most recent sales profile by store	Year 1 forecast sales are based on most recent sales budget
Year 2 – 5 forecasted existing store revenue growth at 6%	Year 2 – 5 forecasted existing store and wholesale revenue growth at 5% – 7%
Ten new stores per annum including both Perfect Stranger and Universal Store	Three new stores by end of year 1 and six new stores per annum for year 2 – 5

The Group has assessed prevailing market and economic conditions, undertaking thorough analysis to develop forecast scenarios encompassing potential low, medium, and high forecast assumptions. These scenarios serve to anticipate various outcomes should trading conditions either deteriorate or surpass expectations. Forecasts are constructed by combining historical performance with future performance expectations to provide a comprehensive outlook.

Key assumptions used in Fair Value Less Cost of Disposal (FVLCD) forecast modelling includes sales growth by channel, B&M expansion, long-term growth rates, and the discount rate.

A key focus in the forecast modelling is the Group's dedication to the recent CTC acquisition and driving the growth of its retail channel, while also maintaining a steady performance in the wholesale segment. As of the balance date, the Group has ascertained that there is no impairment in Goodwill and brand names based on the FVLCD model. A material change in market conditions or failure to execute on the direct to customer expansion strategy may increase the risk of impairment in the CTC channel. However, to ensure the accuracy and reliability of financial reporting, the Group has conducted thorough evaluations of the underlying assumptions. These evaluations have demonstrated that even with reasonable potential changes to these assumptions, there would be no reduction in the recoverable amount below the carrying value.

Significant accounting policies

(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.

(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 over a period of five years.

14. LEASES

Group as a lessee

The Group has lease contracts for various properties used in its operations and equipment. Leases of properties generally have lease terms between one to seven years and leases of equipment generally have lease terms between one to five 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.

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

	Properties $'000	Equipment $'000	Total $'000
At 1 July 2021	**48,776**	**–**	**48,776**
Additions*	10,641	–	10,641
Modifications**	798	–	798
Depreciation expense	(19,758)	–	(19,758)
Impairment of right-of-use assets	(624)	–	(624)
At 30 June 2022	**39,833**	**–**	**39,833**
Additions*	33,037	288	33,325
Acquisition of CTC	2,894	–	2,894
Modifications**	2,810	–	2,810
Depreciation expense	(21,888)	(32)	(21,920)
At 30 June 2023	**56,686**	**256**	**56,942**

* The amount includes rent incentives of $739,000 in 2023 (2022: $2,160,000).

** COVID-19 abatement of $102,000 in 2023 (2022: $898,000).

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

	2023 $'000	2022 $'000
At 1 July	**48,558**	**54,991**
Additions	33,207	10,867
Acquisition of CTC	2,894	–
Modifications	2,642	1,696
Accretion of interest	2,815	1,909
Payments	(27,034)	(20,905)
At 30 June	**63,082**	**48,558**
Current	20,686	19,969
Non-current	42,396	28,589

The following are the amounts recognised in profit or loss:

	2023 $'000	2022 $'000
Depreciation expense of right-of-use assets	21,920	19,758
Interest expense on lease liabilities	2,815	1,909
Expense relating to variable lease payments not included in lease	9,982	8,760
Short-term rental reliefs received	(95)	(393)
Total amount recognised in profit or loss	**34,622**	**30,034**

The Group had total cash outflows for leases of $36.9 million in 2023 (2022: $31.1 million). The Group also had non-cash additions to right-of-use assets of $36.1 million (2022: $11.4 million) and to lease liabilities of $35.8 million in 2023 (2022: $14.4 million). The Group also acquired $2.9 million right-of-use assets and $2.9 million lease liabilities through the acquisition of CTC.

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. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments.

Significant accounting policies

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 10 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(c) 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 period 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.

15. TRADE AND OTHER PAYABLES

	2023 $'000	2022 $'000
Current		
Trade payables	8,082	9,621
GST payable	1,138	1,042
Accrued expenses	10,298	7,012
Contingent consideration (Note 28)	3,410	–
Other payables	108	–
	23,036	**17,675**

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

Significant accounting policies

These amounts, excluding contingent consideration, 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.

Contingent consideration is estimated by calculation the present value of the future expected cash flows. Details are included in Note 28.

