Appendix 4D

The Reject Shop Limited

(ABN 33 006 122 676)

Consolidated preliminary half year report

For the 26 weeks ended 30 December 2018
Compared to the 26 weeks ended 31 December 2017

				$A'000
Revenues from continuing operations	down	(1.1%)	to	432,723
Profit from continuing operations after tax attributable to members	down	(40.4%)	to	10,559
Net profit for the period attributable to members	down	(40.4%)	to	10,559

Dividends	Amount per share	Franked amount per share
Interim dividend	10 cents	100%

Record date for determining entitlements to the dividend	18 March 2019
Dividend payment date	8 April 2019

Commentary on the Company's trading result is included in the media release and on pages 2 to 4 of the half year report enclosed.

Overview of Financial Performance

$ Amounts are in '000's / %'s are to Sales	HYE19	HYE18	% Chg
Sales	432,723	437,596	(1.1%)
Gross Profit (i)	43.8%	44.4%	
Cost of Doing Business (i) (ii)	37.9%	36.3%	
EBITDA (i)	25,203	35,335	(28.7%)
Depreciation and Amortisation	9,753	9,583	
EBIT (i)	15,450	25,752	(40.0%)
Net Interest Expense	412	376	
Profit Before Tax	15,038	25,376	(40.7%)
Income Tax Expense	4,479	7,655	
Net Profit After Tax	10,559	17,721	(40.4%)

(i) Non IFRS Measure
(ii) Unaudited

Sales

Sales dropped -1.1% from $437.6m to $432.7m against the prior corresponding period (pcp).

Comparable sales were down -2.6% for the half, where the first quarter was -1.8% below the pcp and the second quarter was -3.2% below the pcp.

Consistent with the pcp, our Christmas Seasonal offering was well received, with Sales and Gross Profit in line with budgeted expectations and Comparable Sales growth was +0.2% in the month of December.

The overall negative comparable sales was the effect of negative comparable customer numbers during the half and also a small fall in the average basket size. In a geographic sense, Western Australia continued to be the greatest drag on comp sales in the period, with Queensland also trending more negatively as the half progressed, where increased competition in regional areas has impacted trading performance.

Overall sales was also aided by 10 (Net) new store openings and 1 relocation in the half, as well as growth from the 4 new stores (Net) opened in the prior year.

Gross Profit

Gross Profit (sales less cost of sales) as a percent to sales dropped 60 basis points on the pcp.

This reflected an increased level of markdowns and clearance activity associated with Sales being well short of expectations during the half. In addition, rising fuel prices had an adverse effect on inland freight charges incurred during the period.

Cost of Doing Business (CODB)

CODB (consisting of store and administrative expenses but excluding depreciation and amortisation) increased by 1.6% to Sales during the half, with this metric adversely impacted by the negative comparable sales of -2.6% for the half.

This increase was the effect of the following:

- ➔ Store expenses inclusive of store wages, new store opening costs, relay/refurbishment costs and impairment/onerous lease costs, increased by 1.6% to 34.2% of Sales, mainly a reflection of:
    - o Store Wages (incl. on-costs) rose 0.7% to sales, where continuing workers compensation premium savings were not sufficient to outweigh the impacts of EBA wage rises and additional investments in project activities including Customer Service and the Retail Leadership & Development training programs;
    - o Occupancy Costs increased by 0.5% of Sales as the positive effect of net cash reductions on lease renewals was outweighed by impact of IFRS straight-lining rents in a period of negative sales growth; and
    - o Advertising Costs increased by $1.0 million or 0.24% of sales, reflecting one additional catalogue in the half and a pre-Xmas TV Branding Campaign to help drive peak season sales activity.

- ➔ Administrative expenses, remained consistent at 5.3% to sales, mainly due to an decrease on the pcp in the provision for short and long-term incentives, in line with the decreased profitability expected in FY19 compared to FY18.

Depreciation and amortisation expense has marginally increased at $9.7 million, reflecting the moderated capital expenditure program and the reducing average capital cost to open new stores, in recent years.

