

Appendix 4D

The Reject Shop Limited

(ABN 33 006 122 676)

Consolidated preliminary final report

For the 26 week financial period ended 1 January 2023

Compared to the 26 week financial period ended 26 December 2021

Results for announcement to the market

	Percentage Change %	Amount \$'000
Sales revenue from continuing operations	up 3.5%	to 439,698
Profit from continuing operations after tax attributable to shareholders	up 6.2%	to 16,296
Net profit for the period attributable to shareholders	up 6.2%	to 16,296
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 Reject Shop and its subsidiaries' trading results is included in the announcement dated 23 February 2023 and shareholder presentation for the 26 week period ended 1 January 2023.

DIRECTORS' REPORT

The directors present their report on The Reject Shop Limited and its subsidiaries ("the Company") for the 26 week period ended 1 January 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 unless otherwise stated below, were:

Steven Fisher
David Grant
Nicholas Perkins
Mark Ward
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 for the period accompanying this report.

The half-year ended 1 January 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

There have been no dividends paid during the period. The Company has not declared an interim dividend 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 3.

Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, 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 the instrument.

Signed in accordance with a resolution of the directors.



Steven Fisher
Chairman

23 February 2023



Auditor's Independence Declaration

As lead auditor for the review of The Reject Shop Limited for the 26 week period ended 1 January 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 that reads 'Brad Peake'.

Brad Peake
Partner
PricewaterhouseCoopers

Melbourne
23 February 2023

THE REJECT SHOP LIMITED

**Consolidated Statement of Comprehensive Income
For the half-year ended 1 January 2023**

	Notes	Half-year ended 2022 26 weeks \$'000	2021 26 weeks \$'000
Revenue from continuing operations			
Sales revenue		439,698	424,679
Other income	3	1,317	23
		441,015	424,702
Cost of sales		260,781	244,962
Store expenses		131,361	134,064
Administrative expenses		21,598	20,779
		413,740	399,805
Finance costs	4	3,892	2,969
Profit before income tax		23,383	21,928
Income tax expense	5	7,087	6,578
Profit for the period attributable to shareholders of The Reject Shop Limited		16,296	15,350
Other comprehensive income			
<i>Items that may be re-classified to profit or loss</i>			
Changes in the fair value of cash flow hedges		(7,085)	6,419
Income tax relating to components of other comprehensive income		2,126	(1,926)
Other comprehensive (loss) / income for the half-year, net of tax		(4,959)	4,493
Total comprehensive income attributable to shareholders of The Reject Shop Limited		11,337	19,843
Earnings per share		Cents	Cents
Basic earnings per share	12	42.7	40.1
Diluted earnings per share	12	41.8	39.4

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

THE REJECT SHOP LIMITED

**Consolidated Balance Sheet
As at 1 January 2023**

	Notes	1 January 2023 \$'000	3 July 2022 \$'000
Current Assets			
Cash		83,883	77,469
Inventories		140,293	113,014
Tax receivables		-	1,893
Derivative financial instruments		5,681	12,766
Other assets	6	8,333	4,481
Total Current Assets		<u>238,190</u>	<u>209,623</u>
Non Current Assets			
Property, plant and equipment	7	49,747	51,143
Right-of-use assets		196,514	198,717
Deferred tax assets		19,528	17,712
Total Non Current Assets		<u>265,789</u>	<u>267,572</u>
Total Assets		<u>503,979</u>	<u>477,195</u>
Current Liabilities			
Payables	8	67,098	56,398
Lease liabilities		78,891	78,020
Tax liabilities		4,242	-
Provisions	9	10,384	10,437
Other liabilities		15,378	11,560
Total Current Liabilities		<u>175,993</u>	<u>156,415</u>
Non Current Liabilities			
Lease liabilities		138,387	139,645
Provisions	10	3,361	4,332
Total Non Current Liabilities		<u>141,748</u>	<u>143,977</u>
Total Liabilities		<u>317,741</u>	<u>300,392</u>
Net Assets		<u>186,238</u>	<u>176,803</u>
Equity			
Contributed equity	11	67,750	70,326
Reserves		11,994	16,279
Retained profits		106,494	90,198
Total Equity		<u>186,238</u>	<u>176,803</u>