16. OTHER PAYABLES

	Notes	2023 $'000	2022 $'000
Non-current			
Contingent consideration	28	9,580	–
Lease incentives		54	–
		9,634	**–**

Contingent consideration

Contingent consideration is estimated by calculating the present value of the future expected cash flows. Details are included in Note 28.

Lease incentives

Lease incentives include amounts received that fall outside the scope of AASB 16 *Leases*.

17. BORROWINGS

	2023 $'000	2022 $'000
Non-current		
Bank borrowings (Facility A)*	14,879	14,865

* The amount includes borrowing costs of $121,000 for the current year (2022: $135,000).

The Group has the following debt facilities with ANZ:

- Facility A for $15.0 million which is fully drawn.
- Facility A1 a $10 million revolving working capital facility, which is undrawn.
- 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 2025. Facility A1 expires in October 2025. Facility E is reviewed annually.

Facilities are secured by a General Security Agreement (GSA) and Corporate Guarantee provided by Universal Store Holdings Limited, 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 2023 and 2022 reporting period and continues to have significant headroom.

Significant accounting policies

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 period.

18. CONTRACT LIABILITIES

	2023 $'000	2022 $'000
Gift cards	1,399	1,346
Other contract liabilities	169	121
	1,568	**1,467**

	Gift cards $'000	Other contract liabilities $'000	Total $'000
At 1 July 2021	**1,100**	**88**	**1,188**
Deferred during the period	3,535	114	3,649
Recognised as revenue during the period	(3,289)	(81)	(3,370)
At 30 June 2022	**1,346**	**121**	**1,467**
Deferred during the period	3,170	149	3,319
Recognised as revenue during the period	(3,117)	(101)	(3,218)
At 30 June 2023	**1,399**	**169**	**1,568**

19. PROVISIONS

	2023 $'000	2022 $'000
Current		
Employee benefits	2,181	1,912
Non-current		
Employee benefits	205	226
Make good provision	866	680
	1,071	**906**

(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 provision $'000	Employee benefits $'000	Total $'000
At 1 July 2021	**595**	**1,791**	**2,386**
Additional provision charged to right-of-use asset	85	–	85
Charged to profit or loss	–	347	347
At 30 June 2022	**680**	**2,138**	**2,818**
Acquisition of subsidiary	85	–	85
Additional provision charged to right-of-use asset	118	–	118
Charged to profit or loss	(17)	248	231
At 30 June 2023	**866**	**2,386**	**3,252**

Significant accounting policies

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 and other comprehensive income 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.

20. CONTRIBUTED EQUITY

	2023 $'000	2022 $'000
Ordinary shares	110,844	92,161

Ordinary shares issued and fully paid	Number of shares '000	$'000
At 1 July 2021	**73,195**	**92,161**
At 30 June 2022	**73,195**	**92,161**
Issue of ordinary shares as consideration for acquisition of CTC	3,525	18,683
At 30 June 2023	**76,720**	**110,844**

20.1 Ordinary shares

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. 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 issuance of 3,524,974 ordinary shares, which formed part of the consideration for the acquisition of CTC, valued at $18.7 million.

20.2 Related party disclosures

Significant accounting policies – Contributed equity

Limited recourse loans have been provided to employees under a MEP (refer Note 21.1) 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).

21. SHARE-BASED PAYMENT RESERVE

	Share options $'000
At 1 July 2021	**4,281**
MEP loan repayment	3,696
At 30 June 2022	**7,977**
Share-based payment	494
MEP loan repayment	612
At 30 June 2023	**9,083**

21.1 Nature and purpose of share-based payment reserve

The share-based payment 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.

During the period the Group has established the Universal Store Holdings Limited Equity Incentive Plan to reward, motivate, and incentivise participants. The Equity Incentive Plan is designed to align interests with those of Shareholders by providing an opportunity to receive an equity interest in the Group in the form of performance rights. The Board from time to time in its absolute discretion may determine Employees who are eligible to participate in the Plan.

