Appendix 4D

The Reject Shop Limited

Consolidated preliminary final report

For the 26 weeks ended 29 December 2019
Compared to the 26 weeks ended 30 December 2018

$A'000

Revenues from continuing operations	up	0.7%	to	435,710
Profit from continuing operations after tax attributable to members	down	(10.0%)	to	9,506
Net profit for the period attributable to members	down	(10.0%)	to	9,506

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

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

Commentary on the Company’s trading result is included in the Company's media release and shareholder presentation for the half year ended 29 December 2019.

DIRECTORS' REPORT

Your directors present their report on the Company and its controlled entities for the half year ended 29 December 2019.

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:

Steven Fisher
Non-executive Director
Chairman of the Board (commenced as Chair on 1 October 2019), Member of the Audit and Risk Committee and Member of the Remuneration and Nominations Committee.

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

Selina Lightfoot
Non-executive Director
Chair of the Audit and Risk Committee and Member of the Remuneration and Nominations Committee.

Zachary Midalia
Non-executive Director
Member of the Audit and Risk Committee and Member of the Remuneration and Nominations Committee.

William J Stevens (Retired on 16 October 2019)
Non-executive Director
Chairman of the Board (until resignation as Chair on 30 September 2019), Member of the Audit and Risk Committee and Member of the Remuneration and Nominations Committee.

Jack Hanrahan (Resigned on 15 October 2019)
Non-executive Director
Member of the Audit and Risk Committee and Chair of the Remuneration and Nominations Committee.

Review of operations

Sales grew +0.7% from $432.7m to $435.7m against the prior corresponding period (pcp). Comparable sales were up +0.5% for the half, where the first quarter was flat against the pcp and the second quarter was +0.9% above the pcp.

The profit of the consolidated entity for the half year after providing for income tax amounted to $9,505,825.

This represents a fall of 10.0% on the prior corresponding period which reflects a combinaton of a depressed Gross Margin to Sales ratio during the half as the business dealt with a number of poor buying decisions in the June '19 half. In addition the adoption of the new lease accounting standard had a negative impact on pre-tax profit.

The half year ended 29 December 2019, 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 in the Company’s media release for the half year ended 29 December 2019.

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 29 December 2019 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

There have been no dividends paid during the period. The company has not declared an interim dividend (pcp: 10.0cps) to be paid.

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 4.

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:

Steven Fisher
Chairman

27 February 2020

Auditor's Independence Declaration

As lead auditor for the review of The Reject Shop Limited for the half-year ended 29 December 2019, 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
27 February 2020

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Consolidated Statement of Comprehensive Income
For the Half Year Ended 29 December 2019

	Note	Half Year 2019 $'000	Half Year 2018 $'000
Revenue from continuing operations			
Sales revenue	3	**435,710**	432,723
Other income	3	**2**	28
		435,712	432,751
Cost of sales		**249,120**	245,183
Store expenses		**146,225**	147,792
Administrative expenses		**22,800**	24,298
		418,145	417,273
Finance costs	4	**4,208**	440
Profit before income tax		**13,359**	15,038
Income tax expense	5	**3,853**	4,479
Profit for the half year		**9,506**	10,559
Other comprehensive income			
Items that may be re-classified to profit or loss			
Changes in the fair value of cash flow hedges		**(3,760)**	451
Income tax relating to components of other comprehensive income		**1,128**	(135)
Other comprehensive income for the half year, net of tax		**(2,632)**	316
Total Comprehensive Income for the Half Year Attributable To Members of The Reject Shop Limited		**6,874**	10,875

Earnings per share		**Cents**	Cents
Basic earnings per share	22	32.9	36.5
Diluted earnings per share	22	32.6	35.9

