Appendix 4E

The Reject Shop Limited

(ABN 33 006 122 676)

Consolidated preliminary final report

For the 53 week financial period ended 3 July 2022
Compared to the 52 week financial period ended 27 June 2021

Results for announcement to the market

		Percentage Change %		Amount $'000
Sales revenue from continuing operations	up	1.2%	to	788,241
Profit from continuing operations after tax attributable to shareholders of The Reject Shop	down	(5.0%)	to	7,902
Net profit for the period attributable to shareholders of The Reject Shop	down	(5.0%)	to	7,902

Dividends	Amount per share	Franked amount per share
Interim dividend	nil	n/a
Final dividend	nil	n/a

Record date for determining entitlements to final dividend	n/a
Dividend payment date	n/a

Commentary on the Group's trading results is included in the FY22 result announcement and FY22 results presentation, as well as in the annual report enclosed.

THE REJECT SHOP

Annual Report

FY2022

About The Reject Shop

The Reject Shop has been delivering value to shoppers for more than 40 years. The Reject Shop helps all Australians save money everyday by offering products frequently used and replenished such as food, snacks, greeting cards, party, health and beauty, cleaning supplies, storage, kitchenware, homewares, pet care and seasonal products at low prices in 369[(1)] convenient store locations across Australia.

(1) 369 stores as at 3 July 2022

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Notice of Annual General Meeting: 9.30 am, 19 October 2022

The Reject Shop Limited ("The Reject Shop" or "Company") (Australian Business Number 33 006 122 676) is a company limited by shares, incorporated and domiciled in Australia.

The address of the Company's registered office is 245 Racecourse Road, Kensington, Victoria, Australia, 3031.

These financial statements are presented in Australian currency and were authorised for issue by the directors of the Company on 23 August 2022. The Company has the power to amend and re-issue these financial statements.


$5
LOWEST PRICES
NEW!
NEW!
TO THE REJECT SHOP

Chairman's Review

Dear Shareholders,

The FY22 financial year saw the Company deliver further value for shareholders through the significant and sustained efforts of all of our team members.

The Company delivered sales of $788.2 million (including the 53rd week) although that result was adversely impacted by a number of COVID-19 related events, including lockdowns and the disruption associated with the emergence of the Omicron variant. Management has worked hard to navigate through these challenges, and we enter FY23 in a strong financial position and with positive sales momentum.

The Reject Shop has an important role to play in helping Australians save money in a high cost of living environment and we are well positioned for growth with our improved cost base, strong balance sheet, experienced and talented senior leadership team and growing national store network.

The Company recorded earnings before interest and tax ("EBIT") of $17.6 million and net profit after tax ("NPAT") of $7.9 million.

The Company's balance sheet is strong with $77.5 million in cash at year end with no drawn debt.

Having regard to the Company's strong balance sheet and based on the view that the recent share price has not appropriately reflected the value of The Reject Shop's business, the Board has decided to undertake an on-market share buy-back as outlined in the announcement to the market dated 23 August 2022.

I am confident the Company will make further progress during FY23 under the leadership of our new Chief Executive Officer, Phil Bishop, and the senior leadership team.

On behalf of the Board, I would like to take the opportunity to thank our committed and passionate team members for their work in delivering this year's results.

Finally, I would like to express my gratitude to my Board colleagues, our shareholders, customers, suppliers and other stakeholders for your continued support and encouragement throughout the year.

Yours sincerely,

Steven Fisher
Non-executive Chairman


THE REJECT SHOP
$7.50
$1.00
$2.00
$79.00
$79.00
$79.00
$1
$2

CEO's Update

WE ARE HERE TO HELP ALL AUSTRALIANS SAVE MONEY EVERY DAY

Dear Shareholders,

I reiterate my thanks to the Board of The Reject Shop for appointing me to the role of Chief Executive Officer, and I look forward to the opportunity to create value for shareholders.

Since joining the Company on 11 July 2022, I have come to recognise that The Reject Shop is at a pivotal point in its journey. While there is still lots to do, I am pleased at how well positioned the Company is thanks to the work that the team has undertaken over the past two years to improve the cost base, strengthen the balance sheet and grow the national store network.

During FY22, our customers, our team and our business were challenged by the uncertainty and volatility associated with COVID-19. During the first half, we endured lockdowns in almost every State and Territory, we temporarily closed certain stores due to team member illness and have been dealing with unprecedented disruption right across our domestic and international supply chains, from the factory all the way to the store shelf. However, we were pleased to be able to continue trading throughout each lockdown.

The emergence of the Omicron variant saw large parts of the community limiting their movement or self-imposing their own form of lockdowns during the key Christmas trading period and the January summer holidays, which adversely impacted sales during December and January. This was quickly followed by flooding in February and March that impacted communities in South East Queensland and many parts of New South Wales while also disrupting our supply chain in that part of the country. Finally, as is being seen globally, the cost of goods continues to increase due to higher raw material costs and elevated supply chain costs.

While our team is working hard to ensure our business can manage these elevated costs, we also know that inflation, together with interest rate rises and elevated petrol prices, means that our customers, and many other Australians, are facing significant cost of living pressures. This represents an opportunity for The Reject Shop as I believe that the discount variety sector has an important role to play in helping Australians navigate this difficult economic time and, as Australia's largest discount variety retailer, I believe The Reject Shop can have a meaningful impact by offering our customers both branded consumables as well as exciting general merchandise at a low price.

In FY23, The Reject Shop will:

- continue to evolve our merchandise offer for our customers, ensuring we maintain and build their trust and effectively communicate our value proposition to them, which is expected to drive comparable store sales growth through bigger baskets and more frequent visits;
- continue to expand our national store network with a focus on providing customers with even more convenient locations throughout Australia where they can shop and save;
- continue to work hard to maintain gross profit margin and manage the cost of doing business in a high inflation environment; and
- continue to explore and invest in strategic projects across the business, particularly in supply chain and technology to enable growth and improve our customers' experience.

I look forward to The Reject Shop delivering an improved and differentiated merchandise offer that strongly appeals to customers, which I am confident will deliver comparable store sales growth and create value for all shareholders.

I would like to thank all of our team members for their efforts over the past year and I am excited to work with our team in FY23, and beyond, to serve our customers and help them save every day. Thank you to all of our team members across the country!

And to our shareholders, thank you for your patience and long-term commitment to our business. We are determined to deliver sustainable growth.

Yours sincerely,

Phil Bishop
Chief Executive Officer

Board of Directors

Steven Fisher

Non-Executive Chairman

Bachelor of Accounting, Chartered Accountant (South Africa)

Steven Fisher has more than 30 years' experience in general management positions in the wholesale consumer goods industry and was the former Managing Director of the Voyager Group. Prior to entering the consumer goods industry, Steven was a practising chartered accountant having qualified with a Bachelor of Accounting degree in South Africa.

Steven joined the Board of The Reject Shop in June 2019.

During the last three years, Steven has served as a director of the following other listed companies:

- Breville Group Limited (director since 2004 to 2021)
- Laybuy Group Holdings Limited (director since 2020)#.

David Grant

Non-Executive Director

Bachelor of Commerce, Chartered Accountant (Australia & New Zealand) and Graduate of the Australian Institute of Company Directors

David Grant is a Chartered Accountant with extensive experience in the accounting profession and the commercial sector. David's executive career included roles with Goodman Fielder Limited and Iluka Resources Limited.

David is currently a non-executive director of three other publicly listed entities and is the chair of the audit and risk committee of all of these entities.

David joined the Board of The Reject Shop in May 2020.

During the last three years, David has served as a director of the following other listed companies:

- Event Hospitality and Entertainment Limited (director since 2013)#
- Retail Food Group Limited (director since 2018)#
- A2B Australia Limited (director since 2020)#
- The responsible entity of the MG Listed Unit Trust (Murray Goulburn Co-operative Co. Limited) (director 2017 to 2020).

Nicholas (Nick) Perkins

Non-Executive Director

Bachelor of Arts, Bachelor of Laws and Graduate of the Australian Institute of Company Directors

Nick Perkins is the Managing Director and General Counsel of Kin Group Pty Ltd, which is a substantial shareholder of The Reject Shop. The Kin Group is a diversified, global, long-term focused investor with offices in Melbourne and New York.

Nick has held a variety of roles within the Kin Group, and its subsidiary businesses, for over a period of 18 years, including 10 years as the General Counsel of Pact Group Limited.

Nick joined the Board of The Reject Shop in May 2020.

During the last three years, Nick has not served as a director of any other listed company.

Mark Ward
Non-Executive Director

Graduate of the Australian Institute of Company Directors

Mark Ward is an experienced retailer with more than 40 years of retail experience, including 18 years of senior executive experience at Bunnings and Officeworks.

In 2007, Mark was appointed Managing Director of Officeworks where he transitioned that business into the Wesfarmers group, developing a strong team that reset the strategy and delivered strong growth for over a decade. In 2019, Mark left Officeworks.

Mark is currently a non-executive director of each of the Richmond Football Club (appointed January 2018) and Bunnings Australia & New Zealand (appointed 2019) and acts as a strategic advisor to Bunnings.

During the last three years, Mark has not served as a director of any other listed company.

Mark joined the Board of The Reject Shop in March 2022.

Margaret Zabel
Non-Executive Director

Bachelor of Mathematics, Masters of Business Administration and Graduate of the Australian Institute of Company Directors

Margaret Zabel is a specialist in customer-centred business transformation, brand strategy, innovation, digital communications, customer experience and change leadership. Margaret has more than 20 years of senior executive experience working across major companies and brands in fast moving consumer goods, food, technology and communications industries, including multinationals, ASX 100 companies and not-for-profits.

Margaret's executive experience includes National Marketing Director for Lion Nathan, Vice President of Marketing for McDonald's Australia and Chief Executive Officer of Advertising Council Australia (formerly known as The Communications Council). Margaret has also served as a non-executive board director for mental health charity R U OK? for 5 years and is currently a non-executive director on the board of Collective Wellness Group and Fairtrade AU/NZ.

Margaret joined the Board of The Reject Shop in June 2021.

During the last three years, Margaret has served as a director of the following other listed company:

- G8 Education Limited (director since 2017)#.

# denotes current directorship

Executive Leadership Team

Phil Bishop
Chief Executive Officer

Phil Bishop is an experienced retailer with 30 years of experience.

Phil's retail journey started (as a teenager) when he joined his local Target (Australia) store as a people greeter. Since that time, Phil has had opportunity to work across a variety of segments from department stores to hardware, from wholesale to B2B.

Most recently, Phil has held senior roles at Bunnings, including the role of Director Merchandise & Marketing, and prior to that in various senior roles at Officeworks, including the role of Chief Operating Officer. In these various roles, Phil has helped to deliver sustained growth through successfully developing strategies that allow alignment and purpose for the team to support and believe in.

Phil joined The Reject Shop in July 2022.

Clinton Cahn
Chief Financial Officer

Clinton Cahn was appointed Chief Financial Officer of The Reject Shop on 1 May 2020 with experience across investment banking at UBS, private equity at TPG Capital and corporate strategy at Crown Resorts.

Clinton oversees The Reject Shop's Accounting, Commercial Finance, Technology and Supply Chain teams, is responsible for investor relations and held the role of Acting Chief Executive Officer between May and July 2022.

Clinton joined The Reject Shop in March 2020.

Amy Eshuys
Chief Operating Officer

Amy Eshuys is an experienced retail professional, with extensive international merchandise experience and deep knowledge of discount variety retail, having worked in both Australia and the United States.

Prior to joining The Reject Shop, Amy held the combined role of Vice President and General Merchandise Manager for Buying, Merchandising & Sourcing at CTS (formerly known as Christmas Tree Shops) based in New Jersey. CTS is a specialty retailer with 80 stores that combines low price every day and seasonal merchandise. In her time with CTS, Amy was responsible for developing and executing a compelling merchandise offer to meet the needs and wants of customers in a very competitive and challenging marketplace.

Amy joined The Reject Shop in April 2022.

Michael Freier
General Counsel & Company Secretary

Michael Freier is an experienced legal practitioner with private practice (King & Wood Mallesons in Melbourne and McCullough Robertson in Brisbane) and in-house experience (Repco in Melbourne). In private practice, Michael worked on a wide range of property transactions around the country. Since moving in-house, Michael has demonstrated experience managing property transactions, risk, corporate governance and product safety issues.

Michael has held the role of General Counsel of The Reject Shop since August 2016 and he was appointed Company Secretary on 1 September 2019.

Paul Calvert
General Manager, Operations

Paul Calvert has more than 25 years of retail experience in the United Kingdom and Australia. Paul started his retail journey as a team member with his local Asda store where he filled the shelves whilst studying before working his way through the ranks to become a store manager. Paul went on to hold a variety of leadership positions in Sainsburys in both their supermarket and convenience teams.

Paul moved to Australia in November 2015 where he initially worked for Woolworths in Western Australia before moving to Coles where he held several roles both in operations and store support.

Paul joined The Reject Shop in May 2020.

Kate Lewis
General Manager, People & Culture

Kate Lewis has more than 25 years of experience working across large supermarket retailers where she has held both operational and human resource positions. Kate has had extensive experience in driving and executing human resource strategy across these large complex businesses. Kate's experience includes developing capability, sourcing great talent, transformation, fostering high performing teams, driving process and organisational improvement as well as achieving results in fast paced environments.

Kate joined The Reject Shop in February 2020.

Martha O'Sullivan
General Manager, Technology

Martha O'Sullivan is a technology executive with a diverse range of experience across several sectors, including telecommunications, marketing, utilities, insurance and retail. Martha's retail technology experience involved over seven years at Target Australia.

During her career, Martha has had experience in executing technology strategies and leading technology transformations across infrastructure, software and services functions.

Martha actively uses her experience and background to mentor and encourage others with a view to improving diversity and participation.

Martha joined The Reject Shop in June 2020 and she was promoted to General Manager, Technology in July 2022.

Paul Rose
General Manager, Property

Paul Rose is an experienced senior level professional with over 20 years' experience in retail property, working with major retailers and major landlords throughout Australia.

Paul held senior roles for 10 years with leading ASX listed property trusts and commercial agencies in centre management, leasing and development.

Paul then held senior property roles with Wesfarmers-owned Kmart Australia from 2009 and Target Australia from 2016. During this time, Paul was part of the property leadership team that delivered major store network growth to assist with positioning Kmart Australia.

Paul joined The Reject Shop in February 2020.

Andrew Stein
Chief Customer Officer

Andrew Stein has more than 25 years of experience in discount variety retail in the United States, New Zealand and Australia.

In the US, Andrew was Chief Marketing Officer at Kmart (US) where he led the brand repositioning, the development of the loyalty program and creating Cannes Lion award winning advertising. At Big Lots (US), Andrew was the Chief Customer Officer and led the brand reinvention, the launch and building of e-commerce, the redevelopment of the loyalty program and several years of comparable store sales growth.

Andrew then moved to The Warehouse Group in New Zealand to lead Customer Strategy and Demand Generation in the new agile structure for The Warehouse, Warehouse Stationery and Noel Leeming brands.

Andrew joined the Reject Shop in March 2022.

Prawn Crackers
PORK CRACKLE
Original

Corporate Governance, Environmental and Social Statement

Corporate Governance

The Company and the Board are committed to maintaining high standards of corporate governance. The Company supports the intent and purpose of the ASX Corporate Governance Council's Principles and Recommendations ("ASX Principles") and complies with the requirements of the 4th Edition, as outlined in the Corporate Governance Statement.

A summary of the Company's corporate governance framework and practices is outlined in the Corporate Governance Statement, which is available in the corporate governance section on the Company's website https://www.rejectshop.com.au/about/policies-and-charters.

Environmental and Social Statement

The Company recognises the importance of environmental and social issues and managing the risks associated with those issues. The Company wants to contribute to the community through adopting policies and processes that positively assist customers and the community.

Reducing Waste and Recycling

The Company has been focused on initiatives aimed at simplifying the ways of doing business. The 'simple to serve' initiative consists of 'one touch' merchandising and 'pallet to place' for high volume products. In terms of 'one touch' merchandising, an increasing proportion of products are delivered to the Company in shelf-ready trays, which can be easily and quickly put on to shelves while also reducing the packaging requirements for such products. The use of pallets for high volume products further reduces the packaging requirements and simplifies the customer experience. Further reductions in the usage of plastic and cardboard are also being sought in the supply chain.