Members of the Leadership Team were granted performance rights during the period. These performance rights have vesting conditions based on the Group achieving;

- Return on Capital Employed (ROCE) target in the final year of the performance period (FY25);
- Earnings Per Share (EPS) targets over the performance period (1 July 2022 – 30 June 2025) and;
- the Participant remaining employed or engaged in a full-time capacity by the Group. These performance rights vest on 30 June 2025.

Performance Rights Grant Date	Balance at start of the Year (Number)	Granted during the period (Number)	Exercised during the period (Number)	Forfeited during the period (Number)	Balance at end of the period (Number)	Maximum value yet to vest
24 November 2022	–	114,017	–	–	114,017	523,338
21 December 2022	–	209,728	–	–	209,728	962,652
	–	**323,745**	**–**	**–**	**323,745**	**1,485,990**

22. DIVIDENDS

22.1 Ordinary shares

The final dividend for the year ended 30 June 2022 of $7.7 million was paid on 29 September 2022 (10.5 cents per share).

In respect of the half-year ended 31 December 2022, an interim dividend of $10.7 million was declared on 23 February 2023 and paid on 29 March 2023 (14 cents per share) (2022: $8.1 million).

On 23 August 2023, the Directors declared a final dividend of $6.1 million to be paid on 3 October 2023 (8 cents per share) (2022: $7.7 million).

22.2 Franked dividends

The final dividends declared after 30 June 2023 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 2023.

	2023 $'000	2022 $'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 30.0%	20,503	15,137

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 period.

The payment of the dividend proposed subsequent to year end is expected to give rise to franking debits of $2.6 million.

Significant accounting policies

The Group recognises a liability to pay a dividend when the distribution is authorised, and the distribution is no longer at the discretion of the Group. 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.

23. INTERESTS IN OTHER ENTITIES

Material subsidiaries

The Group's principal subsidiaries at 30 June 2023 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	2023 %	2022 %
Cheap Thrills Cycles Pty Ltd	Australia	100	–
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 Group and its controlled entities have entered into a deed of cross guarantee on 12 May 2021 (amended 8 May 2023 to include Cheap Thrills Cycles Pty Ltd). The effect of the deed is that the Group 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 Group 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. The above companies represent a 'closed group' for the purposes of the deed of cross guarantee that are controlled by Universal Store Holdings Limited, they also represent the extended closed group. There is no difference in closed group and the extended closed groups and there is no change to the consolidated group numbers.

24 RELATED PARTY TRANSACTIONS

24.1 Key management personnel compensation

	2023 $	2022 $
Short-term employee benefits	1,813,359	1,443,075
Long-term employee benefits	9,000	30,780
Post-employment benefits	66,928	62,773
Share-based payments	267,430	–
	2,156,717	**1,536,628**

Detailed remuneration disclosures are provided in the remuneration report.

24.2 Transactions with other related parties

	2023 $	2022 $
Repayment of MEP loans by KMP	(524,423)	(1,097,583)
Amounts paid to KMP as shareholders:		
Dividends	**1,181,201**	**1,021,270**

Five V Capital Pty Ltd was a related party as it is jointly controlled by Srdjan Dangubic (resigned 31 Dec 2021) and Five V Capital Pty Ltd manages the Five V funds who owned shares in Universal Store Holdings Limited.

25. FINANCIAL RISK MANAGEMENT

25.1 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. During FY23, the Group's borrowings at variable rate were denominated in Australian dollars. Interest rate risk is monitored at the Board level.

25.2 Foreign exchange risk

Foreign currency risk refers to the potential fluctuation in the fair value or future cash flows of an exposure due to changes in foreign exchange rates. The Group has engaged in some purchases denominated in US dollars, thereby exposing it to the risk of foreign exchange rate fluctuations, primarily in relation to its operating activities when revenue or expenses are denominated in foreign currencies.

Historically, the Group's exposure to foreign currency risk has not been significant, as approximately 55% to 60% of its products sold are from third-party sources with fixed pricing. This has provided a degree of stability in setting relevant price points based on the costs to procure these products.

However, with the growth of the Group's vertical product offerings, particularly with the expansion of Perfect Stranger stores and the recent acquisition of the CTC business, the exposure to foreign currency fluctuations is expected to increase.

