

Appendix 4D

The Reject Shop Limited

(ABN 33 006 122 676)

Current reporting period: 26 week period ended 31 December 2023
Prior corresponding period: 26 week period ended 1 January 2023

Results for announcement to the market

Results for announcement to the market				Percentage Change %	Amount \$'000
Revenue from ordinary activities	up	+4.2%	to	458,282	
Profit from ordinary activities after tax attributable to shareholders	down	-11.1%	to	14,483	
Net profit for the period attributable to shareholders	down	-11.1%	to	14,483	
Dividends		Amount per share	Franked amount per share		
Interim dividend (fully franked)		10.0 cents	10.0 cents		
Record date for determining entitlements to the dividend		Friday, 19 April 2024			
Dividend payment date		Friday, 3 May 2024			

For further commentary on the half-year results refer to the accompanying Half Year Financial Report and the Half Year Results announcement and presentation released in conjunction with this report.

DIRECTORS' REPORT

The directors present their report on The Reject Shop Limited and its subsidiaries (the "Company") for the 26 week period ended 31 December 2023 (the "half-year").

Directors

The directors of The Reject Shop Limited during the whole of the half-year, and up to the date of this report are set out below.

Steven Fisher
David Grant
Nicholas Perkins
Margaret Zabel

Review of operations

A review of the operations and results of the Company and its controlled entities are contained in the Company's results announcement and presentation released to the ASX in conjunction with this report. The half-year ended 31 December 2023 incorporated 26 weeks of trading.

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.

Dividends

On 3 November 2023, the Company paid a fully franked ordinary dividend of 6.5 cents per ordinary share and a fully franked special dividend of 9.5 cents per ordinary share.

The directors have determined to pay a fully franked interim dividend of 10.0 cents per ordinary share. The interim dividend is payable to shareholders registered at 5.00pm on Friday, 19 April 2024 and is due to be paid on Friday, 3 May 2024.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) is set out on page 3.

Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, relating to the "rounding off" of amounts in the directors' report and financial report. In accordance with that Instrument, amounts in the Directors' Report and Financial Report are rounded to the nearest thousand dollars unless otherwise stated.

Signed in accordance with a resolution of the directors.



Steven Fisher
Chair

22 February 2024



Auditor's Independence Declaration

As lead auditor for the review of The Reject Shop Limited for the 26 week period ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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.

A handwritten signature in black ink, reading 'Brad Peake'.

Brad Peake
Partner
PricewaterhouseCoopers

Melbourne
22 February 2024

Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2023

		Half-year ended	
	Notes	2023 26 weeks \$'000	2022 26 weeks \$'000
Revenue from continuing operations			
Sales revenue		458,282	439,698
Other income	3	<u>1,225</u>	<u>1,317</u>
		459,507	441,015
Cost of sales		272,092	260,781
Store expenses		141,533	131,361
Administrative expenses		<u>21,003</u>	<u>21,598</u>
		434,628	413,740
Finance costs	4	<u>4,194</u>	<u>3,892</u>
Profit before income tax		20,685	23,383
Income tax expense	5	<u>6,202</u>	<u>7,087</u>
Profit for the period attributable to shareholders of The Reject Shop Limited		14,483	16,296
Other comprehensive income			
<i>Items that may be re-classified to profit or loss</i>			
Changes in the fair value of cash flow hedges		(6,557)	(7,085)
Income tax relating to components of other comprehensive income		<u>1,967</u>	<u>2,126</u>
Other comprehensive loss for the half-year, net of tax		(4,590)	(4,959)
Total comprehensive income attributable to shareholders of The Reject Shop Limited		<u>9,893</u>	<u>11,337</u>
Earnings per share		Cents	Cents
Basic earnings per share	12	38.0	42.7
Diluted earnings per share	12	37.0	41.8