Since November 2013, the Company has positively responded to the phasing out of single-use plastic bags for customers. Since 2019, the Company estimates that it has supplied customers with approximately 20 million reusable plastic bags, which are made from at least 80% recycled material.

The Company is increasing its engagement with its contracted waste company in order to improve its recycling capabilities. Increased plastic and cardboard recycling across the store network has been a focus.

Energy Efficiency Initiatives

The Company is committed to being responsible for the impact it has on our environment and, wherever possible, engaging with our community to research and implement positive environmental outcomes. The Company is committed to reducing our environmental footprint and our greenhouse gas emissions. Our focus is on providing a more sustainable and holistic approach to energy usage, waste disposal, recycling and the positive education of our team members in relation to the environment. Since mid-2015, the Company has made a multi-million dollar investment into an energy saving project with a view to reducing our environmental footprint while reducing operating costs.

As of 3 July 2022, the Company has installed high efficiency LED lighting, timers and automated energy management systems into 326 stores. This equipment regulates lighting levels and run times. This energy reduction equipment now forms part of our standard fit-out and will be rolled out to all new stores in the future.

Modern Slavery

For many years, the Company has sourced products from a variety of locations nationally and internationally. Inherent in our practices has been the objective of sourcing product from suppliers which we believe support workplace safety and ensure appropriate employment conditions are in place (including fair pay).

The Company is committed to respecting human rights with that commitment outlined in our modern slavery statement, which is available at https://www.rejectshop.com.au/about/policies-and-charters.

Sustainable Awareness

The Company continues to review and implement more sustainable options across its business. The Company recognises that it is on a journey to continually improve its response to environmental and social issues, and this will be an ongoing focus.

Directors' Report

The directors present their report on The Reject Shop Limited and its subsidiaries ("the Company") for the financial period ended 3 July 2022.

Directors

The directors of The Reject Shop Limited during the whole of the financial period and up to the date of this annual report, unless otherwise stated below, were:

Steven Fisher

Non-Executive Director

Chairman of the Board, Member of the Audit and Risk Committee and Member of the People and Culture Committee.

David Grant

Non-Executive Director

Chairman of the Audit and Risk Committee and Member of the People and Culture Committee.

Selina Lightfoot (Retired on 20 October 2021)

Non-Executive Director

Chair of the People and Culture Committee and Member of the Audit and Risk Committee.

Nicholas Perkins

Non-Executive Director

Member of the Audit and Risk Committee and Member of the People and Culture Committee.

Mark Ward (Appointed on 1 March 2022)

Non-Executive Director

Member of the Audit and Risk Committee and Member of the People and Culture Committee.

Margaret Zabel

Non-Executive Director

Chair of the People and Culture Committee (from 1 November 2021) and Member of the Audit and Risk Committee.

For the financial period ended 3 July 2022, the details of the experience and expertise of the current directors and the Company Secretary are outlined on pages 6 to 8 of this annual report.

Meetings of Directors

The number of meetings of the Board of Directors and Committees held during the period ended 3 July 2022, and the number of meetings attended by each director, were:

Director	Director meetings		Audit & Risk Committee meetings		People & Culture Committee meetings	
	A	B	A	B	A	B
S Fisher	14	14	4	4	3	3
S Lightfoot	3	3	1	1	1	1
D Grant	14	14	4	4	3	3
N Perkins	14	14	4	4	3	3
M Ward	6	6	1	1	2	2
M Zabel	14	14	4	4	3	3

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the period

Principal Activities

The principal activities of the Company during the financial period were the retailing of discount variety merchandise and no significant change in the nature of these activities occurred during the period.

Operating and Financial Review

The Operating and Financial Review forms part of the Directors' Report on pages 14 to 15.

Significant Changes in the State of Affairs

There has been no material change in the state of affairs of the Company or the consolidated entity.

Matters Subsequent to the End of the Financial Period

The Company and the Australia and New Zealand Banking Group (ANZ) have agreed to extend the Company's existing banking facilities to August 2023 (previously August 2022). The limits for the banking facilities are as follows:

- working capital facility: $10 million; and
- seasonal facility: $20 million (the seasonal facility can only be used between October and December each year; the Company is required to deposit $5 million with ANZ when the seasonal facility is being used).

Otherwise no other matters or circumstances have arisen since the end of the financial period which significantly affect or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the Group and the expected results of those operations in future financial periods are contained in the Operating and Financial Review on pages 14 to 15 of this annual report.

Environmental Regulation

The Company is not involved in any direct activities that have a marked influence on the environment within its area of operation. As such, the directors are not aware of any material issues affecting the Company or its compliance with the relevant environmental agencies or regulatory authorities.

Dividends

No dividends were paid to shareholders during the financial period. Since the end of the financial period, no dividend has been declared.

The Company's dividend reinvestment plan is not currently active.

Indemnities and Insurance Premiums

The Company's Constitution provides that the Company may indemnify any current or former director, secretary, or officer of the Company against every liability incurred by the person in that capacity (except a liability for legal costs) and all legal costs incurred in defending or resisting (or otherwise in connection with) proceedings, whether civil or criminal or of an administrative or investigatory nature, in which the person becomes involved because of that capacity. The indemnity does not apply to the extent that the Company is forbidden by statute to indemnify the person or the indemnity would, if given, be made void by statute.

In addition, each director has entered into a deed of indemnity and access which provides for indemnity against liability as a director, except to the extent of indemnity under an insurance policy or where prohibited by statute. The deed also entitles the director to access Company documents and records, subject to undertakings as to confidentiality.

Pursuant to the terms of the engagement letter with its auditors, PricewaterhouseCoopers ("PwC"), the Company has agreed to reimburse PwC for any liability (including reasonable legal costs) PwC incurs in connection with any claim by a third party arising from the Company's breach of the terms of the engagement letter. No payment with respect to that obligation has been made to PwC during, or since, the financial year.

The Company has paid premiums for directors' and officers' liability insurance in respect of directors and officers of the Company as permitted by the *Corporations Act 2001*. During the financial period, the Company paid a premium of $521,000 to insure the directors and officers of the Company.

Options

No options were issued by the Company during or since the end of the financial year and no director or officer holds options over issued or unissued securities of the Company.

Details of the Performance Rights held by the Key Management Personnel are set out in the Remuneration Report.

Proceedings on Behalf of the Company

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

Rounding of Amounts

The Company is a kind referred to in *ASIC Corporations (rounding in financial/directors' report) Instrument 2016/191*, issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the directors' and financial reports. Amounts in these reports have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain specified cases, to the nearest dollar.

Overview of Operations

The Company operates in the discount variety retail sector in Australia.

The Company's Australian and New Zealand Standard Industrial Classification (ANZSIC) is class 4110 (Supermarket and Grocery Stores).

The ongoing development of a differentiated merchandise offer that strongly appeals to customers continues to be a key focus.

Our store locations continue to be one of the key strengths of the Company, providing our customers with convenient access to our offer. The Company expects to continue to open new stores in locations that reach new customers and close mostly underperforming stores. In general, the Company intends to close stores that are loss-making or where landlords seek rent that does not reflect customer foot traffic, especially at large shopping centres and CBD locations.

During the year, the Company opened 22 new stores (including seven in the fourth quarter), representing approximately 6% of the overall portfolio. Consistent with the Company's future growth strategy, these new store openings were predominantly in neighbourhood and strip locations in both metro and country areas.

Overview of Financial Performance

$ Amounts are $m / %s are to Sales	FY22 (53 weeks) Statutory	FY21 (52 weeks) Statutory
Sales	788.2	778.7
Gross Profit(i)	41.4%	41.2%
Cost of Doing Business(i)	25.5%	24.7%
EBITDA(i)	**125.5**	**128.5**
Depreciation and Amortisation	(107.9)	(109.9)
EBIT(i)	**17.6**	**18.6**
Net Interest Expense	(6.4)	(6.4)
Profit Before Tax	**11.3**	**12.1**
Income Tax Expense	(3.4)	(3.8)
Net Profit After Tax	**7.9**	**8.3**

(i) Non IFRS measure and unaudited

The Company, similar to other retailers, bases its financial year and reporting calendar on a retail calendar, with the annual reporting period ending on the Sunday closest to 30 June. Periodically that reporting calendar results in a 53-week period rather than the usual 52-week period. FY22 was a 53-week period while FY21 was 52-week period. The Company's previous 53-week period was FY16.

The FY22 reported results include the positive effects of a 53rd trading week. The company has determined that the positive impact on its reported Earnings Before Interest and Tax (EBIT) is approximately $2.3 million, reflecting the net of:

- additional Gross Profit associated with the Sales generated in Week 53 of $13.7 million; and
- additional variable costs associated with generating such sales, which primarily include wages to operate stores as well as variable store operating expenses.

FY22 Performance

Sales in FY22 were $788.2 million, up 1.2% on the prior period. Excluding the 53rd trading week, overall sales were down 0.5% and comparable store sales were down 2.2% on the prior period.

Sales were down primarily due to the adverse impact of Omicron on customer behaviour during the key Christmas trading period. In addition, sales during the first half of the period were impacted—in some instances unfavourably and in others favourably—by government-imposed lockdowns in each of New South Wales, Victoria, Queensland, Western Australia, South Australia and the Australian Capital Territory.

Sales have been steadily improving since March as the impact of COVID-19 on customer behaviour appears to be diminishing. The Company generated positive comparable store sales growth during the period between March and June 2022.

Gross profit was $326.3 million with gross margin of 41.4%, up 16 basis points on the prior period. Gross margin was well maintained, notwithstanding higher raw material prices and rising supply chain costs.

The Cost of Doing Business (CODB, which consists of store and administrative expenses but excludes depreciation and amortisation) was $200.7 million. CODB as a percentage of sales was 25.5%, up 73 basis points on the prior period. The increase in CODB predominantly relates to higher administrative expenses to support growth, which includes investment in technology as well as bolstering our teams. This was partially offset by savings in store expenses.

The Company generated EBITDA of $125.5 million and EBIT of $17.6 million.

Statutory NPAT for FY22 was $7.9 million, which compares to $8.3 million in the prior period.

The Company did not receive any wage subsidies under the JobKeeper program during the period or during the prior period.

Outlook

At this stage, it appears that customer concerns around COVID-19 continue to decline and customers are becoming increasingly confident to go out and shop, albeit customer foot traffic is still below pre COVID-19 levels. The Company remains cautious in relation to how rising COVID-19 cases may impact customer behaviour and confidence. Management is focused on the challenges of operating in a rising cost environment but also recognises the opportunity for The Reject Shop to play a more significant role in offering low-priced products to its customers at a time when so many Australians are facing significant cost of living pressures.

Management's focus in FY23 will be on generating comparable store sales growth, which is expected to be supported by an improved product offering with more great deals on branded consumables as well as new and exciting general merchandise. In addition, the Company remains focused on opening new stores in neighbourhood and strip locations (both metro and country) and managing the impact of inflation on gross profit margin and operating costs.

Capital Management

Further to its announcement on 23 August 2022, and given its strong balance sheet, the Company intends to undertake an on-market share buy-back of up to $10 million. The buy-back is expected to commence in September 2022. The total number of shares to be purchased under the buy-back will be dependent on business and market conditions. The Company may, at its discretion, vary the size of the on-market share buy-back to up to 10% of its issued capital.

In light of the Board's decision to undertake an on-market share buy-back, the Company has decided that no final dividend will be declared in FY22. The Company will continue to assess its dividend policy, including in the context of its broader capital management strategy, and will provide its next update on dividends at its 1H23 results in February 2023.

Balance Sheet

The Company's balance sheet remains strong with a net cash position at 3 July 2022 of $77.5 million. This compares to a net cash position of $73.0 million at 27 June 2021. As at the balance date, and consistent with the position at 27 June 2021, the Company does not have any drawn debt.

Store Network Plans

During the period, the Company opened 22 new stores and closed 14 mainly underperforming stores. At the end of the period, The Reject Shop's national store network included 369 stores, up from 361 at the end of June 2021 and 354 at the end of June 2020.

Currently, the Company is planning to open up to 25 new stores, including approximately seven new stores in the first half, and to close 5–10 unprofitable or underperforming stores in FY23.

Overview of Retail Industry Trends and Supply Chain

The Australian retail sector continues to be in a state of flux with the COVID-19 pandemic creating uncertainty and volatility. The COVID-19 pandemic has adversely impacted a number of retailers while for others the COVID-19 pandemic has created an opportunity.

E-commerce continues to evolve and become more prominent although bricks and mortar remains the largest component of the retail landscape.

It is expected that economic conditions will remain challenging in the short-term. Australians are facing significant cost of living pressures driven by interest rate rises, elevated petrol prices and broad-based consumer goods inflation. Within this context, the Australian retail sector is likely to face headwinds on its path to recovery to pre-COVID-19 levels.

The discount variety sector has an important role to play in helping Australians navigate this difficult economic time and, as Australia's largest discount variety retailer, The Reject Shop can have a meaningful impact by offering our customers both branded consumables as well as exciting general merchandise at a low price.

The discount variety sector contains a range of challenges. The greatest challenge concerns competitor activity. Competition comes from a range of areas, including:

a) regionally based discount variety chains;
b) a multitude of single owner-operator discount variety businesses;
c) discount department stores;
d) supermarkets, particularly larger national chains; and
e) various e-commerce participants, including international and national businesses.

Competitor activity is focused on price competition and store location. The Company remains determined to be a leader in providing every day low prices on our core merchandise offerings in convenient locations. The Company is well positioned to respond to changing levels of consumer spending amid a potential economic downturn.

Business Risks

There are a number of factors, both specific to the Company and of a general nature, which may threaten both the future operating and financial performance of the Company and the outcome of an investment in the Company. There can be no guarantee that the Company will achieve its stated objectives, that it will meet trading performance expectations, or that any forward-looking statements contained in this annual report will be realised or otherwise eventuate.

The operating and financial performance of the Company is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest and exchange rates, access to debt and capital markets and government fiscal, monetary and regulatory policies and supply chain impacts. A prolonged deterioration in general economic conditions, including increases in interest rates or a decrease in consumer and business demand, may have an adverse effect on the Company's business or financial position.

The specific material business risks faced by the Company, and how the Company manages these risks, are set out below:

1. COVID-19

The COVID-19 pandemic has created uncertainty and volatility internationally and domestically. This uncertainty and volatility includes: restrictions imposed by the government to deal with COVID-19; international and domestic economic conditions; employment levels; consumer demand; consumer and business sentiment; government fiscal, monetary and regulatory policies. Additionally, the duration and severity of the pandemic is uncertain.

The impact of COVID-19 on the Company has taken a number of different forms in different parts of the Company's operations. The initial outbreak of COVID-19 in 2020 impacted the Company's international supply chain in China, which resulted in short delays or cancellations of orders from international suppliers or manufacturers of products to be purchased by the Company. The spread of COVID-19 throughout Australia in 2020 and 2021, and the associated restrictions imposed by authorities, created challenges for the Company to source products domestically and around its ability to continue to operate from its retail network and distribution centres.

During the course of 1H22, and as various State governments in Australia implemented restrictions and lockdowns which varied by State, the Company reviewed each public health order/directive to ensure that the Company was able to continue to trade. During that period, the Company was able to trade through each lockdown. However, there is no guarantee that the Company will be able to continue to trade during any future lockdown.

Sales during 1H22 were impacted—in some instances unfavourably and in others favourably—by government imposed lockdowns in each of New South Wales, Victoria, Queensland, Western Australia, South Australia and the Australian Capital Territory as well as changing State border and travel restrictions. The emergence of the Omicron variant during the lead up to the key Christmas trading period resulted in reduced store foot traffic with customers concerned about increasing case numbers in some States. As the COVID-19 pandemic continues to evolve, these trends may change which may impact the Company's financial performance.

In general, the Company has been able to successfully operate through the COVID-19 pandemic due to being able to provide a safe and clean shopping environment for team members and customers through additional cleaning, taking additional safety measures and complying with the health advice provided by authorities.