To address this growing risk, the Group has proactively established a Hedging policy for FY24. The Hedging policy aims to mitigate the impact of adverse currency movements and protect the Group's financial performance and cash flows from potential currency-related uncertainties. By implementing this policy, the Group aims to navigate the challenges associated with foreign currency risk while ensuring stability and sustained growth in its business operations.

25.3 Liquidity risk

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

	2023 $'000	2022 $'000
Floating rate		
Expiring beyond one year (bank loans)	18,500	8,500

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 2023	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 payables	8,082	–	–	–	–	8,082
Contingent consideration	3,410	–	5,095	6,562	–	15,067
Borrowings	–	–	15,000	–	–	15,000
Lease liabilities	12,589	11,021	17,423	24,353	5,940	71,326
	24,081	**11,021**	**37,518**	**30,915**	**5,940**	**109,475**

Year ended 30 June 2022	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 payables	9,621	–	–	–	–	9,621
Borrowings	–	–	–	15,000	–	15,000
Lease liabilities	11,039	10,092	14,469	15,190	–	50,790
	20,660	**10,092**	**14,469**	**30,190**	**–**	**75,411**

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 the retail 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.

25.4 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.

(a) 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, major credit cards and Afterpay, mitigating credit risk. Trade receivables primarily pertain to the wholesale channel, and the Group maintain a proactive approach in monitoring and managing debtors. As a result, and based on historical trends no provisions for credit losses are necessary. There are no significant concentrations of credit risk, whether through exposure to individual and wholesale customers, specific industry sectors and/or regions.

26. CAPITAL RISK MANAGEMENT

Risk management

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal 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 in net debt are: interest bearing loans and borrowings, less cash and short-term deposits.

	Notes	2023 $'000	2022 $'000
Borrowings	17	14,879	14,865
Add: lease liabilities		63,082	48,558
Less: cash and cash equivalents	8	(21,444)	(38,768)
Net debt		**56,517**	**24,655**
Total equity		**136,443**	**110,342**
Net debt to equity ratio		**41%**	**22%**

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

	2023 $'000	2022 $'000
Working capital facilities	18,500	8,500
Bank guarantee facility	1,406	1,457
	19,906	**9,957**

27. COMMITMENTS AND CONTINGENCIES

The Group had contingent liabilities at 30 June 2023 in respect of:

Guarantees

The Group has given guarantees in respect of various retail tenancies amounting to $3,969,000 of which $376,000 relates to CTC (2022: $3,543,000).

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 also signed new lease commitment amounting to $4,703,000 for new store opening in FY24.

Capital commitments

The Group has committed capital expenditure of $630,000 for the new store opening for FY24.

28. BUSINESS COMBINATION

28.1 Summary of acquisition

On 31 October 2022, Universal Store Holdings Limited acquired 100% of the issued shares in Cheap Thrills Cycles Pty Ltd (CTC), a wholesaler and retailer of fashion apparel for men and women. Consideration for the acquisition has included the issue of 3,524,974 ordinary shares to the sellers. The acquisition is expected to increase the Group's market share and reduce cost through economies of scale.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	$'000
Purchase consideration:	
Cash consideration	21,209
Ordinary shares issued	18,683
Contingent consideration	12,455
Subtotal purchase consideration	52,347
Cash consideration attributed to settlement of a pre-existing payable to CTC	(2,051)
Total purchase consideration	**50,296**

The assets and liabilities recognised as a result of the acquisition are as follows. The fair value of the assets and liabilities is provisional.

	Fair value on acquisition 31 October 2022 $'000	Adjustments* $'000	Updated fair value on acquisition 31 October 2022 $'000
Cash and cash equivalents	2,632	–	2,632
Receivables	5,251	208	5,459
Inventories	3,951	–	3,951
Property, plant and equipment	403	–	403
Intangible assets: Brand	15,214	–	15,214
Right of use asset	2,894	–	2,894
Payables	(3,093)	(173)	(3,266)
Deferred tax liability	(4,850)	2	(4,848)
Lease liabilities	(2,894)	–	(2,894)
Employee benefit obligations	(174)	(59)	(233)
Other liabilities	–	(85)	(85)
Current tax liabilities	(1,708)	551	(1,157)
Net identifiable assets acquired	17,626	444	18,070
Add: goodwill	32,670	(444)	32,226
Net assets acquired	**50,296**	**–**	**50,296**

* The change to the business combination relates to additional working capital adjustments which has also decreased the goodwill balance.