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

THE REJECT SHOP LIMITED

**Consolidated Statement of Changes in Equity
For the half-year ended 1 January 2023**

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

2021

	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 27 June 2021	70,326	739	6,019	(2,661)	12	82,296	156,731
Profit for the period	-	-	-	-	-	15,350	15,350
Other comprehensive income	-	-	-	4,493	-	-	4,493
Foreign exchange translation	-	-	-	-	(5)	-	(5)
Transaction with owners in their capacity as owners:							
Dividends paid	-	-	-	-	-	-	-
Share based remuneration	-	-	876	-	-	-	876
Tax credited directly to equity	-	-	320	-	-	-	320
Balances as at 26 December 2021	70,326	739	7,215	1,832	7	97,646	177,765

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 1 January 2023**

	Half-year ended	
	2022	2021
	26 weeks	26 weeks
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	483,668	467,147
Payments to suppliers and employees (inclusive of goods and services tax)	(418,333)	(374,009)
Interest received	465	23
Borrowing costs and facilities fees paid	(136)	(49)
Interest on lease liabilities	(3,756)	(2,920)
Income tax paid	(412)	(2,124)
Net cash inflows from operating activities	<u>61,496</u>	<u>88,068</u>
 Cash flows from investing activities		
Payments for property, plant and equipment	(4,938)	(6,349)
Net cash outflows used in investing activities	<u>(4,938)</u>	<u>(6,349)</u>
 Cash flows from financing activities		
Principal elements of lease payments	(47,568)	(48,368)
Payments for shares bought back	(2,576)	-
Net cash outflows used in financing activities	<u>(50,144)</u>	<u>(48,368)</u>
 Net increase in cash held	6,414	33,351
Cash at the beginning of the half-year	77,469	73,046
Cash at the end of the half-year	<u><u>83,883</u></u>	<u><u>106,397</u></u>

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 1 January 2023**

Note 1: Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 1 January 2023 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 3 July 2022 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. 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 3 July 2022.

	Half-year ended	
	2022	2021
	26 weeks	26 weeks
	\$'000	\$'000
Note 3: Other Income		
Other income	465	23
Insurance recovery ⁽ⁱ⁾	852	-
	1,317	23

(i) Insurance recovery is the partial receipt of insurance proceeds relating to insured losses of property plant and equipment, inventory and loss of profit from four stores that were flood/water damaged in FY2022 (including three stores that were damaged during the major flood event in South East Queensland and New South Wales). In addition to the \$852,000 recognised during the half year, further insurance proceeds are anticipated prior to year-end.

**Notes to the consolidated financial statements
For the half-year ended 1 January 2023 (cont'd)**

	Half-year ended	
	2022 26 weeks \$'000	2021 26 weeks \$'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	136	49
Interest and finance charges paid/payable for lease liabilities	3,756	2,920
	3,892	2,969
 <i>Depreciation of property, plant and equipment included in:</i>		
Cost of sales	25	6
Store expenses	5,836	6,051
Administrative expenses	290	137
	6,151	6,194
 <i>Depreciation of right-of-use assets included in:</i>		
Cost of sales	2,910	2,910
Store expenses	44,363	44,637
Administrative expenses	383	385
	47,656	47,932
 Store exit costs ⁽ⁱ⁾	 121	 1,756
Employee benefits expense	82,413	80,636
Store opening and relocation costs	576	756

(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 1 January 2023 was 30%, compared to 30% for the 26 week period ended 26 December 2021.

	1 January 2023 \$'000	3 July 2022 \$'000
Note 6: Current Assets – Other assets		
Prepayments	3,984	3,151
Other assets	4,349	1,330
	8,333	4,481