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

Consolidated Balance Sheet
As at 31 December 2023

	Notes	31 December 2023 \$'000	2 July 2023 \$'000
Current Assets			
Cash		80,671	77,335
Inventories		138,174	135,550
Derivative financial instruments		-	5,864
Other assets	6	6,910	4,056
Total Current Assets		225,755	222,805
Non Current Assets			
Property, plant and equipment	7	51,956	50,631
Right-of-use assets		195,054	205,786
Deferred tax assets		21,697	20,050
Total Non Current Assets		268,707	276,467
Total Assets		494,462	499,272
Current Liabilities			
Trade and other payables	8	63,324	59,765
Lease liabilities		80,552	84,305
Tax liabilities		1,569	3,300
Provisions	9	10,272	11,080
Derivative financial instruments		693	-
Other liabilities		11,238	11,428
Total Current Liabilities		167,648	169,878
Non Current Liabilities			
Lease liabilities		138,210	144,124
Provisions	10	3,202	3,335
Total Non Current Liabilities		141,412	147,459
Total Liabilities		309,060	317,337
Net Assets		185,402	181,935
Equity			
Contributed equity	11	66,206	67,598
Reserves		10,318	13,829
Retained profits		108,878	100,508
Total Equity		185,402	181,935

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 31 December 2023

2023

	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 2 July 2023	67,598	739	8,984	4,106	-	100,508	181,935
Profit for the period	-	-	-	-	-	14,483	14,483
Other comprehensive income	-	-	-	(4,590)	-	-	(4,590)
Foreign exchange translation	-	-	-	-	-	-	-
Transaction with owners in their capacity as owners:							
Shares bought back	(1,392)	-	-	-	-	-	(1,392)
Dividends paid	-	-	-	-	-	(6,113)	(6,113)
Share based remuneration	-	-	609	-	-	-	609
Tax credited directly to equity	-	-	470	-	-	-	470
Balances as at 31 December 2023	66,206	739	10,063	(484)	-	108,878	185,402

2022

	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 3 July 2022	70,326	739	6,603	8,937	-	90,198	176,803
Profit for the period	-	-	-	-	-	16,296	16,296
Other comprehensive income	-	-	-	(4,959)	-	-	(4,959)
Foreign exchange translation	-	-	-	-	1	-	1
Transaction with owners in their capacity as owners:							
Shares bought back	(2,576)	-	-	-	-	-	(2,576)
Dividends paid	-	-	-	-	-	-	-
Share based remuneration	-	-	441	-	-	-	441
Tax credited directly to equity	-	-	232	-	-	-	232
Balances as at 1 January 2023	67,750	739	7,276	3,978	1	106,494	186,238

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 31 December 2023

	Half-year ended	
	2023	2022
	26 weeks	26 weeks
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	504,110	483,668
Payments to suppliers and employees (inclusive of goods and services tax)	(426,641)	(418,333)
Interest received	1,225	465
Borrowing costs and facilities fees paid	(206)	(136)
Interest on lease liabilities	(3,988)	(3,756)
Income tax paid	(7,226)	(412)
Net cash inflows from operating activities	67,274	61,496
Cash flows from investing activities		
Payments for property, plant and equipment	(7,784)	(4,938)
Net cash outflows used in investing activities	(7,784)	(4,938)
Cash flows from financing activities		
Principal elements of lease payments	(48,649)	(47,568)
Payments for shares bought back	(1,392)	(2,576)
Dividends paid	(6,113)	-
Net cash outflows used in financing activities	(56,154)	(50,144)
Net increase in cash held	3,336	6,414
Cash at the beginning of the half-year	77,335	77,469
Cash at the end of the half-year	80,671	83,883

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

Notes to the consolidated financial statements
For the half-year ended 31 December 2023

Note 1: Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2023 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (cth).

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 2 July 2023 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* (cth).

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. There are no new or amended standards that became applicable for the current reporting period and there are no new standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods.

Note 2: Critical accounting estimates and judgements

Critical accounting estimates and judgements are consistent with those presented in the Annual Report for the year ended 2 July 2023.

	Half-year ended	
	2023	2022
	26 weeks	26 weeks
Note 3: Other Income	\$'000	\$'000
Interest	1,225	465
Insurance recovery ⁽ⁱ⁾	-	852
	1,225	1,317

⁽ⁱ⁾ Insurance recoveries relate to stores that were flood/water damaged in FY2022 and FY2023.