The goodwill is attributable to CTC's strong position and profitability in trading in the fashion apparel market. None of the goodwill is expected to be deductible for tax purposes. See Note 13 above for the changes in goodwill as a result of the acquisition.

(a) Significant estimate: contingent consideration

The contingent consideration arrangement required the Group to pay the Deferred Variable Consideration (DVC) to the former owners of CTC.

The DVC will be calculated as 10% of the Adjusted Notional Value (ANV) at the end of the relevant year. ANV is calculated with reference to CTC's underlying EBIT in each of FY23, FY24 and FY25 multiplied by the relevant multiple at each future payment date as per the multiple matrix.

CTC EBIT in period	Relevant multiple
<$7.0 million	5x
>$7.0 million and <$11.0 million	6x
>$11.0 million	7x

DVC amounts are to be determined and paid following finalisation of audited accounts for each period. There is no minimum amount.

The fair value of the contingent consideration arrangement at acquisition of $12,455,000 was estimated calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 13.5% and assumed underlying EBIT from FY23 to FY25 of $8,500,000.

In FY23 (July 2022 to June 2023), CTC recorded revenue of $41.8 million and successfully met its sales and gross margin targets, reflecting the continued strong demand and sell-through of the brands it represents. This accomplishment highlights the sustained popularity and customer interest in the products offered by CTC. However, the underlying EBIT for FY23 fell below the initial expectations. This outcome was primarily driven by strategic investments made in the recruitment of new team members to support the company's future growth ambitions. While these investments impacted short-term profitability, they are a critical part of CTC's growth strategy.

The Group remains optimistic about the long-term potential and prospects of CTC, acknowledging the importance of investing in its team to drive sustainable growth and capture a larger market share.

The fair value of the contingent consideration has been updated to reflect the actual underlying EBIT for FY23 along with revised earnings projections from FY24 to FY25. Underlying EBIT under the revised projections has increased by $740,000 cumulatively over the period (compared to the underlying EBIT estimated at the time of acquisition). The fair value of the contingent consideration at 30 June 2023 is $12,990,000 (based on a discount rate of 13.5%).

(b) Acquired receivables

The fair value of trade and other receivables is $5,459,000 and includes trade receivables with a fair value of $4,483,000. The gross contractual amount for trade receivables due is $4,483,000, of which none is expected to be uncollectible.

(c) Revenue and profit contribution

The acquired business contributed revenues of $19,418,000 and net profit after tax of $1,280,000 to the Group for the period from 1 November 2022 to 30 June 2023. If the acquisition had occurred on 1 July 2022, consolidated revenue and consolidated profit after tax for the period ended 30 June 2023 would have been $274,826,000 and $24,361,000 respectively.

28.2 Purchase consideration – cash outflow

	Notes	2023 $'000
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration		21,209
Less: Balances acquired		
Cash and cash equivalents		(2,632)
Cash consideration attributed to settlement of a pre-existing payable to CTC		(2,051)
		(4,683)
Net outflow of cash – investing activities		**16,526**

Acquisition-related costs

Acquisition-related costs of $1,806,000 are disclosed under Transaction costs associated with acquisition of CTC in profit or loss.

29. AUDITOR'S REMUNERATION

The auditor of Universal Store Holdings Limited is PwC.

	2023 $	2022 $
Amounts paid or payable to PwC for:		
Audit and other assurance services:		
Audit services – Group audit and half-year review	370,000	250,000
Tax compliance services	17,000	15,500
Tax advisory services	29,000	2,024
Other non-audit services:		
Sustainability reporting	31,000	–
Total remuneration of PwC Australia	**447,000**	**267,524**

30. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting date the following events have occurred:

On 23 August 2023, the Directors of Universal Store Holdings Limited declared a final dividend on ordinary shares in respect of the 2023 financial year. The total amount of the dividend is $6.1 million to be paid on 3 October 2023.

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.

