Appendix 4D

The Reject Shop Limited

(ABN 33 006 122 676)

Consolidated preliminary half year report

For the 26 weeks ended 28 December 2014
Compared to the 26 weeks ended 29 December 2013

				$A'000
Revenues from continuing operations	up	4.4%	to	402,221
Profit from continuing operations after tax attributable to members	down	24.0%	to	12,820
Net profit for the period attributable to members	down	24.0%	to	12,820

Dividends	Amount per share	Franked amount per share
Interim dividend	16.5¢	100%

Record date for determining entitlements to the dividend	23 March 2015
Dividend payment date	13 April 2015

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		HYE15	HYE14
Sales		402,221	385,448
Gross Profit (i)		44.9%	44.9%
Cost of Doing Business (ii)		37.8%	36.3%
EBITDA		28,528	33,315
Depreciation and Amortisation		9,513	8,620
EBIT		19,015	24,695
Net Interest Expense		864	585
Profit Before Tax		18,151	24,110
Income Tax Expense		5,331	7,233
Net Profit After Tax		12,820	16,877
(i) Non IFRS Measure			
(ii) Unaudited			

Sales

Sales grew by 4.4% from $385.4m to $402.2m against the corresponding period last year. Comparable sales fell 3.3% for the half, with the second quarter at -1.7% representing an improvement over the first quarter result of -5.4%.

Comparable store sales were particularly disappointing during the months of July and August, where a combination of poor consumer sentiment, sluggish sales of winter product lines due to unseasonably warmer weather, and final liquidation sales activity by the Retail Adventures / Discount Superstores, adversely impacted trading. This trading period was also disrupted by the relay of stores across the entire network.

Importantly, sales in the second quarter stabilized, as the business has refocused itself on delivering great value on everyday products. This saw an improvement in customer traffic, and a relative improvement in comparable store sales.

Overall sales growth was driven by 19 new store openings in the half, as well as growth from stores opened in the prior year.

Gross Profit

Gross Profit (sales less cost of sales) as a percent to sales was down on expectations but flat when compared to the prior half, reflecting:

- the higher than planned markdown activity of both seasonal winter lines and exited categories; and
- the strong second quarter performance of the higher volume, lower margin consumable categories, although offset by the underperformance of a number of higher margin departments right throughout the half.

There was a slight increase in Distribution Centre (DC) Costs as a % to sales, which was not unexpected given the fixed costs associated with opening a third Distribution Centre (DC) at Hazelmere, WA. This increase was moderated, due to the close management of variable costs across all three operational DC’s.

Pleasingly, when measured on a % to sales basis, the inland freight savings, which resulted from servicing West Australia stores from Hazelmere, offset the negative cost impact of having to ship stock from overseas into three separate Australian Ports.

Cost of Doing Business (CODB)

CODB (consisting of store and administrative expenses but excluding depreciation and amortisation) increased by 1.5% to sales during the half. This was the result of the following:

- ➔ Store expenses inclusive of store wages, new store opening costs, occupancy costs, other store operating costs and advertising were up by 1.3% as a percentage to sales, mainly due to:
  - o Occupancy costs increasing by 0.7% of sales, primarily on the back of negative comparable store sales growth during the half; and
  - o Advertising Costs increasing by 0.3% of sales, mainly to support the National TV Rebranding launch in the second quarter.

  Store Wages, excluding the store relay costs, were slightly down as a percent to sales, an excellent outcome reflecting a drive to extract improved efficiencies at store level in both how store labour is rostered and also how stock is distributed to, received and processed in-store.

  Store Wages incurred in relaying stores between July and early September were approximately $1.6 million; this resulted in the combination of New Store Opening Costs, cost of refurbishments and relay costs at $3.6 million being consistent with the prior year spend on New Store Openings and refurbishments, despite there only being 19 new stores this half (33 in prior period).

- ➔ Administrative expenses, which increased by 0.2% to sales, partly due to the business bringing local freight forwarding services in-house.

Depreciation and amortisation expense increased significantly on the back of the significant number of store openings over the last eighteen month period.

Earnings

The Company EBIT of $19.0 million was well down on expectations and the prior half.

This result was primarily the result of the poor sales performance, particularly during the first quarter, with the profit during this period particularly impacted by clearance of winter and other slow moving merchandise categories.

The improved sales performance in the second quarter, together with a solid sales performance by the Company's Christmas seasonal merchandise categories, meant that the earnings performance in the second quarter was significantly improved on the first quarter, and comparable to the prior corresponding period.