Earnings

The Company EBIT of $15.5 million was $10.2m or 40.0% down on the pcp, with the 230bps fall in EBIT Margin to 3.6% of Sales, primarily reflecting the impact of the comparable sales reduction, which has seen Gross Profit Margin fall by 60bps and Cost of Doing Business increase by 160bps.

Net Profit after tax at $10.6 million fell by $7.1 million or 40.4% on the pcp.

Dividends

The Company has declared an interim dividend of 10 cents per share (pcp: 24.0cps) which has a record date of 18 March 2019 and will be paid on 8 April 2019. This dividend is supported by the Company's strong balance sheet position and the positive operating cash flow generated during the half.

Financial Position and Capital Investment

The Company experienced a solid operating cash flow generation during the half, with its Cashflow from Operating Activities of $18.4 million more than sufficient to fund the capital investment requirements of the business, as well as fund a maintenance of at least a 60% Dividend Payout Ratio for FY19.

Consistent with the prior half year, the Company finished the peak seasonal trading period in a significant Net Cash position of $23.0 million. Whilst the combination of Capital Expenditure, the interim dividend payment and other working capital requirements will see the Company carry some moderated debt levels during the second half, the Company forecasts that it has adequate facilities in place to fund the business for the foreseeable future.

Overview of Operational Performance and Outlook

Sales early in the half started reasonably well with Comparable Sales only slightly negative up to when the Company announced its FY18 results in mid-August 2018.

However, an increasingly challenging environment for discretionary retail saw the decline in customer numbers and underlying sales accelerate during the half, with the states of West Australia and Queensland in particular being adversely affected.

Pleasingly, the month of December saw a turnaround where sales of our Christmas Seasonal Merchandise sales product excelled, as did a number of our FMCG departments that lifted with the higher foot traffic in our stores and due to a number of great deals secured by our buyers.

Our Hong Kong Sourcing Office (HKSO) continues to gain traction, where it is lowering the cost of goods, whilst simultaneously lifting the quality of our products and reducing compliance issues in both number and severity. The challenge for the business is to continue to leverage the capabilities of the HKSO Team and look to continue to improve the quality and value of products sourced from Asia.

The Company has over the last six months established a dedicated Strategy function that has been focused on identifying and driving new Sales initiatives, including the development of new products and the enhancement of existing merchandise departments. Although some of these initiatives are only in their infancy stages, we are very excited about their prospects going forward.

Comparable Sales for the first seven weeks stand at -2.8%.

Whilst we remain confident there are a number of short and long-term sales initiatives that will progressively gain traction during the half, how materially they increase sales may ultimately be impacted by whether the sentiment within the broader discretionary retail sector starts to improve in the short-term.

The current forecast NPAT Loss for the second half is $6.5 million to $7.5 million, which assumes a second half comparable sales result in the range of -2% to -3%.

If achieved, this would see a full year Net Profit after Tax for FY2019 of between $3.1 million and $4.1 million.

DIRECTORS' REPORT

Your directors present their report on the Company and its controlled entities for the half year ended 30 December 2018.

Directors

The following persons were directors of The Reject Shop Limited during the whole of the half year and up to the date of this report unless otherwise stated:

William J Stevens
Non-executive Director
Chairman of the Board, Member of the Remuneration Committee and Member of the Audit and Risk Committee.

Ross Sudano
Managing Director and Chief Executive Officer

Kevin J Elkington
Non-executive Director
Chairman of the Audit and Risk Committee and Member of the Remuneration Committee.

Michele Teague
Non-executive Director
Member of the Remuneration Committee and Member of the Audit and Risk Committee.

Selina Lightfoot (Commenced on 23 August 2018)
Non-executive Director
Member of the Remuneration Committee and Member of the Audit and Risk Committee.

Matthew Campbell (Commenced on 12 December 2018)
Non-executive Director
Member of the Remuneration Committee and Member of the Audit and Risk Committee.

Jack Hanrahan (Commenced on 12 December 2018)
Non-executive Director
Member of the Remuneration Committee and Member of the Audit and Risk Committee.

Review of operations

The profit of the consolidated entity for the half year after providing for income tax amounted to $10,558,369.

The half year ended 30 December 2018, incorporates 26 weeks trading.

A review of the operations of the consolidated entity during the half year and the results of these operations are set out on pages 2 to 4 of the Appendix 4D and the Company's media release.