31. INFORMATION RELATING TO UNIVERSAL STORE HOLDINGS LIMITED (THE PARENT)

	2023 $'000	2022 $'000
Current assets	3,838	2,851
Non-current assets	134,777	118,043
Total assets	**138,615**	**120,894**
Current liabilities	75	13
Non-current liabilities	14,879	14,866
Total liabilities	**14,954**	**14,879**
Contributed equity	110,844	92,161
Retained earnings	3,734	5,877
Share-based payment reserve	9,083	7,977
Total equity	**123,661**	**106,015**
Profit/(loss) of the Parent entity	16,283	16,537
Total comprehensive income/(loss) of the Parent entity	16,283	16,537

The Parent entity did not have any contingent liabilities or commitments as at 30 June 2023 or 30 June 2022.

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

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the consolidated financial statements and notes set out on pages 66 to 105 are in accordance with the *Corporations Act 2001*, including:

 (i) complying with Australian Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

 (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date, and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group will be able to meet any liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Note 2.1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

On behalf of the Board

Peter Birtles
Independent Non-Executive Director and Chairman

23 August 2023

INDEPENDENT AUDITOR'S REPORT

To the members of Universal Store Holdings Limited

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 2023 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 2023
- 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

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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	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of $1.73 million, which represents approximately 5% of the Group's profit before tax. • 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 Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Accounting for the Cheap Thrills Cycles Pty Ltd (CTC) business combination – Carrying value of indefinite lived assets • These are further described in the *Key audit matters* section of our report.

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.

Key audit matter	*How our audit addressed the key audit matter*
Accounting for the Cheap Thrills Cycles Pty Ltd (CTC) business combination *(Refer to note 28)* The Group acquired CTC on 31 October 2022. We determined that the accounting for the CTC business combination was a key audit matter due to the financial significance of the acquisition, net assets acquired and the resulting goodwill, together with the level of judgement involved in the Purchase Price Allocation ("PPA") calculation. The key area of judgement related to the fair value of the acquired assets and liabilities recognised at acquisition date (including brand names) and the value of deferred variable consideration.	Our procedures in relation to the accounting for the CTC business combination included, amongst others: • Testing of the cash consideration paid and shares issued by obtaining supporting documentation including bank statements, share issuance documents and the sale and purchase agreement • Reviewing the sale and purchase agreement and testing the assumptions incorporated into the fair value of deferred variable consideration • Testing a sample of acquired net assets by reference to supporting documentation • Assessing the Group's methodology applied in valuing brand names with the assistance of PwC valuation experts • Assessing the mathematical accuracy of the Group's calculation of the resulting goodwill arising on the PPA calculation • Assessing the reasonableness of business combination disclosures in the financial statements in accordance with the requirements of Australian Accounting Standards
Carrying value of indefinite lived assets *(Refer to note 13 and note 3) Goodwill: $87.7 million, Brand names $51.6 million* The valuation of Goodwill and Brand names was a key audit matter due to their size and the judgement involved in estimating the cash flow forecasts, including consideration of revenue growth, new store openings, the discount rate and terminal growth rate.	Our procedures in relation to the carrying value of indefinite lived assets included, amongst others: • 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

pwc

Key audit matter	How our audit addressed the key audit matter
	value of the CGUs included all assets and liabilities directly attributable to the CGUs and that the impairment models included all cashflows directly attributable to the CGUs • Compared the cash flow forecasts for FY24 in the impairment model to the Board-endorsed FY24 budget • Considered alternative assumptions to those presented by the Group with respect to revenue growth • Together with our PwC valuation experts, assessed the valuation methodology of the models and compared the discount rates, terminal growth rates to market observable inputs • Evaluated the reasonableness of the disclosures made in the financial report, in light of the requirements of Australian Accounting Standards

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 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

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

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

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation 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: http://www.auasb.gov.au/auditors_responsibilities/ar3.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 50 to 64 of the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of Universal Store Holdings Limited for the year ended 30 June 2023 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
Partner

Brisbane
23 August 2023

ASX ADDITIONAL INFORMATION

In accordance with ASX Listing Rule 4.10, the Group provides the following information not otherwise disclosed in this Annual Report. The information is current as at 27 July 2023.