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

Consolidated Balance Sheet
As at 29 December 2019

	Note	29 December 2019 $'000	30 June 2019 $'000
Current Assets			
Cash	6	**53,435**	26,308
Inventories	7	**117,573**	110,791
Tax assets		**-**	2,696
Derivative financial instruments	29	**-**	2,107
Other current assets	8	**5,932**	2,245
Total Current Assets		**176,940**	144,147
Non Current Assets			
Property, plant and equipment	9	**54,602**	60,975
Right-of-use assets	10	**206,622**	-
Deferred tax assets	11	**24,780**	20,196
Total Non Current Assets		**286,004**	81,171
Total Assets		**462,944**	225,318
Current Liabilities			
Payables	12	**71,721**	43,826
Borrowings	13	**1,549**	19,500
Lease liabilities	10	**87,395**	-
Tax liabilities		**6,872**	**-**
Provisions	14	**11,183**	10,341
Derivative financial instruments	29	**1,653**	**-**
Other current liabilities	15	**9,658**	10,606
Total Current Liabilities		**190,031**	84,273
Non Current Liabilities			
Lease liabilities	10	**137,638**	-
Provisions	16	**2,990**	2,930
Other non current liabilities	17	**-**	12,793
Total Non Current Liabilities		**140,628**	15,723
Total Liabilities		**330,659**	99,996
Net Assets		**132,285**	125,322
Equity			
Contributed equity	18	**46,247**	46,247
Reserves	19	**3,675**	6,218
Retained profits	20	**82,363**	72,857
Total Equity		**132,285**	125,322

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

Consolidated Statement of Changes in Equity
For the Half Year Ended 29 December 2019

2019	Contributed Equity $'000	Capital Profits $'000	Share Based Payments $'000	Hedging Reserve $'000	F/X Translation Reserve $'000	Retained Earnings $'000	Total $'000
Balances as at 30 June 2019	**46,247**	**739**	**4,004**	**1,476**	**(1)**	**72,857**	**125,322**
Profit for the period	-	-	-	-	-	9,506	9,506
Other comprehensive income	-	-	-	(2,632)	-	-	(2,632)
Foreign exchange translation	-	-	-	-	(2)	-	(2)
Transaction with owners in their capacity as owners:							
Dividends Paid	-	-	-	-	-	-	-
Share based remuneration	-	-	150	-	-	-	150
Tax credited/(debited) directly to equity	-	-	(59)	-	-	-	(59)
Balances as at 29 December 2019	**46,247**	**739**	**4,095**	**(1,156)**	**(3)**	**82,363**	**132,285**

2018	Contributed Equity $'000	Capital Profits $'000	Share Based Payments $'000	Hedging Reserve $'000	F/X 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 credited/(debited) directly to equity	-	-	(107)	-	-	-	(107)
Balances as at 30 December 2018	**46,247**	**739**	**4,331**	**4,157**	**2**	**103,205**	**158,681**

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

Consolidated Statement of Cash Flows
For the Half Year Ended 29 December 2019

		Half Year	
		2019	2018
	Note	**$'000**	$'000
Cash Flows from Operating Activities			
Receipts from customers (inclusive of goods and services tax)		**479,281**	475,995
Payments to suppliers and employees (inclusive of goods and services tax)		**(377,424)**	(453,483)
Interest received		**2**	28
Borrowing costs paid		**(4,208)**	(440)
Income tax received/(paid)		**2,202**	(3,698)
Net cash inflows from operating activities	21	**99,853**	18,402
Cash Flows from Investing Activities			
Payments for property, plant and equipment		**(5,977)**	(6,996)
Net cash outflows used in investing activities		**(5,977)**	(6,996)
Cash Flows from Financing Activities			
Proceeds from borrowings		**124,699**	118,000
Repayment of borrowings		**(142,650)**	(118,000)
Principal elements of lease payments		**(48,798)**	-
Dividends paid	24	**-**	(3,180)
Net cash outflows used in financing activities		**(66,749)**	**(3,180)**
Net increase / (decrease) in cash held		**27,127**	8,226
Cash at the beginning of the half year		**26,308**	14,754
Cash at the end of the half year	21	**53,435**	22,980

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 29 December 2019 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 30 June 2019 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 continuing viability of the Group and its ability to continue as a going concern and meet its debt and commitments as they fall due is dependent on the Group's ability to access funding over the 12 month period from the date of the half year financial report.

The current Australia and New Zealand Banking Group (ANZ) facilities are due to mature on 31 August 2020. Subsequent to half year end, the Group has received written communication from the ANZ of its intention to renew the working capital and seasonal facilities to 31 March 2021 subject to compliance with certain terms and covenants.