Dividends

The Company has declared an interim dividend of 16.5 cents per share which has a record date of 23 March 2015 and will be paid on 13 April 2015. This dividend is indicative of an expected continuation of a 60% payout ratio of Net Profit After Tax. This payout ratio is supported by the Company's strong balance sheet position and the strong operating cash flow generated during the half.

Financial Position and Capital Investment

The Company experienced a particularly strong operating cash flow generation during the half, with its Cashflow from Operating Activities of $44.9 million reflecting a $5.9 million increase on the prior half. This improved cashflow generation was reflective of a number of stock control measures implemented during the half, with the average level of stock per store at the half ($285K) reflecting a 9% reduction on June, despite the deterioration in the Australian dollar and the poor sales performance during that six month period.

Consistent with the prior half year, the Company finished the peak seasonal trading period in a Net Cash position and expects to be able to continue to operate at its moderate gearing levels. In addition, the Company remains confident of the continued support of its financiers, with the fixed charge cover and gearing covenants comfortably satisfied for the rolling 12 month period ended December 2014.

The level of Capital Expenditure moderated in the half as the Company opened 19 stores, compared to 33 in the prior corresponding half. It is expected the number of new store openings in future years will continue to moderate on past periods. The Company will look to become more selective in where it places its New Stores after its accelerated phase of expansion of the last two and a half years.

Overview of Operational Performance and Outlook

The Company's result for the half was below expectations. This reflects the overall negative comparable store sales for the half (-3.3%), which was particularly poor in the first quarter (-5.4%).

The second quarter saw the business launch a number of operational initiatives which saw sales stabilize and profitability return to levels closer to the prior corresponding period. It was particularly pleasing to see the business begin to reap a return from the store relay program carried out in the first quarter, and the launch of the new Brand campaign in October. The performance of the Christmas Seasonal merchandise categories, which overall achieved Sales and Gross Margins in line with expectations, was pleasing.

It is also pleasing to report that this improvement in sales performance has continued into the first six weeks of the second half, with comparable store sales being positive for the period to date.

The Company remains conscious of the requirement to improve operating returns for the future, after a sustained period of investing in stores and infrastructure.

To this end, the Company will continue to rigorously review the viability of its Store Portfolio network. Rental renewal negotiations with landlords, as well as a more selective approach to new stores, will ensure that all stores have every opportunity to meet minimum performance outcomes.

The company expects to open just the two stores in the June half, with two stores that cannot meet minimum metrics, listed for closure. The Company will look for alternate stores in areas where stores are listed for closure, to ensure that our existing customer base is fully supported.

DIRECTORS' REPORT

Your directors present their report on the Company and its controlled entities for the half year ended 28 December 2014.

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:

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

Ross Sudano
Managing Director
Commenced as Chief Executive Officer on 11 September 2014 and then appointed as Managing Director on 19 November 2014 and remains in this office at the date of this report.

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

Denis R Westhorpe
Non-executive Director
Member of the Audit Committee and Member of the Remuneration Committee.

Melinda Conrad
Non-executive Director
Chairman of the Remuneration Committee and Member of the Audit Committee.

Review of operations

The profit of the consolidated entity for the half year after providing for income tax amounted to $12,819,724.

The half year ended 28 December 2014, 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 28 December 2014 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 13 October 2014, a fully franked final ordinary dividend of 8.5 cents per share totalling $2,450,904 was paid. On 18 February 2015, the directors declared a fully franked interim dividend of 16.5 cents per share to be paid on 13 April 2015.

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 7.

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

18 February 2015

Auditor's Independence Declaration

As lead auditor for the review of The Reject Shop Limited for the half-year ended 28 December 2014, 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

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.

Daniel Rosenberg
Partner
PricewaterhouseCoopers

Melbourne
18 February 2015

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Consolidated Statement of Comprehensive Income
For the Half Year Ended 28 December 2014

	Note	Half Year 2014 $'000	Half Year 2013 $'000
Revenues from continuing operations			
Sales revenue	2	**402,221**	385,448
Other income	2	**17**	30
		402,238	385,478
Cost of sales		**222,961**	213,931
Store expenses		**139,627**	127,288
Administrative expenses		**20,618**	19,534
		383,206	360,753
Finance costs	3	**881**	615
Profit before income tax		**18,151**	24,110
Income tax expense	4	**5,331**	7,233
Profit for the half year		**12,820**	16,877
Other comprehensive income			
Items that may be re-classified to profit or loss			
Changes in the fair value of cash flow hedges		13,492	(3,508)
Income tax relating to components of other comprehensive income		(4,048)	1,052
Other comprehensive income for the half-year, net of tax		9,444	(2,456)
Total Comprehensive Income for the Half Year Attributable To Members Of The Reject Shop Limited		22,264	14,421