Outbreaks of COVID-19, particularly internationally, have the potential to further impact the Company's operation. The international supply chain may be impacted as China and other countries deal with outbreaks of COVID-19 variants, which may result in delays or cancellations of orders from international suppliers or manufacturers of products to be purchased by the Company. The closure of factories and ports has the potential to disrupt the flow of products. COVID-19 may adversely impact the Company's domestic supply chain, including through lost productivity at the Company's distribution centres due to team member absenteeism and disruptions experienced by third party service providers (freight companies). The Company continues to monitor the impact of COVID-19 on both the international and domestic supply chain.

While the future impact, duration and severity of the COVID-19 pandemic (and any associated State government restrictions and supply chain impacts) on the Company is currently unknown, the pandemic may affect the Company's financial performance although, to date, the Company has managed this uncertainty across its entire operation.

2. New and existing store growth

The growth strategy of the Company is dependent upon its ability to generate growth from its existing stores and to open new stores in accordance with its expansion strategy. Generating growth from existing stores will be dependent on a number of factors, including improving the merchandise offer, supply chain efficiencies, maintaining appropriate inventory levels and scalable technology. The opening of new stores will depend on the availability of suitable sites and the ability of the Company to negotiate acceptable lease terms. These factors will therefore impact on the ability of the Company to successfully implement its growth strategy.

The Company has established an experienced and capable property team to manage its property portfolio, including its growth strategy.

3. Competition

The Company operates a retail model where price and value are critical to the customers it serves. The market in which the Company operates is highly competitive and is subject to changing customer demand and preferences, with competition based on a variety of factors including merchandise selection, price, parallel importing, marketing and customer service. The Company closely monitors price and quality to ensure it maintains its competitive stance. The Company's financial performance or operating margins could be adversely affected if its competitors develop competitive advantages over it or engage in aggressive product discounting, if new competitors enter the market or if the Company fails to successfully respond to changes in the market. Market consolidation or future acquisitions could also result in further competition and changes to retail margins and market share, which could negatively impact the Company's financial performance or operating margins.

The Company continues to respond to the competitive environment. The Company's focus in FY23 will be on generating comparable store sales growth, which is expected to be supported by an improved product offering with more great deals on branded consumables as well as new and exciting general merchandise.

4. Consumer discretionary spending

The Company is exposed to consumer spending patterns but operates an everyday low price proposition and positions itself in convenient locations to maximise sales potential at all times. As many of the Company's products are consumable goods, sales levels are sensitive to customer sentiment. The Company's product range and its financial operation and performance may be affected by changes in consumer disposable incomes, confidence and demand, including as a result of changes to economic outlook and interest rates.

As indicated above, a key component of the Company's plans concerns the ongoing development of the merchandise range to meet customer needs and respond to changes in consumer discretionary spending.

5. Financial performance and costs

The Company earns the majority of its EBIT and NPAT in the first six months of the financial year. This is due mainly to significant sales attributable to the number of high-profile seasonal events in the first half of the financial year. Sustained poor trading performance at any time during major seasonal events, such as Christmas, may have a material impact on the profitability of the Company. A significant proportion of the Company's operating costs are fixed in nature. As a result, a significant shortfall in sales during any period could result in an adverse impact on the Company's profitability. At the same time, the Company is subject to increases in the cost of operating its business, with annual cost escalations generally being built into a range of commercial agreements (eg. lease agreements for both stores and distribution centres). While the Company's increasing scale as well as improving operating efficiencies and strong lease negotiations have, to some extent, offset some of these cost increases, such increases would also impact on profitability.

The Company's future financial performance is dependent, to a certain extent, on the level of capital expenditure that is required to maintain its business. Any significant unforeseen increase in the capital expenditure would impact its future cash flow.

6. Financing risks

Historically, the Company has relied on a working capital facility with the ANZ Bank, which requires an annual review. While the annual review requirement is consistent with the terms on which the Company's bank facilities have been made available in recent years, there is a risk that the financier will not agree to renew its bank facilities with the Company in the future. Likewise, the bank may only renew such bank facilities on terms which are not acceptable to the Company. An inability of the Company to renew these facilities may affect the Company's financial performance and position in the future. Further, should the Company be unable to satisfy the terms, conditions and relevant covenants under its bank facilities, the Company would be in breach of those facilities and, amongst other things, may need to source funding from alternative sources.

The Company and the ANZ Bank have agreed to extend the Company's existing banking facilities to August 2023 (previously August 2022). The limits for the banking facilities are as follows:

- working capital facility: $10 million; and
- seasonal facility: $20 million (the seasonal facility can only be used between October and December each year; the Company is required to deposit $5 million with ANZ when the seasonal facility is being used).

The Company's balance sheet remains strong with a net cash position at 3 July 2022 of $77.5 million. This compares to a net cash position of $73.0 million at the end of June 2021. As at the balance date, and consistent with the position at the end of June 2021, the Company does not have any drawn debt.

7. Employment laws

The Company is mindful of recent instances in the Australian retail and hospitality sectors where there has been non-compliance with statutory and award obligations (including payment obligations) owed by employers to employees.

The Company has processes in place to monitor compliance with employment laws, including periodic audits with support from external parties as required. The Company takes its employment law obligations to its workforce seriously.

8. Supply risk

The Company and its suppliers are subject to various risks which could limit the Company's ability to procure sufficient supply of products. As a consequence of the fact that the Company relies significantly on a mixture of Australian sourced and imported products from outside Australia, the Company is exposed to various risks in relation to raw material costs and supply chain delays. Outbreaks of pandemics or diseases and, in particular, the outbreak of COVID-19, could potentially have a detrimental financial impact on the Company's business.

The Company remains focussed on risks relating to its international supply chain. In particular, outbreaks of COVID-19 in China and other countries may result in delays or cancellations of orders from international suppliers or manufacturers of products to be purchased by the Company. In FY22, the Company experienced expected elevated international shipping costs, which are expected to remain elevated during FY23. The Company continues to monitor the situation.

In FY22, the Company experienced elevated domestic fuel costs, which are expected to remain elevated during FY23. The Company continues to monitor the situation.

Other risks include modern slavery, political instability, increased security requirements for foreign goods, elevated costs and delays in international shipping arrangements, imposition of taxes and other charges as well as restrictions on imports.

The Company is also exposed to risks related to geopolitical changes, labour practices, environmental matters, disruptions to production and ability to supply, and other issues in the foreign jurisdictions where suppliers operate. More generally, risks which could limit the Company's ability to procure sufficient supply of products include raw material costs, inflation, labour disputes, union activities, boycotts, financial liquidity, product merchantability, safety issues, natural disasters, disruptions in exports, trade restrictions, currency fluctuations and general economic and political conditions. Any of these risks, individually or collectively, could materially adversely affect the Company's financial and operational performance.

Separately, there is a risk that any change in the Company's relationships with key suppliers (including a supplier seeking to terminate the relevant agreement) may result in the Company being unable to continue to source products from existing suppliers, and in the future, to source products from new suppliers, at favourable prices, on favourable terms, in a timely manner and in sufficient volume. The Company cannot guarantee that its existing arrangements with key suppliers will be renewed, or renewed on terms similar to their current terms. The loss or deterioration of the

Company's relationships with suppliers, or an inability to negotiate agreements with new suppliers on terms which are not materially less favourable than existing arrangements, may have a material adverse effect on the Company's financial and operational performance.

9. Property portfolio management

Lease costs represent a significant proportion of the overall operating cost base of the Company.

The Company's stores and distribution centres are leased and therefore subject to negotiation at the end of each lease term. While the potential impact of a single store closure is mitigated by the number of stores the Company now operates, there is no guarantee any store or distribution centre will be renewed at the end of each lease term on terms acceptable to the Company.

The Company actively manages its store portfolio against established financial and operational criteria which must be met for both new and existing stores.

Each of the Company's distribution centres are operated either by the Company itself or by a third party. In either case, there is a risk that, due to circumstances outside the control of the Company, inventory located at the distribution centre could be damaged, or that access to the distribution centre could be restricted, meaning that such inventory is unable to be retrieved. This could have a material adverse effect on the Company's financial and operational performance.

The Company's property strategy is centred around: renegotiating expired leases to better reflect the current sales opportunity at each location, closing unprofitable stores (particularly in CBD locations and large shopping centres), opening new stores in neighbourhood and strip locations to replace closures, and building a pipeline of new stores to drive growth in the medium-term. New leasing and store development teams have been formed to support the execution of this strategy.

10. Merchandising sourcing and management

The Company relies on its ability to anticipate and meet the needs of its target customers and purchases products accordingly. Misjudgements in demand and trends or changes in consumer preferences could result in overstocked inventory and the sale of products below originally anticipated selling prices, which may in turn have an adverse impact on cash flows and profitability.

11. Reliance on key personnel

The Company is reliant on retaining and attracting quality executives and other team members who provide expertise, experience and strategic direction in operating the business. The responsibility of overseeing day-to-day operations and the management of the Company is concentrated amongst a number of key personnel. The loss of the services of any of those key team members (for any reason whatsoever) or the inability to attract new qualified personnel, could adversely affect the Company's operations.

Additionally, successful operation of each of the Company's stores depends on its ability to attract and retain quality team members. The Company has over 3,500 team members across its stores and distribution centre network. Competition within the Australian retail market, as well as other factors such as changing demographics or employment laws could increase the demand for, and cost of hiring, quality team members. The Company's financial and operational performance could be materially adversely affected if it cannot attract and/or retain quality team members for its stores.

The Company has recently appointed a new Chief Executive Officer, Phil Bishop, who together with an established, experienced and talented executive leadership team will implement the Company's strategy. The Company continues to have success attracting and retaining quality team members to run its operations.

12. Exchange rate

The Company relies significantly on imported products (either directly purchased by the business or indirectly through local or overseas wholesalers) the costs of which are denominated in foreign currencies and as a result the cost of product and retail sales prices can be subject to movements in exchange rates.

The Company mitigates against movements in exchange rates through the use of forward cover. If the Company is unable to alter pricing due to uncovered movements in exchange rates, this may have a material impact on its financial performance.

13. Product liability exposure

The Company purchases and sells thousands of different products on an annual basis, all of which must be fit for purpose and compliant with the Australian Consumer Law. Notwithstanding the compliance protocols established by the Company and insurance arrangements, there is a risk that a product may breach relevant consumer law, the implication of which could have a material impact on the Company's business and performance.

The Company's success in generating profits and increasing its market share is also based on the success of the key brands which it distributes and sells, including third party branded products. Reliance on these key brands has the potential to make the Company vulnerable to brand or reputational damage from any negative publicity, product tampering or recalls. This may also increase the rise of inventory and asset write downs.

14. Occupational health and safety

The Company has over 3,500 team members across its stores and distribution centre network, as well as thousands of customers who visit its stores nationwide. The business has a national occupational health and safety ("OH&S") function, supported by OH&S representatives in appropriate geographic locations to oversee the application of OH&S policies and work safe procedures across the business.

Notwithstanding the above, given that the Company operates approximately 370 stores in Australia, there is always a risk that a personal injury claim or otherwise may occur to a customer or employee due to unforeseen circumstances. Any claim relating to an accident which occurs in any of the Company's stores could materially affect the Company's brand and reputation, as well as its businesses, operating and financial performance.

15. Information technology

The Company's management information system and other information technology systems are designed to enhance the efficiency of the Company's operations. If any of these systems are not maintained sufficiently or updated when required, or if disaster recovery processes are not adequate, system failures may negatively impact on the Company's business and performance.

In addition, the Company is exposed to the risk of malicious attacks, system failures, network disruptions and other malicious or non-malicious incidents, which could have an adverse impact on the Company's operations and its reputation. The Company actively manages its information technology systems to reduce the risk of system disruption, especially during peak trading periods.

There is a risk that a general technological development will involve costs which are disproportionate to previous generation technologies. The Company continually reviews its information technology systems to ensure that those systems will enable the Company to pursue its strategic plans.

16. Markets and Liquidity

The market price of the Company's shares will fluctuate due to various factors, many of which are non-specific to the Company, including the number of potential buyers or sellers of the Company's shares on the Australian Securities Exchange ("ASX") at any given time, recommendations by brokers and analysts, Australian and international general economic conditions, inflation rates, interest rates, changes in government, fiscal, monetary and regulatory policies, commodity prices, global geo-political events and hostilities and acts of terrorism, and investor perceptions. In the future, these factors may cause the Company's shares to trade at a lower price.

In addition, the Company currently has a small number of substantial shareholders on its share register. There is a risk that these shareholders may sell their shares at a future date. This could cause the price of the Company's shares to decline.

There may be few or many potential buyers or sellers of the Company's shares on the ASX at any given time. This may affect the volatility and/or the market price of the Company's shares and/or the prevailing market price at which shareholders are able to sell their shares in the Company.

17. Litigation

The Company is subject to the usual business risk that litigation or disputes may arise from time to time in the course of its business activities. These may include claims, disputes, inquiries and investigations involving customers, team members, landlords, suppliers, government agencies/authorities, regulators or other third parties. There can be no assurance that legal claims will not be made against the Company, or that the Company's insurance will be adequate to cover liabilities resulting from any such claims. Any successful claim against the Company may adversely impact its future financial performance or position as well as its reputation and brand.

18. Reputational risk

The risks that have been identified in this annual report may individually or collectively materially affect the Company's brand and reputation, which may in turn adversely impact on the Company's operating and financial performance. The Company has developed a comprehensive system of managing risk to protect its people, its customers, the environment, the Company's assets and reputation as well as to realise business opportunities. The Company has a very low tolerance for any activities that could materially damage its brand or reputation although the Company accepts that it may periodically have temporary negative publicity.

Remuneration Report

The directors present The Reject Shop Limited FY22 remuneration report, outlining key aspects of the remuneration policy and framework, and remuneration awarded this year.

Under section 300A of the *Corporations Act 2001* (Cth), listed companies must present a remuneration report to shareholders at every annual general meeting showing the company's policies for determining the nature and amount of remuneration paid to Key Management Personnel (which includes any non-executive director) ("KMP"), the relationship between the policies and company performance, an explanation of performance hurdles and actual remuneration paid to KMP.

The remuneration report is set out in the following sections and includes remuneration information for the Company's non-executive directors (or referred to as "directors") and other KMP:

A – KMP covered in this report

B – Principles used to determine the nature and amount of remuneration

C – Details of remuneration

D – Service agreements

E – Share-based compensation

F – Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A – KMP covered in this report

Non-Executive Directors	***Roles***	***Changes during FY22***
Steven Fisher	Chair Member, Audit & Risk Committee Member, People & Culture Committee	
David Grant	Director Chair, Audit & Risk Committee Member, People & Culture Committee	
Selina Lightfoot (retired on 20 October 2021)	Director Chair, People & Culture Committee Member, Audit & Risk Committee	Until 20 October 2021 Until 20 October 2021 Until 20 October 2021
Nicholas ('Nick') Perkins	Director Member, Audit & Risk Committee Member, People & Culture Committee	
Mark Ward (from 1 March 2022)	Director Member, Audit & Risk Committee Member, People & Culture Committee	From 1 March 2022 From 1 March 2022 From 1 March 2022
Margaret Zabel	Director Chair, People & Culture Committee Member, Audit & Risk Committee Member, People & Culture Committee	 From 1 November 2021 Until 31 October 2021

Other key management personnel	*Role(s)*	*Changes during FY22*
Andre Reich	Chief Executive Officer	Until 26 April 2022
Clinton Cahn	Chief Financial Officer Acting Chief Executive Officer	 From 27 April 2022 to 10 July 2022

Changes since the end of the reporting period

	Role	*Changes during FY23*
Phillip (‘Phil’) Bishop	Chief Executive Officer	From 11 July 2022

B – Principles used to determine the nature and amount of remuneration

The objective of the Company’s People and Culture Committee is to ensure that directors and executives are remunerated fairly and within accepted market and industry ranges. The composition, role and responsibility of this Committee is outlined in the Corporate Governance Statement on page 10.

Director remuneration structure

Fees for directors are based on the nature of the directors’ work and their responsibilities. The remuneration rates reflect the strategic imperatives of the Company and the extent of the number of geographical locations in which the business operates.

Directors’ fees are reviewed annually, with external remuneration consultants providing advice (as the need arises), to ensure fees reflect market rates. There are no guaranteed annual increases in any director’s fees.