Seasonality

The first half of the Company's year traditionally produces a profit result significantly higher than the second half. This is due to the significant sales increase during the peak trading period of November and December which provides profit leverage; given a fixed cost base which does not increase during this same two-month period.

The balance sheet as at 30 December 2018 reflects a reduced level of borrowings as compared to other times during the year due to the seasonal nature of the consolidated entity's activities.

Dividends

On 15 October 2018, a fully franked final ordinary dividend of 11.0 cents per share totalling $3,179,896 was paid. On 20 February 2019, the directors declared a fully franked interim dividend of 10.0 cents per share to be paid on 8 April 2019.

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Rounding of amounts to nearest thousand dollars

The consolidated entity is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

Signed in accordance with a resolution of the directors:

William J Stevens Chairman	Ross Sudano Managing Director

20 February 2019

Auditor's Independence Declaration

As lead auditor for the review of The Reject Shop Limited for the half-year ended 30 December 2018, I declare that to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of The Reject Shop Limited and the entities it controlled during the period.

Sam Lobley
Partner
PricewaterhouseCoopers

Melbourne
20 February 2019

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Consolidated Statement of Comprehensive Income
For the Half Year Ended 30 December 2018

	Note	Half Year 2018 $'000	2017 $'000
Revenues from continuing operations			
Sales revenue	3	**432,723**	437,596
Other income	3	**28**	19
		432,751	437,615
Cost of sales		**245,183**	245,242
Store expenses		**147,792**	142,424
Administrative expenses		**24,298**	24,178
		417,273	411,844
Finance costs	4	**440**	395
Profit before income tax		**15,038**	25,376
Income tax expense	5	**4,479**	7,655
Profit for the half year		**10,559**	17,721
Other comprehensive income			
Items that may be re-classified to profit or loss			
Changes in the fair value of cash flow hedges		**451**	1,583
Income tax relating to components of other comprehensive income		**(135)**	(475)
Other comprehensive income for the half-year, net of tax		**316**	1,108
Total Comprehensive Income for the Half Year Attributable To Members Of The Reject Shop Limited		**10,875**	18,829

Earnings per Share		**Cents**	Cents
Basic Earnings Per Share	21	**36.5**	61.4
Diluted Earnings Per Share	21	**35.9**	60.4

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet
As at 30 December 2018

	Note	30 December 2018 $'000	01 July 2018 $'000
Current Assets			
Cash	6	**22,980**	14,754
Inventories	7	**115,666**	105,087
Derivative financial instruments	28	**5,938**	5,487
Other	8	**4,894**	3,423
Total Current Assets		**149,478**	128,751
Non-Current Assets			
Property, plant and equipment	9	**89,511**	92,513
Deferred tax assets	10	**11,542**	11,749
Total Non-Current Assets		**101,053**	104,262
Total Assets		**250,531**	233,013
Current Liabilities			
Payables	11	**48,239**	44,096
Borrowings	12	**-**	-
Tax liabilities		**2,422**	1,602
Provisions	13	**10,281**	10,564
Other	14	**14,123**	9,481
Total Current Liabilities		**75,065**	65,743
Non-Current Liabilities			
Provisions	15	**2,492**	2,079
Other	16	**14,293**	14,205
Total Non-Current Liabilities		**16,785**	16,284
Total Liabilities		**91,850**	82,027
Net Assets		**158,681**	150,986
Equity			
Contributed equity	17	**46,247**	46,247
Reserves	18	**9,229**	8,913
Retained profits	19	**103,205**	95,826
Total Equity		**158,681**	150,986

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the Half Year Ended 30 December 2018

2018	Contributed Equity $'000	Capital Profits $'000	Share Based Payments $'000	Hedging Reserve $'000	FX Translation Reserve $'000	Retained Earnings $'000	Total $'000
Balances as at 01 July 2018	**46,247**	**739**	**4,321**	**3,841**	**12**	**95,826**	**150,986**
Profit for the period	-	-	-	-	-	10,559	10,559
Other comprehensive income	-	-	-	316	-	-	316
Foreign exchange translation	-	-	-	-	(10)	-	(10)
Transaction with owners in their capacity as owners:							
Dividends Paid	-	-	-	-	-	(3,180)	(3,180)
Share based remuneration	-	-	117	-	-	-	117
Tax debited directly to equity	-	-	(107)	-	-	-	(107)
Balances as at 30 December 2018	**46,247**	**739**	**4,331**	**4,157**	**2**	**103,205**	**158,681**