Notes to the consolidated financial statements
For the half-year ended 31 December 2023 (cont'd)

	Half-year ended	
	2023	2022
	26 weeks	26 weeks
	\$'000	\$'000
Note 4: Expenses		
Profit before income tax expense includes the following expenses:		
<i>Finance costs:</i>		
Interest and finance charges paid/payable for borrowing costs and facilities fees	206	136
Interest and finance charges paid/payable for lease liabilities	3,988	3,756
	<u>4,194</u>	<u>3,892</u>
<i>Depreciation of property, plant and equipment included in:</i>		
Cost of sales	109	25
Store expenses	5,645	5,836
Administrative expenses	351	290
	<u>6,105</u>	<u>6,151</u>
<i>Depreciation of right-of-use assets included in:</i>		
Cost of sales	2,890	2,910
Store expenses	45,131	44,363
Administrative expenses	381	383
	<u>48,402</u>	<u>47,656</u>
Store exit costs ⁽ⁱ⁾	447	121
Employee benefits expense	91,350	82,413
Store opening and relocation costs	558	576

⁽ⁱ⁾ Included within store exit costs are assets written-off and movements in provisions for future store closures.

Note 5: Income Tax Expense

Income tax expense is recognised based on management's effective annual income tax rate expected for the full financial year. The effective annual tax rate for the 26 week period to 31 December 2023 was 30%, compared to 30% for the 26 week period ended 1 January 2023.

	31 December	2 July
	2023	2023
	\$'000	\$'000
Note 6: Current Assets – Other assets		
Prepayments	4,622	2,961
Other current assets	2,288	1,095
	<u>6,910</u>	<u>4,056</u>

Notes to the consolidated financial statements
For the half-year ended 31 December 2023 (cont'd)

	31 December 2023 \$'000	2 July 2023 \$'000
Note 7: Non-Current Assets – Property, plant and equipment		
Leasehold improvements		
At cost	97,574	95,135
Less accumulated depreciation and impairment	(82,971)	(80,447)
Net book amount	14,603	14,688
Plant and equipment		
At cost	181,554	177,460
Less accumulated depreciation and impairment	(144,201)	(141,517)
Net book amount	37,353	35,943
Total property, plant and equipment	51,956	50,631
	31 December 2023 \$'000	2 July 2023 \$'000
Note 8: Current Liabilities – Trade and other payables		
Trade payables	50,761	52,202
Payroll tax and other statutory liabilities	10,285	4,031
Sundry payables	2,278	3,532
	63,324	59,765
	31 December 2023 \$'000	2 July 2023 \$'000
Note 9: Current Liabilities – Provisions		
Employee entitlements	9,922	10,730
Provision for make good	350	350
	10,272	11,080
	31 December 2023 \$'000	2 July 2023 \$'000
Note 10: Non-Current Liabilities – Provisions		
Employee entitlements	1,144	1,268
Provision for make good	2,058	2,067
	3,202	3,335

Notes to the consolidated financial statements
For the half-year ended 31 December 2023 (cont'd)

Note 11: Equity – Contributed Equity

Movements in ordinary share capital:

Date	Details	No. of shares	Issue Price per share	Contributed Equity \$000's
3 July 2022	Balance	38,326,622	-	70,326
24 August 2022	Exercise of performance rights	96,675	-	-
9 September 2022 to 14 November 2022	Shares bought back	(610,897)	-	(2,576)
1 January 2023	Balance	37,812,400	-	67,750
1 February 2023 to 3 February 2023	Shares bought back	(36,325)	-	(152)
2 July 2023	Balance	37,776,075	-	67,598
11 September 2023 to 1 December 2023	Shares bought back	(250,510)	-	(1,392)
24 August 2023	Exercise of performance rights	571,842	-	-
8 November 2023	Exercise of performance rights	33,000	-	-
31 December 2023	Balance	38,130,407	-	66,206

All ordinary 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.

Between September 2023 and December 2023, the Company bought back 250,510 shares pursuant to an on-market share buy-back announced on 24 August 2023. The shares were acquired at an average price of \$5.55 per share, with prices ranging from \$5.02 to \$5.85 per share. The total cost of the shares bought back was \$1,391,556. All the acquired shares were cancelled prior to the end of the half-year.