Directors do not participate in the short or long-term incentive schemes.

The maximum annual aggregate directors’ fee pool is $950,000 per annum, and was approved by shareholders at the annual general meeting on 14 October 2015. The total amount of fees paid to directors in FY22 is within the approved fee pool and no increase to the directors’ fee pool is being sought at the FY22 AGM.

Executive remuneration structure

The Company’s executive remuneration policies are designed to attract, motivate and retain a qualified, experienced and high performing group of executives with complementary skills.

The executive remuneration and reward framework consists of four components:

Element	Purpose	Performance metrics	Potential value	Changes for FY22
Base (or fixed) remuneration	Provide competitive market salary including non-monetary benefits	Nil	Positioned at median market rate	Reviewed in line with market positioning, scope of role and performance
Other remuneration (such as superannuation payments)	Provide consistent with statutory obligations	Nil	Not applicable	The superannuation guarantee increased to 10% on 1 July 2021 and increased further to 10.5% on 1 July 2022
Short-term incentive (STI)	Cash reward for in-year performance	Achieving targeted EBIT, individual performance ratings and safety related measures	CEO: 50% of base at target performance CFO: 40% of base at target performance	
Long-term incentive (LTI) through participation in the Company’s Performance Rights Plan	Alignment to long-term shareholder value	3 year Earnings Per Share (“EPS”) performance	CEO: 100% of base CFO: 75% of base	Usual three-year hurdle although with the ability to accelerate (33% of rights) at year two if specified hurdle achieved

The framework seeks to align executive reward with achievement of the Company's strategic objectives and the creation of value for shareholders.

The objective of the Company's executive reward framework is to ensure every payment, either monetary or in the form of equity, is on the basis of reward for performance and is appropriate for the results delivered.

The People and Culture Committee ensures the Company follows appropriate corporate governance in establishing executive remuneration, including reference to external remuneration consultants and/or available market information.

Base pay and benefits

Executive salaries are structured as a total employment cost package which may be delivered as a mix of cash and non-monetary benefits at the executive's discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for executives is reviewed annually to ensure competitiveness with the market. There are no guaranteed base pay increases in the contracts of any of the executives. The Company has a formal process by which the performance of all executives is reviewed. An executive's pay is also reviewed when appropriate, including on promotion.

Short-term incentive (STI)

For FY22, the STI for executives consisted of various performance hurdles, including safety related measures and Company financial performance through achieving targeted EBIT as well as individual performance ratings. If these STI targets are achieved, cash payments of 22.5% to 40% of total fixed remuneration are made. Overperformance against stretch targets may potentially result in cash payments of 80% to 140% of total fixed remuneration.

The audited financial report remains the basis for measuring achievement against the financial performance targets.

For FY22, the People and Culture Committee has determined that one member of the executive KMP will receive part of their STI.

Long Term Rewards (LTI)

Performance Rights Plan

The Company implemented the Performance Rights Plan on 27 April 2004, to form the basis of The Reject Shop's ongoing long-term incentive scheme for selected team members. These performance rights involve the payment of a total of $1.00 exercise price for each tranche granted and exercised on a particular day, regardless of the number of rights exercised on that day.

Criteria for FY22:

In FY22, the Company continued with its three-phase turnaround strategy, which necessitated the Company implementing new criteria for the long-term incentive scheme for a small number of team members, including the KMP (other than the directors).

The financial criteria upon which the performance rights are eligible to vest concern achieving EPS growth measured over a three-year period with the ability to accelerate (33% of rights) at year two if a specified EPS hurdle is achieved.

If the vesting conditions are satisfied, the relevant performance rights will vest within 5 business days of the date of the FY23 or FY24 results announcement.

The audited financial report is the basis for measuring achievement against the financial performance target.

The People and Culture Committee, and the Board, retain the right to assess all aspects of the vesting conditions for future performance rights grants.

The number of performance rights issued is based on a specified percentage of each participant's total fixed remuneration (ranging from 22.5% to 100%) divided by the volume weighted average market price between 1 June 2021 and 31 July 2021. For financial reporting purposes, the value of each right granted at grant date is measured using a Black-Scholes option pricing model.

For FY23:

The People and Culture Committee is currently working through a revised incentive scheme for a small number of team members, including KMP (other than the non-executive directors), in relation to FY23. The incentive scheme will include both STI as well as LTI through participation in the Company's Performance Rights Plan. The revised incentive scheme is being designed to:

- incentivise key executives to outperform Board approved objectives and performance targets;
- align the interests of key executives with shareholders by rewarding for long-term share price appreciation; and
- incentivise key executives to remain with the Company for longer-term growth.

One-off allocation:

In FY22, the Board granted performance rights with no financial criteria as a one-off allocation to certain team members (including Clinton Cahn who is a KMP) in order to ensure the retention of their services for specified periods. The performance rights will generally vest over a 12-month to three-year period, depending on the specific arrangements negotiated with each relevant team member.

In relation to the performance rights granted to Clinton Cahn, who is a KMP (and strictly in his capacity as Chief Financial Officer of the Company), the following specific arrangements apply provided Clinton remains employed by the Company when the performance rights vest:

- 75,000 performance rights were granted and vested on 11 May 2022, and may be exercised on or before 31 August 2022;
- 50,000 performance rights exercisable after the FY23 results announcement in August 2023; and
- 25,000 performance rights exercisable after the 1H24 results announcement in February 2024.

In relation to the total performance rights granted to all non-KMPs, the summary of the arrangements is as follows:

- 66,000 performance rights exercisable by a number of participants on 5 November 2023 subject to the relevant participants being employed by the Company when the performance rights vest;
- 265,000 performance rights exercisable by a number of participants after the FY23 results announcement in August 2023 subject to the relevant participants being employed by the Company when the performance rights vest;
- 110,000 performance rights exercisable by a number of participants after the FY24 results announcement in August 2024 subject to the relevant participants being employed by the Company when the performance rights vest; and
- 17,500 performance rights exercisable by a participant on 29 August 2025 subject to the relevant participant being employed by the Company when the performance rights vest.

One-off allocation for new CEO:

As announced on 16 June 2022, the Company's new Chief Executive Officer, Phil Bishop (who is a KMP), received a one-off allocation of 100,000 performance rights, which will vest as follows:

- 40,000 rights will vest after the FY24 results announcement in August 2024;
- 40,000 rights will vest after the FY25 results announcement in August 2025; and
- 20,000 rights will vest after the FY26 results announcement in August 2026.

The Board may lapse any unvested performance rights if Phil Bishop ceases employment prior to the rights vesting.

The Company granted 100,000 performance rights to Phil Bishop as outlined above on 22 July 2022.

C – Details of remuneration

Directors' fees

The annual base fees (inclusive of superannuation) are as follows:

	FY21	FY22	FY23
Chair	$206,205	$206,205	$240,000
Other directors	$120,438	$120,438	$120,438
Additional fees (inclusive of superannuation)			
Audit & Risk Committee – Chair	$6,180	$20,000*	$20,000
Audit & Risk Committee – member	No fee	No fee	No fee
People & Culture Committee – Chair	$5,150	$20,000*	$20,000
People & Culture Committee – member	No fee	No fee	No fee

* Effective from 1 January 2022, the Board resolved to set the fees paid to the Chair of each of the Audit and Risk Committee and the People and Culture Committee at $20,000 (inclusive of superannuation) per annum.

Executive remuneration

The following executives, along with the directors, as detailed on page 12 of the Directors' report, were the KMP with the responsibility and authority for planning, directing and controlling the activities of the Company during the financial period:

A Reich – Chief Executive Officer (ceased to be a member of the KMP on 26 April 2022)

C Cahn – Chief Financial Officer; and

– Acting Chief Executive Officer (from 27 April 2022 to 10 July 2022)

Clinton Cahn did not receive any additional remuneration in relation to the role of Acting Chief Executive Officer.

These persons were employed by the Company and were KMP for the entire period ended 3 July 2022 unless otherwise stated.

Following the end of the financial period, Phil Bishop commenced as Chief Executive Officer on 11 July 2022.

For FY23, the summary of the remuneration for each of the executive KMPs is as follows:

Phil Bishop – Chief Executive Officer

Component	Description
Fixed remuneration	$650,000 per annum (inclusive of superannuation)
Short term incentive	50% of fixed remuneration (at target), subject to hurdles
Long term incentive	100% of fixed remuneration, subject to hurdles and service

Clinton Cahn – Chief Financial Officer

Component	Description
Fixed remuneration	$550,000 per annum (inclusive of superannuation)
Short term incentive	40% of fixed remuneration (at target), subject to hurdles
Long term incentive	75% of fixed remuneration, subject to hurdles and service

Summary of remuneration

Details of the remuneration of the directors and other KMP of the Company, including related parties, for the current and prior financial periods are set out in the following tables:

2022	SHORT-TERM BENEFITS		POST-EMPLOYMENT BENEFITS	OTHER BENEFITS	LONG-TERM SHARE-BASED BENEFITS		
Name	Cash salary and fees $	Cash STI $	Superannuation $	Other $	Performance Rights(i) $	Total Remuneration $	Proportion of Annualised Remuneration at risk %
Non-executive Directors							
S Fisher	188,315	-	18,831	-	-	207,146	-
D Grant	133,722	-	-	-	-	133,722	-
S Lightfoot (ii)	33,454	-	3,345	-	-	36,799	-
N Perkins	120,323	-	-	-	-	120,323	-
M Ward (iii)	36,496	-	3,650	-	-	40,146	-
M Zabel	119,264	-	11,926	-	-	131,190	-
Total Non-Executive Directors	**631,574**	**-**	**37,752**	**-**	**-**	**669,326**	**-**
Other KMP							
C Cahn	402,994	140,000	23,568	-	736,476	1,303,038	67%
A Reich (iv)	639,609	-	23,568	401,799	(560,391)	504,585	(111)%
Total Other KMP	**1,042,603**	**140,000**	**47,136**	**401,799**	**176,085**	**1,807,623**	**17%**
Total	**1,674,177**	**140,000**	**84,888**	**401,799**	**176,085**	**2,476,949**	

(i) The value of the performance rights shown in the table above for accounting purposes is determined using the Black-Scholes option pricing model and is generally subject to performance and/or service conditions.

(ii) S Lightfoot retired as a Director on 20 October 2021.

(iii) M Ward was appointed as a Director on 1 March 2022.

(iv) A Reich left the Company on 26 April 2022. As part of his departure, A Reich was paid $401,799 (inclusive of superannuation) in lieu of a six-month notice period, which is included in 'other benefits' above. In addition, A Reich was paid $74,302 of annual leave entitlements which is excluded from the table above. On A Reich's departure, all performance rights were lapsed.

2021	SHORT-TERM BENEFITS		POST-EMPLOYMENT BENEFITS	OTHER BENEFITS	LONG-TERM SHARE-BASED BENEFITS		
Name	Cash salary and fees $	Cash STI $	Superannuation $	Other $	Performance Rights $	Total Remuneration $	Proportion of Annualised Remuneration at risk %
Non-executive Directors							
S Fisher (i)	224,289	-	13,416	-	-	237,705	-
D Grant	118,202	-	8,226	-	-	126,428	-
S Lightfoot	114,408	-	10,872	-	-	125,280	-
N Perkins	119,775	-	-	-	-	119,775	-
M Teague (ii)	33,656	-	3,197	-	-	36,853	-
M Zabel (iii)	7,572	-	719	-	-	8,291	-
Total Non-Executive Directors	**617,902**	**-**	**36,430**	**-**	**-**	**654,332**	**-**
Other KMP							
D Aquilina (iv)	503,146	-	21,694	125,826	34,461	685,127	5%
C Cahn (v)	378,266	-	21,694	-	316,526	716,486	44%
A Reich	778,306	-	21,694	-	488,114	1,288,114	38%
Total Other KMP	**1,659,718**	**-**	**65,082**	**125,826**	**839,101**	**2,689,727**	**31%**
Total	**2,277,620**	**-**	**101,512**	**125,826**	**839,101**	**3,344,059**	

(i) S Fisher's fees consist of a base fee ($192,789) plus additional remuneration of $31,500 on account of additional responsibilities due to the equity raise in 2H20 and contribution to developing the three-phase turnaround strategy.

(ii) M Teague retired as a Director on 21 October 2020.

(iii) M Zabel was appointed as a Director on 4 June 2021.

(iv) D Aquilina ceased to be a KMP on 20 May 2021. D Aquilina left the company on 1 July 2021. During FY21, D Aquilina was paid out annual leave entitlements of $38,714, which are excluded from the table above.

On her departure, D Aquilina was paid $189,962 of annual leave and long service leave entitlements in cash, plus superannuation of $5,892, which are excluded from the table above. In addition, on her departure, D Aquilina was paid $125,826 in lieu of a three-month notice period, which is included in 'other benefits' above.

(v) C Cahn became a KMP on 29 June 2020.

For remuneration report purposes, the amount reported as "Share-based Benefits" is the accounting expense under AASB 2 (referred to in AASB 2 as "Share-based Payments").

The fair value of Share-based Benefits is determined using a Black-Scholes model and will generally be different to the volume weighted average market price, which is used to determine the number of rights that are granted. No adjustment to the reported remuneration amounts is made in the event that the actual market price of shares on the vesting of Performance Rights exceeds the fair value of those Performance Rights on their grant date. Similarly, no reduction is made to remuneration where the market price of shares on the vesting of Performance Rights is lower than the market price of shares on the date that Performance Rights are granted.

No other long-term or remuneration benefits were paid, or are payable, with respect to the current and prior period.

D – Service agreements

All KMP are on employment terms consistent with the remuneration framework outlined in this report.

All directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

In addition, all executive KMP have service agreements which provide that a period of notice of three to six months is required by the Company, or the relevant team member, to terminate their employment.

E – Share-based compensation

As indicated above, the Board granted performance rights with no financial criteria as a one-off allocation to certain team members (including Clinton Cahn who is a KMP) in order to retain their services for specified periods.

In relation to the performance rights granted to Clinton Cahn who is a KMP (and strictly in his capacity as Chief Financial Officer of the Company) the arrangements that apply are as indicated on page 24.

The following information has been prepared on the last day of the financial period. The number of performance rights over shares in the Company granted to KMP during the current financial period, together with prior period grants which vested during the period (unless otherwise stated), is set out below:

	Grant date	Number of rights granted during period	Date exercisable	Expiry date	Fair value of performance rights at grant date	Total fair value of performance rights at grant date	Number of performance rights granted in prior periods vested
Key Management Personnel							
A Reich (i)	5 November 2021	48,167	31 August 2023	31 August 2025	$5.95	$286,448	-
A Reich (i)	5 November 2021	96,333	31 August 2024	31 August 2026	$5.86	$564,344	-
C Cahn	5 November 2021	18,133	31 August 2023	31 August 2025	$5.95	$107,839	-
C Cahn	5 November 2021	36,267	31 August 2024	31 August 2026	$5.86	$212,459	-
C Cahn	11 May 2022	75,000	31 August 2022	31 August 2022	$3.60	$269,989	-
C Cahn	11 May 2022	50,000	31 August 2023	28 February 2025	$3.53	$176,513	-
C Cahn	11 May 2022	25,000	29 February 2024	28 February 2025	$3.50	$87,595	-
Total		**348,900**				**$1,705,189**	**-**

(i) A Reich left the Company on 26 April 2022 and ceased to be a KMP on that date. On A Reich's departure, all of his performance rights were lapsed.

All performance rights granted during the current period will vest on the exercise dates above provided the required performance hurdles are achieved (if applicable) and the team member remains employed with the Company at the vesting date unless otherwise determined by the Board. The total payable on the exercise of one or more performance rights on a particular day is $1.00 regardless of the number exercised on that day. The minimum possible value to be received by KMP under each grant of performance rights is $Nil.

Subsequent to period end, and other than the performance rights granted to Phil Bishop as indicated on page 24, there has been no further grant of performance rights to KMPs.

Shares Issued to Key Management Personnel on Exercise of Options or Performance Rights

Directors have not been granted performance rights in any period.

There are no further shares issued during the year as a result of the exercises of the performance rights. It is expected that, following the release of the FY22 financial results, that C Cahn will exercise 75,000 performance rights that vested on 11 May 2022.

