

EVERYONE'S A WINNER AT THE REJECT SHOP

ASX/Media Release

THE REJECT SHOP LIMITED HALF YEAR RESULTS (FY2007) (ASX: TRS)

February 2007

Half year profit up 18.1%; Full year profit forecast marginally upgraded

Result Highlights:

- Sales, \$149.5 million, up 17.1%
- Comparable store sales growth of 7.8%
- NPAT of \$10.2 million up 18.1%
- 11 new stores opened in the period
- Full year forecast increased to \$11-11.2 million, upgraded by 3%
- Interim dividend of 17 cents per share
- Dividend Payout ratio maintained
- New DC operational to standard
- MD succession resolved

Summary:

	HY2006 \$ Million	HY2005 \$ Million
Sales	149.5	127.7
EBITDA	17.6	14.7
EBIT	15.2	12.7
NPAT	10.2	8.7

The Chairman of The Reject Shop Limited, Mr Brian Beattie, today announced an 18.1% increase in first half NPAT to \$10.2 million based on sales of \$149.5 million, up 17.1% on last year. The improved profit was driven by comparable store sales growth of 7.8% - a company record for a first half - strong Christmas trading and 11 new store openings.

On the strength of the result, Mr. Beattie was pleased to announce a fully franked interim dividend of 17.0 cents per share, up 30.8% on the previous interim dividend.

In addition, the Company today upgraded its full year earnings forecast from an initial forecast range of \$10.7m to \$10.9m to a range of between \$11.0m to \$11.2m, to bring the annual profit growth forecast up a further 3% to 21.5% - 23.7%.

Mr Beattie confirmed that the recent appointment of Mr Gerry Masters, formerly head of Coles and Bi Lo supermarkets, to succeed Mr Saunders would be fully effective no later than 1st July 2007. Mr Masters joins the company on 1st March 2007 when he and Mr Saunders will work together on a hand over plan to ensure a smooth transition and continued progress on the company's well defined strategic five year plan.

The Reject Shop Managing Director, Mr Barry Saunders said the strong first half result was underpinned by continuous improvement in Merchandise, Store Operations and Logistics ably backed by central support services. "Of special importance were the tremendous efforts of our people in the Distribution Centres and Stores" he said. "Due to some unavoidable project delays, implementation of key strategic initiatives, including the openings of our new Distribution Centre and most of the new stores for the half, coincided with our peak seasonal build up of stock – a time when we would normally avoid such activity. Our people responded to the challenge magnificently, and we maintained sales momentum largely unaffected throughout. In the process we incurred non-recurring costs of \$0.9 million before tax and \$0.7m post tax.

"While we are pleased with the first half performance, we are now focussed on the further progress envisaged in the next phase of our strategic plan.

"We plan to add 11 further stores during the second half bringing the annual total to over 20, and by year end total store numbers are projected to be at least 130. The accelerated pace of second half store openings is anticipated not to contribute to NPAT in the current year, but the successful new DC and the accelerated rate of store openings place us in a very strong position for F2008. Progress in store openings will be on a broad front, but within our strategic plan, including further progress in our most recently opened markets in Queensland and Western Australia.

Further ranging, stock flow and stock allocation initiatives are also on the agenda to maintain strong growth in sales and gross profit dollars and further improve stock turns. As good as the first half merchandising result was we still see scope for substantial improvement on our recent efforts. We are also working on further development of our longer term logistics and IT strategies.

Looking forward, Mr. Saunders said that it was exciting and a testament to the efforts of the team that the prospect was for sales and profit momentum to continue despite the substantial investment of time and financial resources being devoted to the future profitability and growth of the company.

The dividend will be paid on 16 March 2007 with the record date 2 March 2007.

Further information can be obtained from the Company's website at www.rejectshop.com.au

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