	Half-year ended	
	2023	2022
Note 12: Earnings per share	26 weeks	26 weeks
	Cents	Cents
Basic earnings per share	38.0	42.7
Diluted earnings per share	37.0	41.8
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	38,117,517	38,146,756
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	39,090,648	38,950,597

Notes to the consolidated financial statements
For the half-year ended 31 December 2023 (cont'd)

	Half-year ended	
	31 December 2023 Cents	2 July 2023 Cents
Note 13: Net Tangible Assets		
Net tangible asset backing per ordinary share ⁽ⁱ⁾	486.2	481.6
<i>(i) The net tangible asset backing per ordinary share includes right-of-use assets.</i>		
	2023 26 weeks \$'000	2022 26 weeks \$'000
Note 14: Dividends and franking credits		
Final fully franked dividend paid for the financial year ended 2 July 2023: 6.5 cents per share (2022: nil)	2,483	-
Special fully franked dividend paid for the financial year ended 2 July 2023: 9.5 cents per share (2022: nil)	3,630	-
Franking Credits available for subsequent reporting periods based on a tax rate of 30% (2022: 30%) ⁽ⁱ⁾	60,501	65,794

(i) The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax.

In addition to the above dividends, since the end of the half-year, the directors determined to pay a fully franked interim dividend on ordinary shares of 10.0 cents per share (1 January 2023: nil cents per share). The aggregate amount of the proposed interim dividend of \$3,813,041 has not been recognised as a liability at the half-year (1 January 2023: nil).

Note 15: Segment Information

The Reject Shop operates within the one reportable segment (retailing of discount variety merchandise). Total revenues of \$458,282,000 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 16: Dividend Reinvestment Plan

The Company does not currently offer a dividend reinvestment plan.

Note 17: Capital Commitments

The Company has contractually committed to approximately \$4,933,000 (2 July 2023: \$5,287,000) in capital expenditure at the end of the reporting period.

Note 18: Matters Subsequent to the end of the half-year

On 22 February 2024, the directors determined to pay a fully franked interim ordinary dividend of 10.0 cents per share. The interim dividend has not been provided for in the half-year financial statements.

No further matters or circumstances have arisen since the end of the half-year that has significantly affected the Company's operations, results or state of affairs, or may do so in future years.

Notes to the consolidated financial statements
For the half-year ended 31 December 2023 (cont'd)

Note 19: 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 31 December 2023 was a liability of \$693,000 (2 July 2023: asset of \$5,864,000).

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

Note 20: Related party transactions

During the half-year, the Company transacted with related parties of Kin Group to purchase goods. Transactions totalled \$986,354 (1 January 2023: \$652,258). 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 26 week period ended 31 December 2023.

Note 21: Contingent Assets and Liabilities

The Company is named as the respondent in a class action commenced by a former store manager (the applicant) in the Federal Court of Australia (filed on 18 April 2023) on behalf of store managers and assistant store managers employed by the Company between 24 April 2017 to 18 April 2023. The applicant is represented by Adero Law.

The premise of the proceeding is that the General Retail Industry Award 2010 applied to the relevant store managers and assistant store managers employment and that there were alleged underpayments under that award together with alleged associated contraventions of the *Fair Work Act 2009* (Cth).


The Company is defending the proceeding.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes of the Company set out on pages 4 to 13 are in accordance with the *Corporations Act 2001* (Cth), including:
 - (i) complying with Australian Accounting Standard, the *Corporations Regulations 2001* (Cth) and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 31 December 2023 and of its performance, as represented by the results of its operations and its cash flows, for the half-year 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.

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



Steven Fisher
Chair

22 February 2024



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

Report on the half-year financial report

Conclusion

We have reviewed the 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 31 December 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the 26 week period ended on that date, selected explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the 26 week period ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

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

Responsibilities of the directors for the half-year financial report

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the 26 week period ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



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

PricewaterhouseCoopers

PricewaterhouseCoopers

Brad Peake

Brad Peake
Partner

Melbourne
22 February 2024