Importantly, the proposed terms and covenants include:

- Completion of the capital raise of $20-25m by 31 March 2020,
- Reduction in the working capital facility by $15m to $10m and a $5m security deposit to be held for the duration of the drawing of the $20m seasonal facility (from October to December 2020), and
- Compliance with new covenants including fixed cover charge and net tangible worth.

Additionally, the new facility is subject to a letter of offer being issued and accepted.

Due to the above matters, the Group is dependent on both the ability to raise funds through the completion of the planned capital raise; and ongoing compliance with covenants as well as maintaining debt levels within the new, lower bank debt facility limits.

As a result of these matters, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

However, the directors believe that the Group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period unless otherwise noted in note 1(a) below.

Note 1: Basis of preparation of half-year report (continued)

(a) New and amended standards adopted by the Group

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

- AASB 16 *Leases*

The Group has adopted AASB 16 from 1 July 2019, but has not restated comparatives for the prior reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications arising from the new leasing rules are therefore recognised in the balance sheet as at 01 July 2019.

(i) Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 July 2019 of 3.25%.

	2019 $'000
Operating lease commitments disclosed as at 30 June 2019	280,869
Discounted using the group's incremental borrowing rate of 3.25%	1,092
(less): adjusted as a result of Motor Vehicles and Outgoings not included in lease liability	(36,398)
Lease liability recognised as at 1 July 2019	**245,563**
Of which are:	
Current lease liabilities	88,068
Non-current lease liabilities	157,495
	245,563

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any lease incentive provisions and lease escalation provisions recognised in the balance sheet as at 30 June 2019.

The recognised right-of-use assets relate to the following types of assets:

	1 July 2019 $'000
Properties	228,313
Motor Vehicles	355
Total right-of-use assets	**228,668**

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- right-of-use assets - increase by $228,668,000
- lease liabilities - increase by $245,563,000
- other current and non-current liabilities - decrease by $16,895,000

In applying AASB 16 for the first time, the group has used a single discount rate to a portfolio of leases with reasonably similar characteristics as a practical expedient as permitted by the standard.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

Note 1: Basis of preparation of half-year report (continued]

(a) New and amended standards adopted by the Group (continued)

(ii) The group's leasing activities and how these are accounted for

The group leases various retail stores, distribution centres, offices and vehicles. Rental contracts are typically made for fixed periods of 3 to 7 years but may have extension options 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.

Until the 2020 financial year, leases described above were classifed as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee 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 lease incentives received
- any initial direct costs, and

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 leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

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

There are no other standards that are not yet effective and that are expected to have a material impact on 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 Group 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 Group’s cost of capital.

Impairment assessments are sensitive to the judgments made in the impairment test. The recoverable amount continues to remain above its carrying value and any adverse movements in key assumptions may lead to an impairment, as described in the 2019 Annual Report.

	Half Year 2019 $'000	Half Year 2018 $'000
Note 3: Revenue From Continuing Operations		
Sales Revenue		
Sales of goods	**435,710**	432,723
Other Income		
Interest	**2**	28
	435,712	432,751

	Half Year 2019 $'000	Half Year 2018 $'000
Note 4: Expenses		
Profit before income tax expense includes the following expenses:		
Interest and finance charges paid/payable - borrowings	**439**	440
Interest and finance charges paid/payable - leases	**3,769**	-
	4,208	440
Depreciation of owned assets and amortisation expenses included in:		
Cost of sales	**1,848**	1,799
Store expenses	**6,584**	6,795
Administrative expenses	**1,167**	1,159
	9,599	9,753
Depreciation of right-of-use assets expenses included in:		
Cost of sales	**3,193**	-
Store expenses	**46,350**	-
Administrative expenses	**468**	-
	50,011	-
Expense relating to variable lease payments not included in lease liabilities (included in store expenses)	**271**	(58)
Impairment of store assets	**872**	261
Store asset write off	**380**	(90)
Employee benefits expense	**91,139**	91,234
New store opening costs (inc. refurbishments and defits)	**566**	719