**Notes to the consolidated financial statements
For the half-year ended 1 January 2023 (cont'd)**

	1 January 2023 \$'000	3 July 2022 \$'000
Note 7: Non-Current Assets – Property, plant and equipment		
Leasehold improvements		
At cost	92,984	90,733
Less accumulated depreciation and impairment	<u>(78,869)</u>	<u>(76,031)</u>
Net book amount	<u>14,115</u>	<u>14,702</u>
Plant and equipment		
At cost	174,028	172,635
Less accumulated depreciation and impairment	<u>(138,396)</u>	<u>(136,194)</u>
Net book amount	<u>35,632</u>	<u>36,441</u>
Total property, plant and equipment	<u>49,747</u>	<u>51,143</u>
	1 January 2023 \$'000	3 July 2022 \$'000
Note 8: Current Liabilities – Payables		
Trade payables	55,227	43,105
Payroll tax and other statutory liabilities	9,450	6,265
Sundry payables	<u>2,421</u>	<u>7,028</u>
	<u>67,098</u>	<u>56,398</u>
	1 January 2023 \$'000	3 July 2022 \$'000
Note 9: Current Liabilities – Provisions		
Employee entitlements	9,993	10,067
Provision for make good	<u>391</u>	<u>370</u>
	<u>10,384</u>	<u>10,437</u>
	1 January 2023 \$'000	3 July 2022 \$'000
Note 10: Non-Current Liabilities – Provisions		
Employee entitlements	1,437	2,120
Provision for make good	<u>1,924</u>	<u>2,212</u>
	<u>3,361</u>	<u>4,332</u>

**Notes to the consolidated financial statements
For the half-year ended 1 January 2023 (cont'd)**

Note 11: Equity – Contributed Equity

Movements in ordinary share capital:

Date	Details	No. of shares	Issue Price per share	Contributed Equity
27 June 2021	Balance	38,276,622	-	70,326
1 July 2021	Exercise of performance rights	50,000	-	-
26 December 2021	Balance	38,326,622	-	70,326
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

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

Between September and November 2022, the Company purchased 610,897 shares on-market. The buy-back was announced on 23 August 2022. The shares were acquired at an average price of \$4.22 per share, with prices ranging from \$3.87 to \$4.92. The total costs of the shares were \$2,575,868. All the acquired shares were cancelled prior to the end of the period.

The on-market share buy-back is proposed to end on or before 22 August 2023.

	Half-year ended	
	2022	2021
Note 12: Earnings per share	26 weeks	26 weeks
	Cents	Cents
Basic earnings per share	42.7	40.1
Diluted earnings per share	41.8	39.4
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	38,146,756	38,324,436
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	38,950,597	38,971,760
	1 January	3 July
	2023	2022
Note 13: Net Tangible Assets	Cents	Cents
Net tangible asset backing per ordinary share ⁽ⁱ⁾	492.5	463.8

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

**Notes to the consolidated financial statements
For the half-year ended 1 January 2023 (cont'd)**

	Half-year ended	
	2022	2021
	26 weeks	26 weeks
	\$'000	\$'000
Note 14: Dividends and franking credits		
No dividends were paid (3 July 2022: \$nil)	-	-
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2021: 30%) ⁽ⁱ⁾	65,794	63,536

(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.

Note 15: Segment Information

The Reject Shop operates within the one reportable segment (retailing of discount variety merchandise). Total revenues of \$439,698,000 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 has established a dividend reinvestment plan which is not currently active.

Note 17: Capital Commitments

The Company has contractually committed to approximately \$2,029,000 (3 July 2022: \$2,600,000) in capital expenditure at the end of the reporting period.

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

Following the end of the half-year, Phil Bishop resigned as Chief Executive Officer of the Company on 1 February 2023. No other matters or circumstances have arisen since the end of the half-year that have significantly affected the Company's operations, results or state of affairs, or may do so in future years.

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 1 January 2023 was an asset of \$5,681,000 (3 July 2022: asset of \$12,766,000).

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

**Notes to the consolidated financial statements
For the half-year ended 1 January 2023 (cont'd)**

Note 20: Related party transactions

During the half-year, the Company transacted with related parties of Kin Group to purchase goods. Transactions totalled \$652,258. All transactions were on commercial terms and on an arms-length basis.

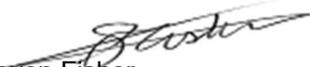
There were no other related party transactions, other than those with key management personnel in the normal course of business, during the 26 week period ended 1 January 2023.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 13 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 Company's financial position as at 1 January 2023 and of its performance, as represented by the results of its operations and its cash flows, for the 26 week period 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

23 February 2023



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 1 January 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, significant accounting policies and 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 1 January 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 1 January 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
23 February 2023