F – Additional information

Cash incentives and performance rights

For each cash incentive and grant of performance rights included in the table below, the percentage of the grant that vested in the financial period as well as the percentage that was forfeited, because the performance criteria were not achieved or the person did not meet the service criteria, is as listed. The performance rights vest on a specified vesting date provided the vesting conditions are met. No performance rights will vest if the conditions are not satisfied, hence the minimum value of each performance right yet to vest is $Nil. The maximum value of performance rights yet to vest has been determined as the total number of performance rights still to vest multiplied by the fair value of each performance right at grant date. The fair value for accounting purposes is determined using the Black-Scholes option pricing model.

2022	Cash Incentive		Performance Rights							
	Paid #	Forfeited %	Date Granted	Vested #	Vested %	Forfeited #	Forfeited %	Financial Periods in which rights may vest	Maximum total number of rights may vest	Maximum total value of grants may vest
Key Management Personnel										
C Cahn	$140,000	13%	FY22	75,000	37%	-	-	FY22-FY25	204,400	$854,396
C Cahn	-	100%	FY21	-	-	-	-	FY24	63,700	$392,758
C Cahn	-	-	FY20	-	-	-	-	FY23	150,000	$606,758
A Reich (i)	-	100%	FY22	-	-	144,500	100%	FY24-FY25	-	-
A Reich (i)	-	100%	FY21	-	-	169,900	100%	FY24-FY26	-	-
A Reich (i)	-	-	FY20	-	-	300,000	100%	FY23-FY25	-	-

(i) A Reich left the Company on 26 April 2022 and ceased to be a KMP on that date. On A Reich's departure, all performance rights were lapsed.

Performance Rights Holdings

Directors do not participate in long-term incentives and have not been granted performance rights in any period.

The number of performance rights over shares in the Company held during the current and prior financial period by each KMP of the Company, including related parties, are set out below:

2022	Balance at the start of the period	Performance rights granted during the period	Performance rights vested & exercised during the period	Other changes during the period	Balance at the end of the period
Key Management Personnel					
C Cahn	213,700	204,400	-	-	418,100
A Reich (i)	469,900	144,500	-	(614,400)	-
Total	**683,600**	**348,900**	**-**	**(614,400)**	**418,100**

(i) A Reich left the Company on 26 April 2022 and ceased to be a KMP on that date. On A Reich's departure, all performance rights were lapsed.

Other than the performance rights granted to Phil Bishop as indicated on page 24, no other performance rights have been granted or vested to KMP subsequent to the period end.

Share Holdings

The number of shares in the Company held during the current and prior financial period by each director and other KMP of the Company, including related parties, is set out below:

2022	Balance at the start of the period	Received during the period on the exercise of performance rights and options	Other changes during the period	Balance at the end of the period
Directors				
S Fisher	99,039	-	-	99,039
D Grant	7,000	-	7,000	14,000
S Lightfoot(i)	20,375	-	(20,375)	-
N Perkins	29,151	-	8,048	37,199
M Ward (ii)	-	-	12,987	12,987
M Zabel	-	-	3,000	3,000
Total	**155,565**	**-**	**10,660**	**166,225**
Key Management Personnel				
C Cahn	-	-	-	-
A Reich(iii)	536,842	-	(536,842)	-
Total	**692,407**	**-**	**(526,182)**	**166,225**

(i) S Lightfoot retired as a Director on 20 October 2021. For reporting purposes only, 20,375 shares were treated as "other changes during the period" to leave a nil balance. S Lightfoot may or may not continue to retain shares in the Company.

(ii) M Ward was appointed as a Director on 1 March 2022.

(iii) A Reich left the Company on 26 April 2022. For reporting purposes only, 536,842 shares were treated as "other changes during the period" to leave a nil balance. A Reich may or may not continue to retain shares in the Company.

Minimum shareholding requirements

To assist in aligning the interests of the directors with the interests of shareholders of the Company, the directors are encouraged to acquire and hold a minimum shareholding in the Company approximately equivalent to at least 100% of the annual base fees paid to directors. The annual base fee excludes any committee fees, superannuation contributions and higher duties fees (e.g. Chair of the Board fee). The directors are encouraged to commence acquiring shares as soon as practicable and reach the minimum shareholding within a reasonable timeframe (approximately 5 years) from time of appointment (or the effective date of the policy, whichever is the later).

The Minimum Shareholding Policy was approved by the Board on 16 February 2022.

Loans to or other transactions with Key Management Personnel

No loans were made to or from directors of the Company or to or from other KMP of the Company, including related parties unless otherwise disclosed (see page 62 of this annual report), or are outstanding as of 3 July 2022 (FY2021 - $Nil).

No other transactions were undertaken with directors or other KMP, including related parties, during the period (FY2021 - $Nil).

Company Performance

The following table outlines the Company's earnings and share performance over the last ten years:

Period	NPAT	EPS cents per share	Share price at start of period	Share price at end of period	Share price growth	Ordinary & special dividends paid or declared per share
FY2013	$19.5m	73.4	$9.15	$17.19	87.9%	$0.37
FY2014	$14.5m	50.3	$17.19	$8.82	(48.7%)	$0.30
FY2015	$14.2m	49.4	$8.82	$5.40	(38.8%)	$0.30
FY2016(i)	$17.1m	59.3	$5.40	$12.45	130.6%	$0.44
FY2017	$12.3m	42.8	$12.45	$4.16	(66.6%)	$0.24
FY2018	$16.6m	57.4	$4.16	$5.68	36.5%	$0.35
FY2019	($16.9m)	(58.5)	$5.68	$1.83	(67.8%)	$0.10
FY2020	$1.1m	3.6	$1.83	$7.46	307.7%	-
FY2021	$8.3m	21.7	$7.46	$5.37	(28.0%)	-
FY2022(i)	$7.9m	20.6	$5.37	$3.23	(39.9%)	-

(i) 53-week period.

Shares under performance rights

Unissued ordinary shares of the Company under performance rights at the date of this report are as follows:

Date of Grant	Expiry Date	Vesting Date	Value at Grant Date $	Exercise Price $	Total number on Issue	Number on issue to key management personnel
18 Oct 2019	16 Oct 2023	1 Jul 2023	$2.70	-	21,675	-
27 Mar 2020	28 Mar 2025	27 Mar 2023	$4.05	-	150,000	150,000
30 Sep 2020	31 Aug 2025	31 Aug 2023	$6.17	-	198,200	63,700
5 Nov 2021	31 Aug 2025	31 Aug 2023	$5.95	-	69,467	18,133
5 Nov 2021	1 Nov 2024	5 Nov 2023	$5.92	-	66,000	-
5 Nov 2021	31 Aug 2026	31 Aug 2024	$5.86	-	138,933	36,267
11 May 2022	31 Aug 2022	31 Aug 2022	$3.60	-	75,000	75,000
11 May 2022	28 Feb 2025	31 Aug 2023	$3.53	-	50,000	50,000
11 May 2022	14 Sep 2023	31 Aug 2023	$3.53	-	75,000	-
11 May 2022	13 Sep 2024	31 Aug 2023	$3.53	-	190,000	-
11 May 2022	28 Feb 2025	29 Feb 2024	$3.50	-	25,000	25,000
11 May 2022	13 Sep 2024	31 Aug 2024	$3.48	-	110,000	-
11 May 2022	12 Sep 2025	29 Aug 2025	$3.43	-	17,500	-
22 July 2022	13 Sep 2024	30 Aug 2024	$2.76	-	40,000	40,000
22 July 2022	12 Sep 2025	29 Aug 2025	$2.72	-	40,000	40,000
22 July 2022	14 Sep 2026	31 Aug 2026	$2.68	-	20,000	20,000
Total					**1,286,775**	**518,100**

Subsequent to period end, and other than the performance rights granted to Phil Bishop as indicated on page 24, the Board has not granted any further performance rights under the Performance Rights Plan.

Shares issued and the exercise of options and performance rights

There were no further shares issued during the year as a result of the exercise of performance rights.

Remuneration of Auditors

During the period the following fees for services were paid or payable to PricewaterhouseCoopers Australia and its related parties as the auditor:

	2022 $	2021 $
Audit and Assurance Related Services		
Audit and review work	**330,000**	355,000
Other assurance services	**42,000**	42,788
	372,000	397,788
Tax Compliance and Consulting Services		
Tax compliance	**77,500**	67,500
Tax consulting advice	**20,000**	35,000
	97,500	102,500
Total remuneration	**469,500**	500,288

Independence of Auditors

PricewaterhouseCoopers was appointed auditor in FY2002 and whilst their main role is to provide audit services to the Company, the Company does employ their specialist advice where appropriate. In each instance, the Board has considered the nature of the advice sought in the context of the audit relationship and in accordance with the advice received from the Audit and Risk Committee, does not consider these services compromise the auditor's independence requirements of the Corporations Act for the following reasons:

- No non-audit services provided to the Company and reviewed by the Board were considered to impact upon the impartiality and objectivity of the auditor; and
- None of the services undermined the general principles relating to auditor independence as set out in APES 110 – Code of Ethics for Professional Accountants, including not reviewing or auditing the auditor's own work, not acting in a management or a decision making capacity for the Company, not acting as advocate for the Company or not jointly sharing economic risk or rewards.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is contained on page 33 of this annual report.

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

Steven Fisher
Chairman

23 August 2022

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of The Reject Shop Limited for the 53 week period ended 3 July 2022, 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 The Reject Shop Limited and the entities it controlled during the period.

Brad Peake
Partner
PricewaterhouseCoopers

Melbourne
23 August 2022

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Consolidated Statement of Comprehensive Income

For the 53 week period ended 3 July 2022

	Note	2022 $'000	2021 $'000
Revenue from continuing operations			
Sales revenue	2	**788,241**	778,688
Other income	2	**128**	63
		788,369	778,751
Expenses			
Cost of sales		**467,789**	464,212
Store expenses		**260,828**	259,388
Administrative expenses		**41,996**	36,536
		770,613	760,136
Finance costs	3	**6,502**	6,477
Profit before income tax		**11,254**	12,138
Income tax expense	4	**3,352**	3,819
Profit for the period attributable to shareholders of The Reject Shop		**7,902**	8,319
Other comprehensive income			
Items that may be re-classified to profit or loss			
Changes in the fair value of cash flow hedges		**16,569**	5,579
Income tax relating to components of other comprehensive income		**(4,971)**	(1,674)
Other comprehensive income for the period, net of tax		**11,598**	3,905
Total comprehensive income attributable to shareholders of The Reject Shop		**19,500**	12,224

Earnings per share	**Note**	**Cents**	**Cents**
Basic earnings per share	26	**20.6**	21.7
Diluted earnings per share	26	**20.2**	21.4

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 3 July 2022

	Note	2022 $'000	2021 $'000
Current Assets			
Cash and cash equivalents	5	**77,469**	73,046
Inventories	6	**113,014**	99,834
Tax receivables		**1,893**	1,315
Derivative financial instruments	21	**12,766**	-
Other assets	7	**4,481**	3,231
Total Current Assets		**209,623**	177,426
Non Current Assets			
Property, plant and equipment	8	**51,143**	47,342
Right-of-use assets	9	**198,717**	148,574
Deferred tax assets	10	**17,712**	27,701
Total Non Current Assets		**267,572**	223,617
Total Assets		**477,195**	401,043
Current Liabilities			
Trade and other payables	11	**56,398**	46,677
Lease liabilities	9	**78,020**	77,303
Provisions	13	**10,437**	10,766
Derivative financial instruments	21	**-**	3,802
Other liabilities	14	**11,560**	12,029
Total Current Liabilities		**156,415**	150,577
Non Current Liabilities			
Lease liabilities	9	**139,645**	89,823
Provisions	13	**4,332**	3,912
Total Non Current Liabilities		**143,977**	93,735
Total Liabilities		**300,392**	244,312
Net Assets		**176,803**	156,731
Equity			
Contributed equity	15	**70,326**	70,326
Reserves	16	**16,279**	4,109
Retained profits	17	**90,198**	82,296
Total Equity		**176,803**	156,731

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the 53 week period ended 3 July 2022

2022	Contributed Equity $'000	Capital Profits $'000	Share Based Payments $'000	Hedging Reserve $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000	Total $'000
Balances as at 27 June 2021	**70,326**	**739**	**6,019**	**(2,661)**	**12**	**82,296**	**156,731**
Profit for the period	-	-	-	-	-	7,902	7,902
Other comprehensive income	-	-	-	11,598	-	-	11,598
Foreign exchange translation	-	-	-	-	(12)	-	(12)
Transaction with owners in their capacity as owners:							
Share based remuneration	-	-	959	-	-	-	959
Tax debited directly to equity	-	-	(375)	-	-	-	(375)
Balances as at 3 July 2022	**70,326**	**739**	**6,603**	**8,937**	**-**	**90,198**	**176,803**

2021	Contributed Equity $'000	Capital Profits $'000	Share Based Payments $'000	Hedging Reserve $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000	Total $'000
Balances as at 28 June 2020	**70,326**	**739**	**4,553**	**(6,566)**	**34**	**73,977**	**143,063**
Profit for the period	-	-	-	-	-	8,319	8,319
Other comprehensive income	-	-	-	3,905	-	-	3,905
Foreign exchange translation	-	-	-	-	(22)	-	(22)
Transaction with owners in their capacity as owners:							
Share based remuneration	-	-	1,224	-	-	-	1,224
Tax credited directly to equity	-	-	242	-	-	-	242
Balances as at 27 June 2021	**70,326**	**739**	**6,019**	**(2,661)**	**12**	**82,296**	**156,731**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the 53 week Period Ended 3 July 2022

	Note	2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**867,065**	856,557
Payments to suppliers and employees (inclusive of goods and services tax)		**(745,255)**	(752,633)
Interest received		**128**	63
Borrowing costs and facilities fees paid	3	**(96)**	(129)
Interest on lease liabilities	3	**(6,406)**	(6,348)
Income tax received / (paid)		**704**	(10,415)
Net cash inflows from operating activities	20	**116,140**	87,095
Cash flows from investing activities			
Payments for property, plant and equipment		**(16,451)**	(10,777)
Net cash outflows used in investing activities		**(16,451)**	(10,777)
Cash flows from financing activities			
Principal elements of lease payments		**(95,266)**	(95,761)
Net cash outflows used in financing activities		**(95,266)**	(95,761)
Net increase / (decrease) in cash held		**4,423**	(19,443)
Cash at the beginning of the financial period		**73,046**	92,489
Cash at the end of the financial period		**77,469**	73,046

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the Consolidated Financial Statements (Financial Statements) are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The Financial Statements are for the consolidated entity, consisting of The Reject Shop Limited and its subsidiaries (the Group). All information presented within these Financial Statements relates to the Group, unless otherwise noted.

(a) Basis of Preparation

The general purpose Financial Statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*, as appropriate for for-profit oriented entities.

Going Concern and COVID-19

In preparing the Financial Statements, the Directors have considered the ongoing impact of the COVID-19 pandemic on the Group as well as the general economic and business conditions in which the Group operates. The Directors are unable to predict the potential future impact on the Group, whether positive or negative, of the COVID-19 pandemic and its associated impact on the Australian economy, including the retail sector, as well as any other direct or indirect consequence of the COVID-19 pandemic.

At period end, the Group had cash reserves of $77,469,000 (FY2021: $73,046,000) and no drawn debt. Subsequent to period end, the Group extended its banking facilities with the ANZ Bank from August 2022 to August 2023, which provides further certainty in relation to debt funding. For details on the Group's banking arrangements see Notes 12 and 20.

Given the Group's strong liquidity position, and having regard to the current known impact of the COVID-19 pandemic on the Group, the Directors are satisfied that the Group will continue as a going concern and have prepared the Financial Statements on that basis.

Compliance with IFRS

Additionally, the Financial Statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These Financial Statements have been prepared under the historical cost convention, as modified for:

- certain financial assets and liabilities (including derivative instruments) that are measured at fair value; and
- certain classes of property, plant and equipment and right-of-use assets that are measured at historical cost less depreciation and impairment (where applicable).

Critical accounting estimates

The preparation of Financial Statements requires the use of certain critical accounting estimates. It also requires management to exercise its professional judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed further in Note 1 (aa).