	Half Year 2019 $'000	2018 $'000
Note 5: Income Tax		
(a) Income tax expense		
Current tax	**7,368**	4,444
Deferred tax	**(3,515)**	35
	3,853	4,479
Deferred income tax expense included in income tax expense comprises:		
Decrease / (Increase) in net deferred tax assets	**(3,515)**	35
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	**13,359**	15,038
Tax at the Australian tax rate of 30% (2018 – 30%)	4,008	4,511
Tax effect of amounts which are not deductible in calculating taxable income:		
Research and development	**(154)**	-
	3,854	4,511
(Over) / Under provided in prior years	**(1)**	(32)
Income tax expense	**3,853**	4,479
(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 – credited directly to equity	**(59)**	(107)
(d) Tax (expense) / income relating to items of other comprehensive income		
Cash flow hedges	**1,128**	(135)

	Note	29 December 2019 $'000	30 June 2019 $'000
Note 6: Current Assets – Cash			
Cash on hand	21	**1,908**	1,643
Cash at bank	21	**51,527**	24,665
		53,435	26,308

	Note	29 December 2019 $'000	30 June 2019 $'000
Note 7: Current Assets – Inventories			
Inventory at cost		**116,622**	107,675
Inventory at net realisable value		**951**	3,116
		117,573	110,791
Note 8: Current Assets – Other			
Prepayment		**3,436**	1,486
Other current assets		**2,496**	759
		5,932	2,245
Note 9: Non-Current Assets – Property, Plant And Equipment			
Leasehold improvements			
At cost		**85,301**	84,894
Less accumulated depreciation		**(54,988)**	(60,754)
		30,313	24,140
Plant and equipment			
At cost		**163,219**	161,954
Less accumulated depreciation		**(138,930)**	(125,119)
		24,289	36,835
Total property, plant and equipment		**54,602**	60,975
Note 10: Leases			
Right-of-use assets			
Property		**206,366**	-
Vehicles		**256**	-
		206,622	-
Lease Liabilities			
Current		**87,395**	-
Non-current		**137,638**	-
		225,033	-

For adjustments recognised on adoption of AASB 16 on 1 July 2019, refer to note 1(a).

	Note	29 December 2019 $'000	30 June 2019 $'000
Note 11: Non-Current Assets – Deferred Tax Assets			
The balance comprises temporary differences attributable to:			
Amounts recognised in profit or loss			
Lease liabilities		**67,510**	-
Employee benefits		**4,252**	3,683
Lease escalation		**-**	3,027
Inventories		**1,364**	1,800
Lease incentives		**-**	2,042
Depreciation		**14,483**	11,267
Other provisions and accruals		**595**	736
Employee share trust		**14**	29
Tax Losses		**291**	291
Hedging reserve		**496**	-
		89,005	22,875
Set-off of deferred tax liabilities of consolidated entity pursuant to set off provisions			
Right-of-use assets		**(61,987)**	-
Depreciation		**(2,118)**	(1,981)
Receivables		**(120)**	(66)
Hedging reserve		**-**	(632)
Net deferred tax assets		**24,780**	20,196
Deferred tax assets expected to be recovered within 12 months		**8,065**	6,794
Deferred tax assets expected to be recovered after more than 12 months		**16,715**	13,402
Net deferred tax assets		**24,780**	20,196

Note 12: Current Liabilities – Payables

Unsecured liabilities			
Trade payables		**67,464**	39,783
Sundry payables and accruals		**4,257**	4,043
		71,721	43,826

Note 13: Current Liabilities – Borrowings

Cash advance		**-**	19,500
Premium Funding		**1,549**	-
		1,549	19,500

	Note	29 December 2019 $'000	30 June 2019 $'000
Note 14: Current Liabilities – Provisions			
Onerous leases		**-**	174
Employee entitlements		**11,183**	10,167
		11,183	10,341
Note 15: Current Liabilities – Other			
Accrued expenses		**9,551**	6,435
Deferred income - current		**107**	2,203
Rent escalation - current		**-**	1,968
		9,658	10,606
Note 16: Non-Current Liabilities – Provisions			
Onerous leases - non current		**-**	206
Employee entitlements - non current		**2,990**	2,724
		2,990	2,930
Note 17: Non-Current Liabilities – Other			
Deferred income - non current		**-**	4,671
Rent escalation - non current		**-**	8,122
		-	12,793

Note 18: Equity – Contributed Equity

Movements in ordinary share capital

Date	Details	No. of shares	Issue Price per share $	Contributed Equity $'000
01 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**
30 June 2019	**Balance**	**28,908,148**		**46,247**
29 December 2019	**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 Group does not have a limited amount of authorised capital.