2017	Contributed Equity $'000	Capital Profits $'000	Share Based Payments $'000	Hedging Reserve $'000	FX Translation Reserve $'000	Retained Earnings $'000	Total $'000
Balances as at 02 July 2017	**46,247**	**739**	**4,157**	**(2,165)**	**-**	**86,175**	**135,153**
Profit for the period	-	-	-	-	-	17,721	17,721
Other comprehensive income	-	-	-	1,108	-	-	1,108
Transaction with owners in their capacity as owners:							
Dividends Paid	-	-	-	-	-	-	-
Share based remuneration	-	-	223	-	-	-	223
Tax credited directly to equity	-	-	115	-	-	-	115
Balances as at 31 December 2017	**46,247**	**739**	**4,495**	**(1,057)**	**-**	**103,896**	**154,320**

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

Consolidated Statement of Cash Flows
For the Half Year Ended 30 December 2018

	Note	Half Year 2018 $'000	2017 $'000
Cash Flows from Operating Activities			
Receipts from customers (inclusive of goods and services tax)		**475,995**	481,356
Payments to suppliers and employees (inclusive of goods and services tax)		**(453,483)**	(438,354)
Interest received		**28**	19
Borrowing costs paid		**(440)**	(395)
Income tax paid		**(3,698)**	(3,172)
Net cash inflows from operating activities	20	**18,402**	39,454
Cash Flows from Investing Activities			
Payments for property, plant and equipment		**(6,996)**	(11,217)
Net cash outflows used in investing activities		**(6,996)**	(11,217)
Cash Flows from Financing Activities			
Proceeds from borrowings		**118,000**	54,000
Repayment of borrowings		**(118,000)**	(67,000)
Dividends paid	23	**(3,180)**	-
Net cash outflows used in financing activities		**(3,180)**	(13,000)
Net increase / (decrease) in cash held		**8,226**	15,237
Cash at the beginning of the half year		**14,754**	15,616
Cash at the end of the half year	20	**22,980**	30,853

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

Note 1: Basis of preparation of half-year report

This condensed consolidated interim financial report for the half year reporting period ended 30 December 2018 has been prepared in accordance with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 01 July 2018 and any public announcements made by The Reject Shop Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(a) New standards and interpretations not yet adopted

The following new or amended standards became applicable for the current reporting period:

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

Management have reviewed the impact of the adoption of these standards and conclude the standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

(b) Impact of standards issued but not yet applied by the Company

AASB 16 Leases

Nature of change

AASB 16 Leases was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay future rentals are recognised. The only qualifying exceptions under the standard relate to short-term and low-value leases, which TRS has elected to continue expensing under the current accounting regime. All property and motor vehicle leases will fall within the scope of the new standard.

For those leases that do fall within the scope of the new standard, it is only the rental components associated with the “financing” of the property or vehicle that are included in the calculation of the right of use asset and liability values, with all other service or variable rental components, such as property outgoings, vehicle operating expenses, variable rent components, etc., being expensed under the current accounting regime.

For the Consolidated Balance Sheet, the right of use asset and liability values on adoption date are based on the net present value of the relevant future rental payments for each of the leases. Any existing IFRS or lease incentive provisions on adoption date can be applied to reduce the right of use asset on adoption. As with finance leases, the right of use liability is reduced over the life of the lease as rents are paid, incurring an interest component, whilst the right of use asset is depreciated over the life of the lease.

For the Consolidated Statement of Comprehensive Income, the relevant rental payments currently reflected in rent expense will instead be allocated to depreciation and interest. This will have a significant impact on the EBITDA measure, as expenses previously accounted for as operating expenses will in future be reclassified as below-the-line expenses. It is noted that the adoption of this standard is likely to initially create an adverse impact to profit after tax as the interest component is higher in the early stages of the lease and lower in the later stages of the lease.