(b) Principles of Consolidation

(i) Subsidiaries

The Financial Statements incorporate all the assets and liabilities of the subsidiaries of The Reject Shop Limited as at 3 July 2022 and the results of the subsidiaries for the period. As previously indicated, The Reject Shop Limited and its subsidiaries are referred to in the Financial Statements as the Group.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Reject Shop Limited has a 100% owned non-operating subsidiary, TRS Trading Group Pty Ltd (ABN: 20059935465), which has not traded since 2003 and is domiciled in Australia.

The Reject Shop Limited has a 100% owned operating subsidiary, TRS Sourcing Co. Limited, which is domiciled in Hong Kong. This subsidiary last provided procurement services to the Group in 2019. The Group is currently working through a process to wind up TRS Sourcing Co. Limited.

(ii) Employee Share Trust

The Reject Shop Limited has formed a trust to administer the Group's Performance Rights Plan. This trust is consolidated, as it is controlled by the Group.

(c) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the senior management personnel. The Group has only one operating business segment. Refer to Note 29 for information.

(d) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the current income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

The head entity, The Reject Shop Limited, and the controlled entity 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 standalone taxpayer in its own right.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a weighted average basis and include an appropriate proportion of freight inwards, logistics, discounts, supplier rebates and foreign exchange.

Storage, administrative overheads, selling and abnormal costs are expensed in the period when they are incurred.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(f) Property, Plant and Equipment

Each class of property, plant and equipment is carried at historical cost less any accumulated depreciation and impairment. The depreciable amount of all fixed assets, including capitalised leased assets, is depreciated on a straight-line basis over their estimated useful lives. The useful life for each class of asset is as follows:

Class of fixed asset	Useful Life
- Leasehold Improvements and Office Equipment	5 – 12 years
- Fixtures and Fittings	5 – 12 years
- Computer Equipment	3 years

(g) Leases

The Group leases various retail stores, distribution centres, offices and vehicles. Lease agreements are typically made for fixed periods of tenure (usually three to six years) and the arrangements may have an option for a further term as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any landlord incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any landlord incentives received; and
- any initial direct costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are those leases with a term of 12 months or less.

(h) Employee Benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, annual leave and vested sick leave are recognised in respect of employees' services up to the reporting date and are measured at the amounts reasonably expected to be settled.

(ii) Long service leave

The liabilities for long service leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 end of the reporting period on corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities on the Consolidated Balance Sheet if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Bonus plans

A liability for employee benefits in the form of bonus plans is recognised when there is a contractual or constructive liability and at least one of the following conditions are met:

- there are formal terms in the plan for determining the amount of the benefit, including relevant hurdles;
- the amounts to be paid are determined before the time of completion of the Financial Statements; or
- past practice has created a constructive obligation.

Liabilities for short term cash incentives are expected to be settled within 12 months and are measured at amounts expected to be paid when settled.

(iv) Equity-based compensation benefits

Equity-based compensation benefits are provided to selected employees through the Performance Rights Plan.

The fair value of performance rights granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at the grant date and recognised over the period during which the employees become unconditionally entitled to exercise those rights, adjusted for the fair value of any rights which do not ultimately vest.

The fair value at the grant date is determined using a Black-Scholes options pricing model that takes into account:

- the exercise price;
- the term of the Performance Rights;
- the vesting and performance criteria;
- the impact of dilution;
- the non-tradeable nature of the Performance Rights;

- the share price at the grant date and expected price volatility of the underlying share;
- the expected dividend yield; and
- the risk-free interest rate for the term of the Performance Rights.

The fair value of the Performance Rights granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of rights that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of Performance Rights that are expected to vest, net of any Performance Rights that have been forfeited or lapsed throughout the period. The employee benefit expense recognised each period takes into account the most recent estimate.

(i) Cash and Cash Equivalents

For presentation of Consolidated Statement of Cash Flows, cash and cash equivalents includes cash on hand and at call, short-term deposits with banks and financial institutions, and investments in money market instruments maturing within two months, net of bank overdrafts. Bank overdrafts are shown with borrowings in current liabilities on the Consolidated Balance Sheet.

(j) Revenue

Revenue from the sale of goods is recognised at the point in time the sale occurs. All revenue is stated net of the amount of goods and services tax (GST), returns and discounts.

(k) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivatives as hedges of the cash flows of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction, the Group documents the relationship between the hedging instrument and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be effective in offsetting changes in cash flows of hedged items.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are transferred out of equity and included in the cost of the hedged item when the forecast purchase that is hedged takes place.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(l) Foreign Currency Translation

(i) Functional and presentation currency

Items included in the Financial Statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The Financial Statements are presented in Australian dollars, which is the Group's primary functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the income statement, except derivatives which comprise effective hedges.

(m) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30-60 days of recognition.

(n) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs incurred for the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

(o) Impairment of Property, Plant and Equipment and Right-Of-Use assets

Assets that are subject to amortisation are reviewed for impairment at each reporting date and when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(p) Dividends

Provision is made for the amount of any dividends declared, determined or publicly recommended by the Directors on or before the end of the financial period but not distributed at balance date.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate.

(r) Contributed Equity

Ordinary shares are classified as equity.

(s) Earnings per Share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares (including Performance Rights) and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) Software Costs

Costs in relation to software development, including website costs and cloud computing, are charged as expenses in the period in which they are incurred unless they relate to the acquisition or development of a Group controlled asset, in which case they are capitalised and amortised over the useful life which is generally three years.

(u) Restoration Costs

An expense is provided for in the period in which the legal, equitable or constructive obligation arises, usually on a lease being agreed. The provision is measured at the present value of management's best estimate of make-good costs with a corresponding asset added to the cost of the fit out with the asset amortised over the lease life.

(v) Store Opening Costs

Non-capital costs associated with the setup of a new store are expensed in the period in which they are incurred.

(w) Training Subsidies

Government subsidies for employees undertaking external traineeships are treated as income in the period they are received and after all costs to which they relate have been incurred.

(x) Cost of Sales

The Group includes warehousing and logistics costs as part of its "Cost of Sales" line in the Consolidated Statement of Comprehensive Income.

The Group considers that all costs associated with getting stock to stores ready for sale is a cost attributable to the sale of such inventory.

(y) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables on the Consolidated Balance Sheet.

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

(z) Rounding of Amounts

The Group is a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Statements. Amounts in these reports have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(aa) Critical Accounting Estimates and Judgements

For the 3 July 2022 reporting period, certain accounting estimates and judgements were made in relation to the following:

(i) Impairment of store assets

The Group offers a wide range of discount variety merchandise through its network of 369 stores (FY2021: 361) and store assets, including the right-of-use asset, which represents one of the largest amounts on the Consolidated Balance Sheet.

The assessment of impairment on store assets is a critical judgement. A test for impairment is triggered by a change in a number of indicators, both internal and external. These indicators include, but are not limited to, physical damage to the asset, declining economic performance of the asset, technological changes, market or economic changes and plans to discontinue or restructure operations.

Impairment testing can only be done for an individual asset that generates cash inflows that are largely independent of cash inflows from other assets. A 'cash generating unit' (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The Group has defined each individual store as a CGU as the cash inflows from an individual store are largely independent from the inflows of any other store. Accordingly, the assessment of the carrying value of the relevant assets is on an individual store basis for store fixtures and fittings and right-of-use assets.

The recoverable amount is defined as the higher of the asset's fair value less costs of disposal or its value in use. The Group determines value in use by making certain assumptions relating to forecast future cash flows and discount rates. The assumptions on future cash flows have been developed based on past performance and reasonable expectations in relation to the future. The discount rate has been determined using market information relevant to the industry in which the Group operates.

The impairment assessments could be sensitive to the judgements made in the impairment test and the assumptions outlined above. Changes to these assumptions could result in a different outcome. Refer to Note 8 for details.

(ii) Impairment test for corporate and distribution centre assets

Due to impairment indicators at year end, corporate and distribution centre assets were tested for impairment using a discounted cash flow model. The Group determines value in use by making certain assumptions relating to forecast future cash flows and discount rates, giving regard to past performance, external industry forecasts and board approved budgets. The discount rate has been determined using market information relevant to the industry in which the Group operates.

The impairment assessments could be sensitive to the judgements made in the impairment test and the assumptions outlined above. Changes to these assumptions could result in a different outcome.

(iii) Determining the lease term for the lease liability

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an option for a further term, or vacate the premises at lease expiry. An option for a further term is only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For leases of distribution centres and stores, the following factors are most relevant:

- if there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate);
- if any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate); and
- otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Group's policy is not to exercise an option for a further term, unless there is a site-specific and commercial rationale for doing so.

The lease term is reassessed if an option for a further term is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

(iv) Net realisable value of inventory

The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell. The key assumptions require the use of management's judgement. These key assumptions are the variables affecting the expected selling price. Any reassessment of the selling price in a particular period will affect the cost of goods sold.

This provision is calculated by applying an assumed percentage markdown to certain inventory on hand at period end. The specific write-down amount depends, in part, on the age of the inventory and incorporates information on known loss-making products.

(ab) New accounting standards and interpretations

There are no new standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods.

Note 2: Revenue from Continuing Operations and Other Income

	2022 $'000	2021 $'000
Revenue from continuing operations		
Sales of goods	**788,241**	778,688
Interest	**128**	63
	788,369	778,751

Note 3: Expenses	2022 $'000	2021 $'000
Profit before income tax expense includes the following expenses:		
Finance Costs:		
Interest and finance charges paid/payable for borrowings costs and facilities fees	**96**	129
Interest and finance charges paid/payable for lease liabilities	**6,406**	6,348
	6,502	6,477
Depreciation of Property, plant and equipment included in:		
Cost of sales	**18**	739
Store expenses	**12,050**	12,285
Administrative expenses	**334**	684
	12,402	13,708
Depreciation of Right- of- use assets included in:		
Cost of sales	**5,820**	5,849
Store expenses	**88,920**	89,483
Administrative expenses	**774**	880
	95,514	96,212
Store exit costs(i)	**2,164**	1,452
Employee benefits expense	**156,992**	153,842
Store opening and relocation costs	**1,587**	533

(i) 'Store exit costs' above include asset write-offs totalling $552,000, which relate to four stores that were flood/water damaged during the period (including three stores that were damaged during the major flood event in South East Queensland and New South Wales). The value of inventory lost due to the flood/water damage ($846,000) has been excluded from 'Store exit costs' above and accounted for in 'Cost of sales'. Of the four flood/water damaged stores, one has re-opened with another due to re-open in FY2023. The other two stores have been permanently closed.

Note 4: Income tax expense

	2022 $'000	2021 $'000
(a) Income tax expense		
Current tax	**266**	4,608
Deferred tax	**3,114**	(967)
Adjustments for current tax of prior periods	**(28)**	178
	3,352	3,819
Deferred income tax expense included in income tax expense comprises:		
Decrease / (increase) in net deferred tax assets	**3,114**	(967)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	**11,254**	12,138
Tax at the Australian tax rate of 30% (2021 – 30%)	**3,376**	3,641
Tax effect of amounts which are not deductible in calculating taxable income:		
Other	**4**	-
Adjustments for current tax of prior periods	**(28)**	178
Income tax expense	**3,352**	3,819
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited in equity	**(375)**	242
(d) Income tax relating to items of other comprehensive income		
Cash flow hedges	**4,971**	(1,674)

Note 5: Current Assets – Cash and cash equivalents

	2022 $'000	2021 $'000
Cash on hand	**1,577**	1,595
Cash at bank	**75,892**	71,451
	77,469	73,046

Note 6: Current Assets – Inventories

	2022 $'000	2021 $'000
Inventory at cost	**109,689**	96,011
Inventory at net realisable value	**3,325**	3,823
	113,014	99,834

Inventories recognised as an expense during the period ended 3 July 2022 amounted to $407,325,000 (FY2021: $399,452,000). These were included in the 'Cost of sales'. Write-downs of inventories to net realisable value amounted to $5,114,000 (FY2021: $3,138,000). These were recognised as an expense during the period ended 3 July 2022 and included in 'Cost of sales'.

Note 7: Current Assets – Other assets

	2022 $'000	2021 $'000
Prepayments	**3,151**	1,793
Other current assets	**1,330**	1,438
	4,481	3,231

Note 8: Non-Current Assets – Property, plant and equipment

	2022 $'000	2021 $'000
Leasehold improvements		
At cost	**90,733**	86,317
Less accumulated depreciation and impairment	**(76,031)**	(72,422)
Net book amount	**14,702**	13,895
Plant and equipment		
At cost	**172,635**	166,174
Less accumulated depreciation and impairment	**(136,194)**	(132,727)
Net book amount	**36,441**	33,447
Total Property, plant and equipment	**51,143**	47,342

Movements in carrying amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial period are as follows:

	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Balances as at 27 June 2021	**13,895**	**33,447**	**47,342**
Additions at cost	**7,931**	**9,874**	**17,805**
Asset write offs	**(989)**	**(613)**	**(1,602)**
Depreciation expense	**(6,135)**	**(6,267)**	**(12,402)**
Balances as at 3 July 2022	**14,702**	**36,441**	**51,143**

	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Balances as at 28 June 2020	18,117	33,160	51,277
Additions at cost	2,550	8,227	10,777
Asset write offs	(84)	(920)	(1,004)
Depreciation expense	(6,688)	(7,020)	(13,708)
Balances as at 27 June 2021	13,895	33,447	47,342

During the period, there was no impairment recognised by the Group in relation to stores (FY2021: $Nil).

Impairment testing of Property, plant and equipment (PP&E) and Right-of-use assets

The Group assesses Property, plant and equipment and the Right-of-use assets (see Note 9) for indicators of impairment at each reporting date in accordance with AASB 136 Impairment of Assets.

The Group performed the review for indicators of impairment first at the CGU level. This consists of individual stores as this is the smallest group of assets for which independent cash flows can be determined (the "Stores CGU"). For indicators at the individual store level, the Group calculated the recoverable amount of the Stores CGU using a value-in-use ("VIU") discounted cash flow model. The model uses cash flow projections based on board approved budgets.

For testing of the distribution centre and corporate assets, the Group determined a CGU comprising these assets along with the store assets as it is only at this level that independent cash flows can be determined (the "Corporate CGU"). The Group calculated the recoverable amount of the Corporate CGU using a VIU discounted cash flow model. The model uses cash flow projections based on board approved budgets.

The Group determined that no reasonable change in the key assumptions used in the impairment assessments would result in an impairment charge at the reporting date.

Note 9: Leases

	2022 $'000	2021 $'000
Right-of-use assets		
Property	**198,575**	148,341
Vehicles	**142**	233
	198,717	148,574
Lease Liabilities		
Current	**78,020**	77,303
Non-current	**139,645**	89,823
	217,665	167,126
Interest expense (included in finance costs)	**6,406**	6,348

Additions to the Right-of-use assets during the year ended 3 July 2022 were $140,855,000 (27 June 2021: $68,728,000).

Expenses relating to short-term leases of $2,301,000 (FY2021: $3,232,000) are included in store expenses.

The total cash outflow for leases during the year was $99,669,000 (FY2021: $101,603,000).

The Group assesses these assets with Property, plant and equipment for indicators of impairment at each reporting date in accordance with AASB 136 Impairment of Assets. For details of this assessment see Note 8.

Note 10: Non-Current Assets – Deferred tax assets

	2022 $'000	2021 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Employee benefits	**6,942**	7,749
Leases	**5,684**	5,566
Inventories	**871**	961
Derivative financial instruments	**-**	1,140
Property, plant and equipment	**8,660**	11,156
Other provisions and accruals	**1,514**	1,100
Employee share trust	**457**	626
Sundry items	**114**	170
	24,242	28,468
Set-off of deferred tax liabilities of Group pursuant to set-off provisions:		
Receivables	**(22)**	(21)
Other current assets	**(1,151)**	(746)
Derivative financial instrument	**(3,831)**	-
Sundry items	**(1,526)**	-
Net deferred tax assets	**17,712**	27,701
Movements:		
Carrying amount at beginning of period	**27,701**	28,171
(Charged) / credited to profit or loss and direct to equity	**(3,492)**	1,204
Charged to other comprehensive income	**(4,971)**	(1,674)
Under / (over) provision from prior years	**(1,526)**	-
Carrying amount at end of period	**17,712**	27,701

Note 11: Current Liabilities – Trade and other payables

	2022 $'000	2021 $'000
Trade payables	**43,105**	36,555
Payroll tax and other statutory liabilities	**6,265**	4,846
Sundry payables	**7,028**	5,276
	56,398	46,677

Note 12: Current Liabilities – Borrowings

The Group has banking facilities with ANZ Bank. These facilities include an interchangeable facility with a limit of $10 million while the limit for the seasonal facility is $20 million. The seasonal facility can only be drawn between October and December each year and the Group is required to deposit $5 million with ANZ Bank when the seasonal facility is drawn.