(A) DISTRIBUTION OF EQUITY SECURITIES

Ordinary share capital

- 76,720,810 fully paid ordinary shares are held by 2,207 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 – 1000	1,098	49.75
1,001 – 5,000	779	35.30
5,001 – 10,000	168	7.61
10,001 – 100,000	134	6.07
100,001 and over	28	1.27
	2,207	**100.00**

(B) SUBSTANTIAL SHAREHOLDERS

	Fully paid	
	Number	%
Bennelong Funds Management Group Pty Ltd	10,856,699	14.83
Perpetual Limited	6,864,755	8.95
Spheria Asset Management Pty Ltd	6,788,644	8.85
Milford Asset Management Limited	5,842,056	7.61
Challenger Limited*	5,319,511	6.93
Lennox Capital Partners Pty Ltd	4,580,126	5.97
Pendal Group Limited	3,981,885	5.44
	44,233,676	**58.58**

* Challenger Limited is an affiliated company of Lenox Capital Partners.

(C) TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

Twenty largest quoted equity security holders

	Number	
	Fully paid	%
Citicorp Nominees Pty Limited*	23,105,315	30.12
HSBC Custody Nominees (Australia) Limited*	10,927,990	14.24
National Nominees Limited*	9,215,795	12.01
J P Morgan Nominees Australia Pty Limited	6,946,992	9.05
Rayra Pty Ltd	3,100,000	4.04
Hoang George Minh Do	2,230,924	2.91
Dorothy Alice Barbery	2,162,897	2.82
BNP Parbas Nominees Pty Ltd*	1,677,223	2.19
BNP Parbas Noms Pty Ltd*	1,506,011	1.96
Howard Blend	1,462,864	1.91
Catalyst Direct Capital Management Pty Ltd	1,300,000	1.69
David Maclean	1,129,113	1.47
B D Mcgregor & T H R Shafran	1,031,055	1.34
Ryan Collins	1,031,055	1.34
James Cameron	982,096	1.28
Renee Jones	583,333	0.76
Stephen Harris & Monique Harris	540,532	0.70
Flocolo 1 Pty Ltd	232,629	0.30
Peter Birtles	220,000	0.29
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd*	191,610	0.25
	69,577,434	**90.69**

* Grouped Investor Holdings

(D) SHARES UNDER VOLUNTARY ESCROW ARRANGEMENTS

3,524,974 of the Group'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 1,762,487 shares, the voluntary escrow period will be complete upon the release of the Group's financial results for FY24, while for the remaining 1,762,487 shares, the voluntary escrow period will be complete upon the release of the Group's financial results for FY25.

(E) UNQUOTED SECURITIES

There are 323,745 unlisted performance rights on issue under the Group's employee incentive plan, held by 6 holders.

Distribution of holders of performance rights

The following table shows the distribution of the Group's holders of performance rights and number of holders of performance rights.

		Performance rights	
	Number of holders	Number	%
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	5	209,728	64.78
100,001 and over	1	114,017	35.22
Total	**6**	**323,745**	**100.00**

(F) USE OF PROCEEDS

In accordance with listing rule 4.10.19, the Group 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
Independent Non-Executive Director and Chairman

Alice Barbery
Managing Director and Chief Executive Officer

Kaylene Gaffney
Independent Non-Executive Director

David MacLean
Independent Non-Executive Director

Renee Gamble
Independent Non-Executive Director

Trent Peterson
Independent Non-Executive Director

COMPANY SECRETARIES

Renee Jones
(Appointed: 27 October 2020)

Clare Craven
(Appointed: 13 May 2022)

REGISTERED OFFICE

42A, William Farrior Place
Eagle Farm QLD 4009
Australia

Phone: 1300 553 520

PRINCIPAL PLACE OF BUSINESS

42A, William Farrior Place
Eagle Farm QLD 4009
Australia

Phone: 1300 553 520

SHARE REGISTRY

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Australia

Phone: 1300 554 474

Universal Store Holdings Limited shares are listed on the Australian Stock Exchange (ASX)

SOLICITORS

Gilbert + Tobin
Level 35, Tower Two International Towers Sydney
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Barangaroo NSW 2000
Australia

BANKERS

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324 Queen Street
Brisbane QLD 4000
Australia

AUDITORS

PwC
480 Queen Street
Brisbane QLD 4000
Australia

colliercreative.com.au #UVS0014


BONES
UniversalStore.com