Earnings per Share		**Cents**	Cents
Basic Earnings Per Share	23	**44.4**	58.5
Diluted Earnings Per Share	23	**44.2**	57.8

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

Consolidated Balance Sheet
As at 28 December 2014

	Note	28 December 2014 $'000	29 June 2014 $'000
Current Assets			
Cash	5	**19,742**	7,675
Receivables	6	**198**	682
Inventories	7	**96,035**	100,860
Derivative financial instruments	29	**8,298**	-
Other	8	**2,610**	2,714
Total Current Assets		**126,883**	111,931
Non-Current Assets			
Property, plant and equipment	9	**102,445**	98,738
Deferred tax assets	10	**8,509**	11,307
Total Non-Current Assets		**110,954**	110,045
Total Assets		**237,837**	221,976
Current Liabilities			
Payables	11	**45,176**	36,897
Borrowings	12	**20**	13,103
Tax liabilities		**4,877**	697
Provisions	13	**11,856**	11,311
Derivative financial instruments	29	**-**	5,194
Other	14	**14,572**	9,880
Total Current Liabilities		**76,501**	77,082
Non-Current Liabilities			
Borrowings	15	**8,000**	12,000
Provisions	16	**12,067**	11,248
Other	17	**1,174**	1,374
Total Non-Current Liabilities		**21,241**	24,622
Total Liabilities		**97,742**	101,704
Net Assets		**140,095**	120,272
Equity			
Contributed equity	18	**46,247**	46,247
Reserves	19	**10,262**	808
Retained profits	20	**83,586**	73,217
Total Equity		**140,095**	120,272

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 28 December 2014

2014	Contributed Equity $'000	Capital Profits $'000	Share Based Payments $'000	Hedging Reserve $'000	Retained Earnings $'000	Total $'000
Balances as at 29 June 2014	**46,247**	**739**	**3,705**	**(3,636)**	**73,217**	**120,272**
Profit for the period	-	-	-	-	12,820	12,820
Other comprehensive income	-	-	-	9,444	-	9,444
Transaction with owners in their capacity as owners:						
Cost of capital raising	-	-	-	-	-	-
Dividends Paid					(2,451)	(2,451)
Share based remuneration	-	-	(112)	-	-	(112)
Tax credited directly to equity	-	-	122	-	-	122
Balances as at 28 December 2014	**46,247**	**739**	**3,715**	**5,808**	**83,586**	**140,095**

2013	Contributed Equity $'000	Capital Profits $'000	Share Based Payments $'000	Hedging Reserve $'000	Retained Earnings $'000	Total $'000
Balances as at 30 June 2013	**46,277**	**739**	**4,600**	**4,797**	**68,654**	**125,067**
Profit for the period	-	-	-	-	16,877	16,877
Other comprehensive income	-	-	-	(2,456)	-	(2,456)
Transaction with owners in their capacity as owners:						
Cost of capital raising	(30)	-	-	-	-	(30)
Dividends Paid	-	-	-	-	(3,747)	(3,747)
Share based remuneration	-	-	(48)	-	-	(48)
Tax credited directly to equity	-	-	10	-	-	10
Balances as at 29 December 2013	**46,247**	**739**	**4,562**	**2,341**	**81,784**	**135,673**

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 28 December 2014

	Note	Half Year 2014 $'000	2013 $'000
Cash Flows from Operating Activities			
Receipts from customers (inclusive of goods and services tax)		**441,821**	423,326
Payments to suppliers and employees (inclusive of goods and services tax)		**(393,716)**	(377,517)
Interest received		**17**	30
Borrowing costs paid		**(858)**	(615)
Income tax paid		**(2,294)**	(6,217)
Net cash inflows from operating activities	22	**44,970**	39,007
Cash Flows from Investing Activities			
Proceeds from sale of property, plant and equipment		**231**	234
Payments for property, plant and equipment		**(13,600)**	(20,507)
Net cash outflows used in investing activities		**(13,369)**	(20,273)
Cash Flows from Financing Activities			
Costs associated with share issue		**-**	(30)
Proceeds from borrowings		**84,000**	127,200
Repayment of borrowings		**(101,000)**	(134,200)
Dividends paid	25	**(2,451)**	(3,747)
Net cash outflows used in financing activities		**(19,451)**	(10,777)
Net increase / (decrease) in cash held		**12,150**	7,957
Cash at the beginning of the half year		**7,572**	6,885
Cash at the end of the half year	22	**19,722**	14,842

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 28 December 2014 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 29 June 2014 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.