The Group has fully complied with all of its banking covenants at the balance sheet date.

In August 2022, subsequent to period-end, the Group extended its existing banking facilities with ANZ Bank from August 2022 to August 2023.

All secured liabilities listed within Notes 12 and 20, including bank overdraft and bank loans, finance purchases and hire purchase agreements, are secured by a Cross Guarantee and Indemnity between The Reject Shop Limited and TRS Trading Group Pty Ltd.

	2022			2021		
	Current	Non-Current	Total	Current	Non-Current	Total
Note 13: Liabilities – Provisions	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000
Provision for make good	**370**	**2,212**	**2,582**	-	1,107	1,107
Employee entitlements	**10,067**	**2,120**	**12,187**	10,766	2,805	13,571
	10,437	**4,332**	**14,769**	10,766	3,912	14,678

Amounts not expected to be settled within the next 12 months

The current provision for employee entitlements includes annual leave, long service leave and bonus accruals. For long service leave, it covers all unconditional entitlements where employees have completed the required period of service and where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision for annual leave is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. The provision for long service leave has both a current and non-current portion. However, based on past experience, the Group does not expect all employees to take the full amount of accrued annual leave or require payment within the next 12 months. Expected future payments are discounted using appropriate market yields at the end of the reporting period that match, as closely as possible, the estimated future cash outflows. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	2022	2021
	$'000	$'000
Leave obligations expected to be settled after 12 months	**4,942**	5,923

	2022	2021
Note 14: Current Liabilities - Other Liabilities	**$'000**	**$'000**
Accrued expenses	**11,123**	11,542
Deferred income	**437**	487
	11,560	12,029

Note 15: Contributed Equity

Movements in ordinary share capital:

Date	Details	Number of issued shares	Issue price per share $	Contributed Equity $'000
28 June 2020	**Balance**	**38,176,622**	**-**	**70,326**
17 July 2020	Exercise of performance rights	50,000	-	-
1 September 2020	Exercise of performance rights	50,000	-	-
27 June 2021	**Balance**	**38,276,622**	**-**	**70,326**
1 July 2021	Exercise of performance rights	50,000	-	-
3 July 2022	**Balance**	**38,326,622**	**-**	**70,326**

All shares carry one vote per share and rank equally in terms of dividends and on winding up. Ordinary shares have no par value and the Group does not have a limited amount of authorised capital.

Note 16: Equity – Reserves

	2022 $'000	2021 $'000
Capital profits reserve	**739**	739
Share based payments reserve(i)	**6,603**	6,019
Hedging reserve – cash flow hedges (ii)	**8,937**	(2,661)
Foreign currency translation reserve (iii)	**-**	12
	16,279	4,109
Movements:		
Share based payments reserve(i)		
Balance at beginning of period	**6,019**	4,553
Performance Rights expense	**959**	1,224
Deferred tax – share based payments	**(375)**	242
	6,603	6,019
Hedging reserve – cash flow hedges(ii)		
Balance at beginning of period	**(2,661)**	(6,566)
Transfer to inventory	**2,661**	6,566
Revaluation of cash flow hedges	**8,937**	(2,661)
	8,937	(2,661)
Foreign currency translation reserve(iii)		
Balance at beginning of period	**12**	34
Currency translation differences	**(12)**	(22)
	-	12

(i) The share-based payments reserve is used to recognise the fair value of performance rights issued.

(ii) The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in Note 21. Amounts accumulated in equity are included in the cost of the hedged item when the forecast purchase that is hedged takes place.

(iii) The foreign currency translation reserve is used to record exchange differences arising from the translation of the Financial Statements of foreign subsidiaries.

Note 17: Equity – Retained Profits	2022 $'000	2021 $'000
Retained profits at the beginning of the financial period	**82,296**	73,977
Net profit attributable to the shareholders of the Group	**7,902**	8,319
Retained profits at end of financial period	**90,198**	82,296

Note 18: Capital Commitments

The Group has capital commitments totalling $2,600,000 (FY2021: $4,252,000) all payable within one year.

Note 19: Contingent Assets and Liabilities

As at 3 July 2022, the Group has no contingent liabilities (FY2021: $Nil).

As detailed in Note 3, four stores were flood/water damaged during the year. This resulted in the write-off of store assets and inventory totalling $1,398,000. These assets, and the resulting loss of profits, are covered by the Group's insurance program. The Group has lodged a claim in respect of each impacted store with its insurers and the Group believes that the likelihood of insurance recoveries is probable. However, the contingent asset has not been recognised as a receivable at 3 July 2022 as receipt of the amount is dependent on finalising the insurance claim process.

Note 20: Consolidated Statement of Cash Flow Information	2022 $'000	2021 $'000
Reconciliation of Cash Flow from operating activities with profit after income tax from ordinary activities:		
Profit from ordinary activities after income tax	**7,902**	8,319
Non-cash items in profit from ordinary activities		
Depreciation – Property, plant and equipment	**12,402**	13,708
Depreciation – Right-of-use assets	**95,514**	96,212
Assets written off	**1,602**	1,004
Non-cash share-based payments expense	**959**	1,224
Tax (debited) / credited directly to equity	**(375)**	242
Changes in assets and liabilities		
(Increase) / decrease in other assets	**(2,430)**	3,398
(Increase) in inventories	**(13,180)**	(28,984)
Decrease / (increase) in right-of-use assets net of lease liabilities	**396**	(2,472)
Decrease in deferred tax assets	**9,989**	470
(Increase) / decrease in trade and other payables, provisions and other liabilities	**3,938**	(416)
(Decrease) in tax liabilities	**(577)**	(5,610)
Net cash provided by operations	**116,140**	87,095

Credit standby arrangement and loan facilities

The ongoing funding requirements of the Group, reviewed annually, are provided under the terms of a facility agreement. The key facilities and their utilisation are as follows:

	2022		2021	
	Limit $'000	Utilised $'000	Limit $'000	Utilised $'000
Interchangeable Facility(i)	10,000	-	10,000	-
Seasonal Facility(ii)	-	-	-	-
Other Facilities(iii)	550	420	550	441
Total Facilities	**10,550**	**420**	**10,550**	**441**

(i) The interchangeable facility may be allocated to the following sub-facilities: documentary credit issuance/documents surrendered facility, foreign currency overdraft facility and loan facility.

(ii) A seasonal facility of $20,000,000 was available to the Group from October to December 2021. The Group is required to deposit $5,000,0000 with ANZ Bank when the seasonal facility is drawn. The facility was unutilised during the period (FY2021: unutilised).

(iii) Other facilities include an ANZ Bank indemnity guarantee of $550,000 of which $420,000 (FY2021: $441,000) was utilised in relation to property leases at 3 July 2022.

Note 21: Financial Instruments and Financial Risk Management

Derivative Financial Instruments	2022 $'000	2021 $'000
Current assets and (liabilities)		
Forward foreign exchange contracts – cash flow hedges	**12,766**	(3,802)

Forward exchange contracts – cash flow hedges

The Group imports product from overseas. In order to protect against exchange rate movements, the Group enters into forward exchange contracts to purchase foreign currency for all overseas purchases. These contracts are hedging contracts for highly probable forecast purchases for the ensuing financial period. The contracts are timed to mature when payments for shipments of products are scheduled to be made.

At the balance date, the details of outstanding forward exchange contracts to be settled within 12 months are:

				Average Exchange Rate	
		2022	2021	2022	2021
Sell	**Buy**	**$'000**	**$'000**	**$**	**$**
Australian Dollars	United States Dollars	**151,167**	116,427	**0.74**	0.74

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the Consolidated Balance Sheet by the related amount deferred in equity.

At the balance sheet date, the revaluation of these contracts to fair value resulted in an asset of $12,766,000 (FY2021: liability of $3,802,000).

During the period, $2,662,000 (FY2021: $6,567,000) was transferred from equity and included in inventory and a net gain of $Nil (FY2021: net $Nil) was transferred to the Consolidated Statement of Comprehensive Income.

Exposure to Foreign Currency Risk

The Group's exposure to foreign currency risk at the end of the reporting period was as follows:

	2022 USD $'000	2021 USD $'000
Cash at bank	**7**	19
Trade and other payables	**8,087**	6,060

Forward exchange contracts – Balance Date Sensitivity Analysis

The following table summarises the sensitivity of the Group as at balance date to movements in the value of the Australian Dollar compared to the United States Dollar, the principal currency that the Group has an exposure to. The sensitivity analysis as at balance date relates to the conversion of the United States Dollar foreign currency bank account and foreign currency payables and the impact on other components of equity arises from foreign forward exchange contracts designated as cash flow hedges as follows:

Sensitivity Analysis – foreign exchange AUD/USD

	2022 $'000	2021 $'000
For every 1c increase in AUD:USD rate, total exposures (increase) / decrease by:		
Income Statement	**171**	103
Equity	**(2,366)**	(1,465)
For every 1c decrease in AUD:USD rate, total exposures (increase) / decrease by:		
Income Statement	**(176)**	(106)
Equity	**2,437**	1,504

Interest Rate Risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

2022	Weighted Average Effective Interest Rate(i)	Floating Interest Rate $'000	Fixed Interest Rate Maturing within 1 Year $'000	Fixed Interest Rate Maturing 1 to 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets						
Cash and cash equivalents	**0.17%**	**71,343**	**-**	**-**	**6,126**	**77,469**
Total Financial Assets	**-**	**71,343**	**-**	**-**	**6,126**	**77,469**
Financial Liabilities						
Bank loans and overdrafts	**-**	**-**	**-**	**-**	**-**	**-**
Trade, sundry and other creditors	**-**	**-**	**-**	**-**	**67,521**	**67,521**
Lease liabilities	**-**	**-**	**-**	**-**	**217,665**	**217,665**
Total Financial Liabilities	**-**	**-**	**-**	**-**	**285,186**	**285,186**

(i) There were no borrowings throughout the period.

2021	Weighted Average Effective Interest Rate	Floating Interest Rate $'000	Fixed Interest Rate Maturing within 1 Year $'000	Fixed Interest Rate Maturing 1 to 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets						
Cash and cash equivalents	0.08%	67,970	-	-	5,076	73,046
Total Financial Assets	**-**	**67,970**	**-**	**-**	**5,076**	**73,046**
Financial Liabilities						
Bank loans and overdrafts	-	-	-	-	-	-
Trade, sundry and other creditors	-	-	-	-	56,823	56,823
Lease liabilities	-	-	-	-	167,126	167,126
Total Financial Liabilities	**-**	**-**	**-**	**-**	**223,949**	**223,949**

Applying a sensitivity of 50 basis points to the Group's period-end interest rate results in an immaterial impact on post tax profit and equity.

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date in respect of recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts of those assets, as disclosed in the Consolidated Balance Sheet and Notes to the Financial Statements.

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations. The credit risk exposure to forward exchange contracts is the net fair value of these contracts.

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group.

Capital Risk Management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The gearing ratios at 3 July 2022 and 27 June 2021 were as follows:

	2022 $'000	2021 $'000
Net debt/ (cash and cash equivalents)	**(77,469)**	(73,046)
Total equity	**176,803**	156,731
Net debt to equity ratio(i)	**0%**	0%

(i) The Group has no net debt so debt to equity ratio is not applicable

Liquidity Risk

The Group manages liquidity risk by continuously monitoring forecast and actual cashflow and matching the maturity profiles of financial assets and liabilities.

The tables below analyse the Group's financial liabilities as well as net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 July 2022	Less than 6 months $'000	6 – 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying Amount (assets) / liabilities $'000
Non-derivatives							
Non-interest bearing (including lease liabilities)	**132,365**	**38,313**	**60,774**	**76,663**	**1,114**	**309,229**	**304,738**
Total non-derivatives	**132,365**	**38,313**	**60,774**	**76,663**	**1,114**	**309,229**	**304,738**
Derivatives							
Gross settled							
- (inflow)	**(102,472)**	**(61,461)**	**-**	**-**	**-**	**(163,933)**	**-**
- outflow	**93,876**	**57,291**	**-**	**-**	**-**	**151,167**	**-**
Total derivatives	**(8,596)**	**(4,170)**	**-**	**-**	**-**	**(12,766)**	**(12,766)**

27 June 2021	Less than 6 months $'000	6 – 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying Amount (assets) / liabilities $'000
Non-derivatives							
Non-interest bearing (including lease liabilities)	113,363	36,043	43,522	45,253	1,385	239,566	234,040
Total non-derivatives	113,363	36,043	43,522	45,253	1,385	239,566	234,040
Derivatives							
Gross settled							
- (inflow)	(81,662)	(23,675)	-	-	-	(105,337)	-
- outflow	85,964	23,175	-	-	-	109,139	-
Total derivatives	4,302	(500)	-	-	-	3,802	3,802

Net Fair Values

For other assets and other liabilities the net fair value approximates their carrying value.

Fair Value Measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 Financial Instruments: Disclosures, requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments, forward exchange contracts and interest rate swaps.

The following table presents the Group's assets and liabilities measured and recognised at fair value:

	2022	**2021**
	$'000	**$'000**
	Level 2	**Level 2**
Derivatives used for hedging	**12,766**	(3,802)

Note 22: Key Management Personnel (KMP) Disclosures

Non-Executive Directors

Steven Fisher (Chairman)

David Grant

Selina Lightfoot (retired as a Director on 20 October 2021)

Nicholas Perkins

Mark Ward (appointed as a Director on 1 March 2022)

Margaret Zabel

All of the above persons were directors of The Reject Shop Limited for the entire period ended 3 July 2022, unless otherwise stated.

Other Key Management Personnel

The following persons had authority and responsibility for planning, directing, and controlling the activities of the Group directly or indirectly during the financial period:

Andre Reich	–	Chief Executive Officer(i)
Clinton Cahn	–	Chief Financial Officer and Acting Chief Executive Officer (from 27 April 2022 to 10 July 2022)

(i) A Reich left the Group on 26 April 2022.

All of the above persons were employed by The Reject Shop Limited and were key management personnel for the entire period ended 3 July 2022 unless otherwise stated.

Remuneration of Directors and Key Management Personnel

	2022 $	2021 $
Short-term cash rewards	**140,000**	-
Short-term employee benefits	**1,674,177**	2,277,620
Post-employment benefits	**84,888**	101,512
Termination benefits(i)	**401,799**	125,826
Share-based payments(i)	**176,085**	839,101
	2,476,949	3,344,059

(i) A Reich left the Company on 26 April 2022. As part of A Reich's departure, he was paid $401,799 (including superannuation) in lieu of a six-month notice period, which is included in 'termination benefits' above. In addition, A Reich was paid $74,302 of annual leave entitlement, which is excluded from the table above. On A Reich's departure all performance rights were lapsed.

No other long-term or termination benefits were paid or payable with respect to the current or prior period.

Note 23: Share-based Payments

Performance Rights Plan (PRP)

The PRP is the basis of the Group's long-term reward scheme for selected employees. In summary, eligible employees identified by the Directors may be granted performance rights, which is an entitlement to a share subject to satisfaction of exercise conditions on terms determined by the Directors.