For the Consolidated Statement of Cash Flows, the relevant rental payments will be reclassified from the Operating Activities section of the report to the Interest and Financing Activities sections of the report.

Impact of change

The standard will primarily affect the accounting for the group's operating leases.

It is noted that the adoption of this standard does not in any way impact or change the group's cash flows.

The group has analysed its current lease arrangements and has concluded that if it had adopted the standard on 30 December 2018, the right of use liabilities to be taken to the balance sheet on adoption date would be approximately $255 million and the right of use assets to be taken to the balance sheet would be the same amount. The existing IFRS and lease incentive provisions will be offset against the balance of right of use assets on transition, and will be returned to profit over the remainder of the lease terms. Under these assumptions there will be no impact on retained earnings upon adoption of AASB 16. The group estimates that if it had adopted the standard on 1 July 2018, net profit after tax for the 2019 financial period would be adversely impacted in the range of $2.0 million to $2.5 million. Our analysis shows that the profit impact in the first financial period will be reversed over the remaining life of the existing leases. The group estimates that approximately $100 million to $103 million of expenses previously designated as lease rentals will be reclassified and reported as interest and depreciation, increasing EBITDA by an equivalent amount.

The group notes that the above estimates are for information only, as they are based on the leases in existence at 30 December 2018, assuming an adoption date of 30 December 2018, and that the actual values on the 1 July 2019 adoption date may be different. This difference will be due to: (i) the actual terms and conditions of replacement leases for those leases expiring during the 2019 financial period being different to those assumed in the above analysis, and (ii) the rate of rollout of new stores and the terms and conditions thereof are different to those included in the above analysis.

Mandatory application date

Mandatory for financial periods commencing on or after 1 January 2019.

At this stage, the group does not intend to adopt the standard before its effective date.

The group intends to apply the simplified Modified Retrospective at Transition approach on adoption of the standard and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that are expected to have a material impact on the net earnings of the entity in the current or future reporting periods and on foreseeable future transactions.

Note 2: Critical accounting estimates and judgments

Critical accounting estimates and judgements are consistent with those in the prior financial year and corresponding period except as detailed below:

(a) Impairment test for corporate and distribution centre assets

Due to impairment indicators at the half year, corporate and distribution centre assets are tested for impairment using a value in use discounted cash flow model. The Company determines value in use by making certain assumptions over forecast cash flows, giving regard to external industry forecasts and board approved budgets, and estimating the present value of these cash flows using a discount rate reflecting the Company's cost of capital.

Impairment assessments are sensitive to the judgments made in the impairment test, including the assumptions outlined above. Changes to these assumptions could result in a different outcome or impairment of assets in the future.

	Half Year 2018 $'000	Half Year 2017 $'000
Note 3: Revenue From Continuing Operations		
Sales Revenue		
Sales of goods	**432,723**	437,596
Other Income		
Interest	**28**	19
	432,751	437,615

Note 4: Expenses
Profit before income tax expense includes the following expenses:

	Half Year 2018 $'000	Half Year 2017 $'000
Interest and finance charges paid/payable	**440**	395
Depreciation and amortisation expenses included in:		
Cost of sales	**1,799**	1,787
Store expenses	**6,795**	6,788
Administrative expenses	**1,159**	1,008
	9,753	9,583
Impairment/ (reversal) of store assets	**261**	61
Store asset write off	**(90)**	431
Rental expenses relating to operating leases:		
Minimum lease payments	**60,021**	57,619
Reversal of provision for onerous leases	**(46)**	(91)
Provision for rent escalations	**(763)**	584
Rent paid on percentage of sales basis	**(58)**	67
Employee benefits expenses	**91,234**	87,470
New store opening costs (inc. refurbishments and defits)	**719**	971

	Half Year 2018 $'000	2017 $'000
Note 5: Income Tax		
(a) Income tax expense		
Current tax	**4,444**	10,399
Deferred tax	**35**	(2,744)
	4,479	7,655
Deferred income tax expense included in income tax expense comprises:		
(Increase) in net deferred tax assets	**(1,349)**	(2,744)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	**15,038**	25,376
Tax at the Australian tax rate of 30% (2017 – 30%)	**4,511**	7,613
Tax effect of amounts which are deductible in calculating taxable income:		
Research and development	**-**	-
	4,511	7,613
(Over)/Under provided in prior years	**(32)**	42
Income tax expense	**4,479**	7,655
(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		
Current tax – (debited)/credited directly to equity	**(107)**	115
(d) Tax (expense) / income relating to items of other comprehensive income		
Cash flow hedges	**(135)**	(475)