	Half Year	
	2014	2013
	$'000	$'000
Note 2: Revenue From Continuing Operations		
Sales Revenue		
Sales of goods	**402,221**	385,448
Other Income		
Interest	**17**	30
	402,238	385,478

Note 3: Expenses
Profit before income tax expense includes the following expenses:

Interest and finance charges paid/payable	**881**	615
Depreciation and amortisation expenses included in:		
Cost of sales	**1,292**	1,136
Store expenses	**6,661**	5,649
Administrative expenses	**1,560**	1,835
	9,513	8,620
Net loss / (gain) on disposal of property, plant and equipment	**149**	40
Rental expenses relating to operating leases:		
Minimum lease payments	**53,613**	48,046
Provision for rent escalations	**586**	466
Rent paid on percentage of sales basis	**245**	211
Employee benefits expenses	**83,052**	79,661
New store opening costs (inc. refurbishments)	**2,032**	3,625
Store relay costs	**1,577**	-

	Half Year	
	2014	2013
	$'000	$'000
Note 4: Income Tax		
(a) Income tax expense		
Current tax	**6,105**	9,443
Deferred tax	**(774)**	(2,210)
	5,331	7,233
Deferred income tax expense included in income tax expense comprises:		
(Increase) in net deferred tax assets	**(774)**	(2,210)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	**18,151**	24,110
Tax at the Australian tax rate of 30% (2013 – 30%)	**5,445**	7,233
Tax effect of amounts which are deductible in calculating taxable income:		
Research and development	**(114)**	-
	5,331	7,233
Under provided in prior years	**-**	-
Income tax expense	**5,331**	7,233
(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	**122**	10
(d) Tax (expense) / income relating to items of other comprehensive income		
Cash flow hedges	**(4,048)**	1,052

	Note	**28 December 2014**	29 June 2014
		$'000	$'000
Note 5: Current Assets – Cash			
Cash on hand	22	**1,656**	1,416
Cash at bank	22	**18,086**	6,259
		19,742	7,675
Note 6: Current Assets – Receivables			
Other debtors		**198**	682
		198	682

	28 December 2014 $'000	29 June 2014 $'000
Note 7: Current Assets – Inventories		
Inventory at cost	**95,175**	98,019
Inventory at net realisable value	**860**	2,841
	96,035	100,860
Note 8: Current Assets – Other		
Prepayments	**1,463**	2,081
Other current assets	**1,147**	633
	2,610	2,714

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

Leasehold improvements

At cost	**63,216**	57,330
Less accumulated depreciation	**(23,713)**	(21,032)
	39,503	36,298
Plant and equipment		
At cost	**126,557**	121,157
Less accumulated depreciation	**(63,615)**	(58,717)
	62,942	62,440
Total property, plant and equipment	**102,445**	98,738

The consolidated entity has no capital commitments (Dec 2013: $1,194,050).

Note 10: Non-Current Assets – Deferred Tax Assets

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

Employee benefits	**4,084**	3,586
Lease escalation	**3,065**	2,889
Hedging reserve	**-**	1,558
Inventories	**811**	1,281
Lease incentives	**954**	939
Provisions and accruals	**805**	128
Depreciation	**998**	1,068
Employee share trust	**221**	288
Equity raising costs	**163**	196
Sundry items	**689**	108
	11,790	12,041
Set-off of deferred tax liabilities of consolidated entity pursuant to set off provisions:		
Depreciation	**(788)**	(734)
Insurance receivable	**-**	-
Hedging reserve	**(2,489)**	-
Sundry items	**(4)**	-
	8,509	11,307

	28 December 2014 $'000	29 June 2014 $'000
Deferred tax assets expected to be recovered within 12 months	**4,500**	8,083
Deferred tax assets expected to be recovered after more than 12 months	**4,009**	3,224
	8,509	11,307

Note 11: Current Liabilities – Payables

Unsecured liabilities		
Trade payables	**32,013**	31,511
Sundry payables and accruals	**13,163**	5,386
	45,176	36,897

Note 12: Current Liabilities – Borrowings

Secured liabilities		
Bank overdraft	**20**	103
Commercial bills	**-**	13,000
	20	13,103

Note 13: Current Liabilities – Provisions

Employee entitlements	**11,856**	11,311

Note 14: Current Liabilities – Other

Accrued expenses	**11,382**	7,098
Deferred income	**2,869**	2,461
Onerous leases	**321**	321
	14,572	9,880