The details of all grants made and outstanding for each financial period are detailed in the tables below:

2022

Date of Grant	Expiry Date	Date Exercisable	Fair Value at Grant Date	Balance at the Start of Period	Granted During Period	Exercised During The Period	Lapsed forfeited or cancelled during the Period	Balance at the End of the Period	Vested and Exercisable at the End of Period
1 Sep 2019	31 Aug 2022	31 Aug 2021	1.74	50,000	-	(50,000)(i)	-	-	-
18 Oct 2019	16 Oct 2023	1 Jul 2022	2.07	21,675	-	-	-	21,675	21,675
13 Jan 2020	12 Jan 2025	14 Jan 2023	1.91	150,000	-	-	(150,000)	-	-
13 Jan 2020	12 Jan 2026	14 Jan 2024	1.82	75,000	-	-	(75,000)	-	-
13 Jan 2020	12 Jan 2027	14 Jan 2025	1.74	75,000	-	-	(75,000)	-	-
27 Mar 2020	28 Mar 2025	27 Mar 2023	4.05	150,000	-	-	-	150,000	-
30 Sep 2020	31 Aug 2025	31 Aug 2023	6.17	338,950	-	-	(140,750)	198,200	-
30 Sep 2020	31 Aug 2026	31 Aug 2024	6.17	42,475	-	-	(42,475)	-	-
30 Sep 2020	31 Aug 2027	31 Aug 2025	6.17	42,475	-	-	(42,475)	-	-
5 Nov 2021	31 Aug 2025	31 Aug 2023	5.95	-	117,633	-	(48,167)	69,466	-
5 Nov 2021	1 Nov 2024	5 Nov 2023	5.92	-	66,000	-	-	66,000	-
5 Nov 2021	31 Aug 2026	31 Aug 2024	5.86	-	235,267	-	(96,333)	138,934	-
11 May 2022	31 Aug 2022	31 Aug 2022	3.60	-	75,000	-	-	75,000	75,000
11 May 2022	28 Feb 2025	31 Aug 2023	3.53	-	50,000	-	-	50,000	-
11 May 2022	14 Sep 2023	31 Aug 2023	3.53	-	75,000	-	-	75,000	-
11 May 2022	13 Sep 2024	31 Aug 2023	3.53	-	190,000	-	-	190,000	-
11 May 2022	28 Feb 2025	28 Feb 2024	3.50	-	25,000	-	-	25,000	-
11 May 2022	13 Sep 2024	31 Aug 2024	3.48	-	110,000	-	-	110,000	-
11 May 2022	12 Sep 2025	29 Aug 2025	3.43	-	17,500	-	-	17,500	-
Total				**945,575**	**961,400**	**(50,000)**	**(670,200)**	**1,186,775**	**96,675**

(i) 50,000 performance rights vested on 2 July 2021.

2021

Date of Grant	Expiry Date	Date Exercisable	Fair Value at Grant Date	Balance at the Start of Period	Granted During Period	Exercised During The Period	Lapsed forfeited or cancelled during the Period	Balance at the End of the Period	Vested and Exercisable at the End of Period
18 Oct 2018	17 Oct 2022	1 Jul 2021	1.84	28,000	-	-	(28,000)	-	-
1 Sep 2019	31 Aug 2022	31 Aug 2020	1.83	75,000	-	(75,000)	-	-	-
1 Sep 2019	31 Aug 2022	31 Aug 2021	1.74	75,000	-	(25,000)	-	50,000(i)	-
18 Oct 2019	16 Oct 2023	1 Jul 2022	2.07	87,600	-	-	(65,925)	21,675	-
13 Jan 2020	12 Jan 2025	14 Jan 2023	1.91	150,000	-	-	-	150,000	-
13 Jan 2020	12 Jan 2026	14 Jan 2024	1.82	75,000	-	-	-	75,000	-
13 Jan 2020	12 Jan 2027	14 Jan 2025	1.74	75,000	-	-	-	75,000	-
27 Mar 2020	28 Mar 2025	27 Mar 2023	4.05	150,000	-	-	-	150,000	-
30 Sep 2020	31 Aug 2025	31 Aug 2023	6.17	-	364,050	-	(25,100)	338,950	-
30 Sep 2020	31 Aug 2026	31 Aug 2024	6.17	-	42,475	-	-	42,475	-
30 Sep 2020	31 Aug 2027	31 Aug 2025	6.17	-	42,475	-	-	42,475	-
Total				715,600	449,000	(100,000)	(119,025)	945,575	-

(i) 50,000 performance rights vested on 2 July 2021.

For the grants made during the period, the fair value was determined using the Black-Scholes option pricing model, taking into account the following inputs:

Date of new grants	5 November 2021	11 May 2022
Exercise price	-	-
Share price	$6.10	$3.60
Expected dividend yield	1.5%	1.5%
Risk free rate	2.0%	2.0%

The expected price volatility is based on the historic volatility, adjusted for any expected changes to future volatility due to publicly available information.

Performance rights do not carry voting or dividend entitlements.

On 22 July 2022, subsequent to the period end, the Company's new Chief Executive Officer, Phil Bishop (who is a KMP effective from 11 July 2022), received a one-off allocation of 100,000 performance rights.

Remuneration Expense arising from share-based payment transactions

	2022 $	2021 $
Performance rights granted	**959,405**	1,224,197

Note 24 Remuneration of Auditors

During the period, the following fees for services were paid or payable to PricewaterhouseCoopers Australia and its related parties as the auditor:

	2022 $	2021 $
Audit and Assurance Related Services		
Audit and review work	**330,000**	355,000
Other assurance services	**42,000**	42,788
	372,000	397,788
Tax Compliance and Consulting Services		
Tax compliance	**77,500**	67,500
Tax consulting advice	**20,000**	35,000
	97,500	102,500
Total remuneration	**469,500**	500,288

Note 25: Dividends

	2022 $'000	2021 $'000
Dividend declared subsequent to the period end	-	-
Balance of franking account at period end(i)	**59,294**	60,575

(i) Adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and any credits that may be prevented from distribution in subsequent periods based on a tax rate of 30%.

Dividends recognised during the reporting period:
There were no dividends paid to members during the financial period (FY2021: $Nil).

Note 26: Earnings per share

	2022 Cents	2021 Cents
Basic earnings per share	**20.6**	21.7
Diluted earnings per share	**20.2**	21.4
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**38,325,547**	38,264,841
Adjustments for dilutive portion of performance rights	**821,293**	657,142
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.	**39,146,840**	38,921,983

Performance Rights granted under the Performance Rights Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share but to the extent they are not anti-dilutive. Details relating to the performance rights are set out in Note 23.

Note 27: Net Tangible Assets

	2022 Cents	2021 Cents
Net tangible asset backing per ordinary share(i)	**461.3**	409.5

(i) Net tangible assets backing per ordinary share include right-of-use assets.

Note 28: Parent Entity Financial Information

	Parent Entity	
	2022 $'000	2021 $'000
(a) Summary financial information		
The individual financial statements for the parent entity show the following aggregate amounts:		
Balance Sheet		
Current assets	**210,272**	178,073
Total assets	**477,843**	401,690
Current liabilities	**158,165**	153,702
Total liabilities	**302,509**	246,328
Shareholders' equity		
Issued capital	**70,326**	70,326
Reserves	**16,366**	4,292
Retained earnings	**88,642**	80,744
	175,334	155,362
Profit for the financial period	**7,902**	8,321
Total Comprehensive Profit for the financial period	**19,500**	12,226
(b) Guarantees entered into by the parent entity		
Carrying amount included in current liabilities	**-**	-

Refer to Notes 18 and 19 for disclosures concerning contractual commitments and contingent assets and liabilities for the parent entity.

Note 29: Segment Information

The Group operates within one reportable segment (retailing of discount variety merchandise). Total revenues of $788,241,000 (FY2021: $778,688,000) all relate to the sale of discount variety merchandise in the Group's country of domicile (Australia), in this single reportable segment. The Group is not reliant on any single customer.

Note 30: Subsidiaries

The Reject Shop Limited has a 100% owned operating subsidiary based in Hong Kong, TRS Sourcing Co. Limited. This subsidiary provided procurement services for TRS Limited and charged a fee for those services.

	Parent Entity	
	2022 $'000	2021 $'000
Fees paid to TRS Sourcing Co. Limited	-	-

The Reject Shop Limited has a 100% owned non-operating subsidiary, TRS Trading Group Pty Ltd, incorporated in Australia.

There were no transactions between the parent entity and its subsidiaries during the period (FY2021: Nil).

In addition, The Reject Shop Limited has effective control over The Reject Shop Limited Employee Share Trust, which administers shares issued through the Group's Performance Rights Plan. This entity is also consolidated.

Note 31: Matters Subsequent to the End of the Financial Period

Following the end of the financial period, Phil Bishop commenced as Chief Executive Officer of the Group on 11 July 2022 and became a KMP on that date.

In August 2022 the Group extended its existing banking facilities with ANZ Bank from August 2022 to August 2023. See Note 12 for further information.

No other matters or circumstances have arisen since the end of the financial period which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Note 32: Related Party Transactions

During the period, the Group transacted with related parties of Kin Group Pty Ltd to purchase goods. Transactions totalled $581,417 (FY2021: $861,197). All transactions were on commercial terms and on an arms-length basis. There were no other related party transactions, other than those with key management personnel in the normal course of business, during the period ended 3 July 2022.

Directors' Declaration

In the directors' opinion:

(a) The Financial Statements and notes set out on pages 34 to 62 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the Group's financial position as at 3 July 2022 and of its performance for the financial period ended on that date; and

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

The directors draw attention to Note 1(a) to the Financial Statements, which includes a statement of compliance 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.

Steven Fisher
Chairman

Dated this 23 August 2022

Independent Auditor's Report to the Members of The Reject Shop Limited

Independent auditor's report

To the members of The Reject Shop Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of The Reject Shop 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 3 July 2022 and of its financial performance for the 53 week period ended 3 July 2022

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

What we have audited

The Group financial report comprises:

- the consolidated statement of comprehensive income for the 53 week period ended 3 July 2022
- the consolidated balance sheet as at 3 July 2022
- the consolidated statement of changes in equity for the 53 week period ended 3 July 2022
- the consolidated statement of cash flows for the 53 week period ended 3 July 2022
- 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

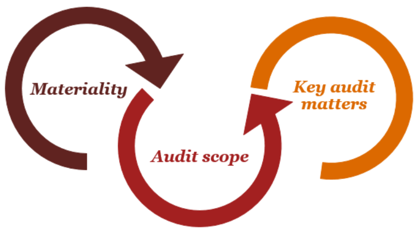
We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the 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.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999

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 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
○ For the purpose of our audit we used overall Group materiality of $0.6 million, which represents approximately 5% of the Group's profit before income 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 income 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. ○ The Group is principally involved in retailing through discount variety stores across Australia. The accounting processes are structured around the Group finance function at the Group's head office in Melbourne.

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Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Carrying value of Property, plant and equipment and Right of use assets *(Refer to note 8 and note 9)* Due to impairment indicators at period end, the Group has tested Property, plant and equipment and Right of use assets for impairment. The Group assesses impairment of these assets by preparing models for each cash generating units which estimate future cash flows discounted to their present value ("the models"). This was a key audit matter because of: • the financial significance of the Property, plant and equipment and Right of use assets to the consolidated balance sheet • the subjective factors involved in the Group assessing impairment, in particular, estimating future cash flows over the forecast period and the discount rate.	We performed the following procedures, amongst others: • evaluated the Group's assessment of the determination of cash generating units • assessed the appropriateness of the models by comparing them to the requirements of the Australian Accounting Standards • tested the mathematical accuracy of key data in the models and compared key data to the latest budget • assessed the appropriateness of selected assumptions used to estimate the future cash flows • considered the appropriateness of the period over which cash flows were projected based on our knowledge of the business and the Group's lease portfolio management strategy • engaged internal experts to assess the appropriateness of the discount rate used in the models • evaluated the appropriateness of the disclosures made in the financial statements against the requirements of Australian Accounting Standards.

pwc

Key audit matter	How our audit addressed the key audit matter
Inventory provision - net realisable value (NRV) *(Refer to note 1(aa)(iv) and Note 6)* A provision was recognised net of the inventory balance at 3 July 2022 in the financial report to provide for inventory expected to be sold below cost. The Group undertakes a process to identify inventory which is likely to be sold below cost. The provision is then recognised by applying the expected markdown required to clear this inventory. This was a key audit matter because of: • the financial significance of the inventory balance as at 3 July 2022 and therefore the potential impact of the provision for NRV on the consolidated statement of comprehensive income and consolidated balance sheet • the subjective nature of the provision on the calculation due to the judgement involved in estimating the expected selling price of inventory.	We performed the following procedures, amongst others: • developed an understanding of how the Group determines the NRV provision • evaluated the appropriateness of significant assumptions used to develop the provision for NRV in the context of Australian Accounting Standards, by having regard to: o aggregate inventory sold below cost during the financial period o aggregate inventory wastage incurred during the financial period o inventory written-off subsequent to the end of the financial period and up to the completion of our audit.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the 53 week period ended 3 July 2022, 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.

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.

pwc

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 21 to 31 of the directors' report for the 53 week period ended 3 July 2022.

In our opinion, the remuneration report of The Reject Shop Limited for the 53 week period ended 3 July 2022 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

PricewaterhouseCoopers

Brad Peake
Partner

Melbourne
23 August 2022

Shareholders' Information

As at 1 August 2022

The shareholder information set out below was applicable as at 1 August 2022.

(a) The distribution of shareholding was as follows:

Size of Shareholding	Shareholders
1 - 1,000	3,362
1,001 - 5,000	1,281
5,001 - 10,000	241
10,001 - 100,000	182
100,001 and over	20

(b) 853 shareholders hold less than a marketable parcel of shares, being a market value of less than $500.

(c) Substantial shareholders based on notifications to the Company were:

Shareholder	Number	% Held
Bennamon Pty Ltd	7,751,495	20.22%
Bennelong Australian Equity Partners Ltd	6,288,378	16.41%
Castle Point Funds Management	3,200,179	8.35%
Wilson Asset Management Group	2,160,812	5.64%

(d) The fully paid issued capital of the Company consisted of 38,326,622 shares held by 5,086 shareholders. Each share entitles the holder to one vote.

(e) Unquoted Equity Securities

	Number on Issue	Number of holders
Performance Rights issued under The Reject Shop Performance Rights Plan	**1,286,775**	**33**

Shareholders' Information

As at 1 August 2022

(f) Twenty largest shareholders

Shareholder	Number	% Held
Citicorp Nominees Pty Ltd	9,079,778	23.69
Bennamon Pty Ltd	7,751,495	20.22
National Nominees Limited	4,032,889	10.52
SCJ Pty Limited	1,500,000	3.91
Bond Street Custodians Limited	925,000	2.41
BNP Paribas Noms (NZ) Limited	723,489	1.89
J P Morgan Nominees Australia Pty Ltd	493,106	1.29
HSBC Custody Nominees (Australia) Limited	461,401	1.20
Andre Reich	406,540	1.06
Dorothy Productions Pty Ltd	400,000	1.04
NCH Pty Ltd	273,966	0.71
Mike Fegelson	270,000	0.70
Wyong Rugby League Club Limited	200,000	0.52
BNP Paribas Nominees Pty Ltd	165,686	0.43
Bond Street Custodians Limited	150,000	0.39
Macren Pty Ltd	149,860	0.39
Andre Reich & Veronica Angelidis-Reich	130,302	0.34
Kgari Investments Pty Ltd	123,600	0.32
Ace Property Holdings Pty Ltd	120,000	0.31
BNP Paribas Noms Pty Ltd	105,103	0.27

The twenty members holding the largest number of shares together held a total of 71.65% of the issued capital.

(g) Restricted Shares
There are no restricted shares on issue.

Corporate Directory

THE REJECT SHOP LIMITED
ABN 33 006 122 676

AND SUBSIDIARIES

Directors
Steven Fisher
Non-Executive Chairman

David Grant
Non-Executive Director

Nicholas Perkins
Non-Executive Director

Mark Ward
Non-Executive Director

Margaret Zabel
Non-Executive Director

Company Secretary
Michael Freier
BA, BCom, LLB, LLM, MA (Theol) & Grad Dip Leg Prac

Principal Registered Office
245 Racecourse Road
Kensington, Victoria 3031

Share Registry
Link Market Services Ltd
Tower 4, 727 Collins Street
Melbourne, Victoria 3008

Auditor
PricewaterhouseCoopers
2 Riverside Quay
Southbank, Victoria 3006

Stock Exchange Listing
The Reject Shop Limited shares are listed on the Australian Securities Exchange (ASX code: TRS)

Website
www.rejectshop.com.au

THE REJECT SHOP