	Note	29 December 2019 $'000	30 June 2019 $'000
Note 19: Equity – Reserves			
Capital profits reserve		**739**	739
Share based payments reserve		**4,095**	4,004
Hedging reserve - cash flow hedges		**(1,157)**	1,476
Foreign currency translation reserve		**(2)**	(1)
		3,675	6,218
Note 20: Equity – Retained Profits			
Retained profits at the beginning of the period		**72,857**	95,826
Net profit attributable to members of the consolidated entity		**9,506**	(16,899)
Dividends paid		**-**	(6,070)
Retained profits at reporting date		**82,363**	72,857

	Half Year 2019 $'000	Half Year 2018 $'000
Note 21: Cash Flow Information		
Reconciliation of profit after income tax to net cash inflows from operating activities		
Profit from ordinary activities after income tax	**9,506**	10,559
Non-cash flows in profit from ordinary activities:		
Depreciation - owned assets	**9,599**	9,753
Depreciation - right-of-use assets	**50,011**	-
Impairment of store assets	**872**	261
Provision of onerous leases	**-**	(46)
Store asset write off	**380**	(90)
Non-cash share based payment expense	**150**	117
Tax credited directly to equity	**(59)**	(107)
Changes in operating assets and liabilities, net of effects of purchase and disposal of subsidiaries		
(Increase) in receivables and other assets	**(3,687)**	(1,471)
(Increase) in inventories	**(6,782)**	(10,579)
Increase in right-of-use assets net of lease liabilities	**17,502**	-
Increase in trade and other creditors and other provisions	**17,377**	8,978
Increase in income tax payable	**9,568**	820
(Increase)/Decrease in deferred taxes	**(4,584)**	207
Net cash provided by operations	**99,853**	18,402

	Note	Half Year 2019 $'000	2018 $'000
Note 21: Cash Flow Information (continued)			

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:

	2019 $'000	2018 $'000
Cash on hand	**1,908**	2,236
Cash at bank	**51,527**	20,744
	53,435	22,980

Note 22: Earnings per share	Half Year 2019 Cents	2018 Cents
Basic earnings per share	**32.9**	36.5
Diluted earnings per share	**32.6**	35.9
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**28,908,148**	28,893,995
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**29,169,292**	29,391,201

Note 23: Net Tangible Assets	29 December 2019 Cents	30 June 2019 Cents
Net tangible asset backing per ordinary share (i)	**457.6**	433.5

(i) The net tangible asset backing per ordinary share includes right-of-use assets.

	Note	Half Year 2019 $'000	2018 $'000
Note 24: Dividends			
No fully franked final dividend paid (2018: Paid on 15 October 2018)		**-**	3,180
Balance of franking account at half year adjusted for franking credits arising from payment/(refund) 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		**49,628**	52,721

Note 25: Segment Information

The Reject Shop operates within the one reportable segment (retailing of discount variety merchandise). Total revenues of $435,710,043 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 26: Dividend Reinvestment Plan

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

Note 27: Capital Commitments

The consolidated entity has contractually committed to approximately $2,550,334 (FY2019: $5,368,090) in capital expenditure at the end of the reporting period.

Note 28: Matters Subsequent to the End of the Half Year

Since the end of the half year, the group has announced a capital raising of $20-25m expected to be completed by 31 March 2020 (see note 1). This is to facilitate new management's strategic initiatives together with allowing working capital flexibility and reducing the Group's reliance on its banking facilities.

No other matter or circumstance has arisen since the end of the half year that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

Note 29: 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 29 December 2019 was a liability of $1,652,636 (30 June 2019: asset of $2,107,361).

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 5 to 21 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 29 December 2019 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.

Steven Fisher
Chairman

Melbourne
27 February 2020

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) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 29 December 2019, 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.

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 gives a true and fair view and 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 29 December 2019 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 29 December 2019 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*.

Material uncertainty related to going concern

We draw attention to Note 1 in the half-year financial report, which indicates that the Group is dependent on raising funds through a planned future capital raise and finalising the extension of the Group's bank debt facility which is subject to compliance with certain covenants. These conditions, along with other matters set forth in Note 1, indicate the existence of material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers

Sam Lobley
Partner

Melbourne
27 February 2020