Note 15: Non-Current Liabilities – Borrowings

Secured liabilities		
Cash advance	**8,000**	12,000

Note 16: Non-Current Liabilities – Provisions

Employee entitlements	**1,851**	1,618
Provision for rent escalation	**10,216**	9,630
	12,067	11,248

Note 17: Non-Current Liabilities – Other

Deferred income	**750**	950
Onerous leases	**424**	424
	1,174	1,374

Note 18: Equity – Contributed Equity

Movements in ordinary share capital

Date	Details	No. of shares	Issue Price per share $	Contributed Equity $'000
30 June 2013	**Balance**	**28,808,248**		**46,277**
9 July 2013	Exercise of performance rights	18,000	-	-
11July 2013	Capital raising costs	-		(30)
29 December 2013	**Balance**	**28,826,248**		**46,247**
29 June 2014	**Balance**	**28,826,248**		**46,247**
1 July 2014	Exercise of performance rights	18,400	-	-
28 December 2014	**Balance**	**28,844,648**		**46,247**

	28 December 2014 $'000	29 June 2014 $'000
Note 19: Equity – Reserves		
Capital profits reserve	**739**	739
Share based payments reserve	**3,715**	3,705
Hedging reserve – cash flow hedges	**5,808**	(3,636)
	10,262	808
Note 20: Equity – Retained Profits		
Retained profits at the beginning of the financial period	**73,217**	68,654
Net profit attributable to members of the consolidated entity	**12,820**	14,508
Dividends paid	**(2,451)**	(9,945)
Retained profits at reporting date	**83,586**	73,217
Note 21: Contingent Liabilities		
Estimates of the maximum amounts of contingent liabilities that may become payable:		
Letters of credit established for acquisition of goods for resale	**6**	59
ANZ Bank indemnity guarantee to landlords	**1,378**	1,355
	1,384	1,414

Note 22: Cash Flow Information

Reconciliation of Cash

	Half Year	
	2014	2013
	$'000	$'000
Reconciliation of cash flow from operations with profit from ordinary activities		
Profit from ordinary activities after income tax	**12,820**	16,877
Non-cash flows in profit from ordinary activities:		
Depreciation	**9,513**	8,620
(Profit) / Loss on sale of property, plant and equipment	**149**	40
Non-cash share based expense	**(112)**	(48)
Tax credited directly to equity	**122**	10
Changes in operating assets and liabilities, net of effects of purchase and disposal of subsidiaries		
Decrease/(Increase) in receivables and other assets	**588**	(1,418)
Decrease/(Increase) in inventories	**4,825**	(4,166)
Increase in trade and other creditors and other provisions	**10,087**	19,137
Increase in income tax payable	**4,180**	3,218
Decrease/(Increase) in deferred taxes	**2,798**	(3,263)
Net cash provided by operations	**44,970**	39,007

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:

Cash on hand	**1,656**	1,502
Cash at bank	**18,086**	13,821
	19,742	15,323
Bank overdrafts	**(20)**	(481)
	19,722	14,842

	Half Year	
	2014	2013
Note 23: Earnings per share	**Cents**	Cents
Basic earnings per share	**44.4**	58.5
Diluted earnings per share	**44.2**	57.8
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**28,844,547**	28,825,363
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**29,005,167**	29,206,908

Note 24: Net Tangible Assets	**28 December 2014 Cents**	29 June 2014 Cents
Net tangible asset backing per ordinary share	**485.7**	419.1

	Half Year	
	2014 $'000	2013 $'000
Note 25: Dividends		
Fully franked final dividend paid on 13 October 2014 (2013: 14 October 2013)	**2,451**	3,747
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	**41,212**	37,217

Note 26: Segment Information

The Reject Shop operates within the one reportable segment (retailing of discount variety merchandise). Total revenues of $402,221,417 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 27: Dividend Reinvestment Plan

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

Note 28: 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 29: Fair Value Measurements

The only financial assets or financial liabilities carried at fair value are cash flow hedges. 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 28 December 2014 was an asset of $8,297,738 (29 June 2014: liability of $5,194,079).

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 8 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 28 December 2014 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
18 February 2015

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

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 28 December 2014, 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 explanatory notes and the directors' declaration for The Reject Shop Limited Group (the consolidated entity). The consolidated entity comprises both The Reject Shop Limited (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 (including the Australian Accounting Interpretations) 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the entity's financial position as at 28 December 2014 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:

a) giving a true and fair view of the consolidated entity's financial position as at 28 December 2014 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

Daniel Rosenberg
Partner

Melbourne
18 February 2015