	Note	30 December 2018 $'000	01 July 2018 $'000
Note 6: Current Assets – Cash			
Cash on hand	20	**2,236**	2,139
Cash at bank	20	**20,744**	12,615
		22,980	14,754
Note 7: Current Assets – Inventories			
Inventory at cost		**114,595**	104,080
Inventory at net realisable value		**1,071**	1,007
		115,666	105,087

Note 8: Current Assets – Other	**30 December 2018 $'000**	01 July 2018 $'000
Prepayment	**2,617**	1,380
Other current assets	**2,277**	2,043
	4,894	3,423

Note 9: Non-Current Assets – Property, Plant And Equipment

Leasehold improvements		
At cost	**84,575**	82,250
Less accumulated depreciation	**(49,441)**	(46,267)
	35,134	35,983
Plant and equipment		
At cost	**159,850**	156,520
Less accumulated depreciation	**(105,473)**	(99,990)
	54,377	56,530
Total property, plant and equipment	**89,511**	92,513

Note 10: Non-Current Assets – Deferred Tax Assets

The balance comprises temporary differences attributable to:
Amounts recognised in profit or loss

Employee benefits	**3,823**	3,730
Lease escalation	**3,277**	3,506
Inventories	**1,362**	1,647
Lease incentives	**2,131**	1,909
Depreciation	**3,078**	2,776
Other provisions and accruals	**997**	650
Employee share trust	**183**	339
Sundry items	**311**	(438)
	15,162	14,119
Set-off of deferred tax liabilities of consolidated entity pursuant to set off provisions:		
Depreciation	**(1,839)**	(724)
Hedging reserve	**(1,781)**	(1,646)
Net deferred tax assets	**11,542**	11,749
Deferred tax assets expected to be recovered within 12 months	**5,976**	4,725
Deferred tax assets expected to be recovered after more than 12 months	**5,566**	7,024
Net deferred tax assets	**11,542**	11,749

	30 December 2018 $'000	01 July 2018 $'000

Note 11: Current Liabilities – Payables

Unsecured liabilities		
Trade payables	**44,417**	41,243
Sundry payables and accruals	**3,822**	2,853
	48,239	44,096

Note 12: Current Liabilities – Borrowings

Cash advance	**-**	-

Note 13: Current Liabilities – Provisions

Onerous leases	**28**	74
Employee entitlements	**10,253**	10,490
	10,281	10,564

Note 14: Current Liabilities – Other

Accrued expenses	**10,306**	5,594
Deferred income	**1,780**	1,516
Rent escalation	**2,037**	2,371
	14,123	9,481

Note 15: Non-Current Liabilities – Provisions

Onerous leases	**33**	33
Employee entitlements	**2,459**	2,046
	2,492	2,079

Note 16: Non-Current Liabilities – Other

Deferred income	**5,407**	4,891
Rent escalation	**8,886**	9,314
	14,293	14,205

Note 17: Equity – Contributed Equity

Movements in ordinary share capital

Date	Details	No. of shares	Issue Price per share $	Contributed Equity $'000
2 July 2017	**Balance**	**28,859,548**		**46,247**
31 December 2017	**Balance**	**28,859,548**		**46,247**
1 July 2018	**Balance**	**28.859,548**		**46,247**
23 August 2018	Exercise of performance rights	48,600		-
30 December 2018	**Balance**	**28,908,148**		**46,247**

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 Company does not have a limited amount of authorised capital.

	30 December 2018 $'000	01 July 2018 $'000
Note 18: Equity – Reserves		
Capital profits reserve	**739**	739
Share based payments reserve	**4,331**	4,321
Hedging reserve – cash flow hedges	**4,157**	3,841
Foreign currency translation reserve	**2**	12
	9,229	8,913

Note 19: Equity – Retained Profits

	30 December 2018 $'000	01 July 2018 $'000
Retained profits at the beginning of the period	**95,826**	86,175
Net profit attributable to members of the consolidated entity	**10,559**	16,577
Dividends paid	**(3,180)**	(6,926)
Retained profits at reporting date	**103,205**	95,826

Note 20: Cash Flow Information

Reconciliation of Cash

	Half Year	
Reconciliation of cash flow from operations with profit from ordinary activities	**2018 $'000**	2017 $'000
Profit from ordinary activities after income tax	**10,559**	17,721
Non-cash flows in profit from ordinary activities:		
Depreciation	**9,753**	9,583
Impairment of store assets	**261**	61
Provision of onerous leases	**(46)**	(91)
Store asset write off	**(90)**	431
Non-cash share-based payment expense	**117**	223
Tax (debited)/credited directly to equity	**(107)**	115
Changes in operating assets and liabilities, net of effects of purchase and disposal of subsidiaries		
Decrease/(Increase) in receivables and other assets	**(1,471)**	(2,568)
Decrease/(Increase) in inventories	**(10,579)**	(13,048)
Increase in trade and other creditors and other provisions	**8,978**	22,184
Increase in income tax payable	**820**	7,587
Decrease/(Increase) in deferred taxes	**207**	(2,744)
Net cash provided by operations	**18,402**	39,454

Reconciliation of Cash

Cash at the end of the half year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	Half Year	
	2018 $'000	2017 $'000
Cash on hand	**2,236**	1,805
Cash at bank	**20,744**	29,048
	22,980	30,853

Note 21: Earnings per share	Half Year 2018 Cents	2017 Cents
Basic earnings per share	**36.5**	61.4
Diluted earnings per share	**35.9**	60.4
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**28,893,995**	28,859,548
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**29,391,201**	29,328,792

Note 22: Net Tangible Assets	30 December 2018 Cents	01 July 2018 Cents
Net tangible asset backing per ordinary share	**548.9**	523.2

	Half Year 2018 $'000	2017 $'000
Note 23: Dividends		
Fully franked final dividend paid on 15 October 2018 (2017: no dividend paid)	**3,180**	-
Balance of franking account at half year adjusted for franking credits arising from payment of 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 years	**52,721**	51,409

Note 24: Segment Information

The Reject Shop operates within the one reportable segment (retailing of discount variety merchandise). Total revenues of $432,722,707 all relate to the sale of discount variety merchandise in the Company's country of domicile (Australia), in this single reportable segment. The Company is not reliant on any single customer.

Note 25: Dividend Reinvestment Plan

The Company has established a dividend reinvestment plan which is not currently active.

Note 26: Capital Commitments

The consolidated entity has contractually committed to approximately $578,825 in capital expenditure at the end of the reporting period.

Note 27: Matters Subsequent to the End of the Half Year

No matters or circumstances have arisen since the end of the half year which have significantly affected or may significantly affect the operations of the consolidated entity, the results of operations, or the state of affairs of the consolidated entity in future financial years.

Note 28: Fair Value Measurements

The directors consider the cash flow hedges to be Level 2 financial instruments because, unlike Level 1 financial instruments, their measurement is derived from inputs other than quoted prices that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices). There have been no transfers between levels 1, 2 and 3 for recurring fair value measurements during the half-year. The cash flow hedges fair values have been obtained from third party valuations derived from forward exchange rates at the balance sheet date.

The fair value of the cash flow hedges at 30 December 2018 was an asset of $5,937,701 (1 July 2018: asset of $5,486,538).

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

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 7 to 19 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 consolidated entity's financial position as at 30 December 2018 and of its performance, as represented by the results of it's operations and it's cash flows, for the half year ended on that date; and

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

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

William J Stevens
Chairman

Ross Sudano
Managing Director

Melbourne
20 February 2019

Independent auditor's review report to the members of The Reject Shop Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of The Reject Shop Limited (the Company), which comprises the consolidated balance sheet as at 30 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration for The Reject Shop Limited. The Group comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of The Reject Shop Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of The Reject Shop Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 December 2018 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

Sam Lobley
Partner

Melbourne
20 February 2019