

**CHAIRMAN'S ADDRESS TO THE MEMBERS OF THE REJECT SHOP LIMITED AT THE AGM HELD
ON 11th OCTOBER 2006**

Good afternoon Ladies and Gentlemen.

My name is Brian Beattie and as the Chairman of The Reject Shop I wish to, welcome you all to the Annual General Meeting, and thank you for your attendance here today.

Before we commence, I will quickly walk you through today's agenda.

I will present a brief overview of the Company's achievements for the year; and highlight the progress on some significant strategic objectives.

Barry Saunders, the Managing Director, will then present his report and following that I will formally submit The Annual Report, inclusive of

- The Director's Report;
- The Director's Declaration; and
- The Auditors Report for approval.

I will then invite questions from registered shareholders; or their registered representatives.

We will then proceed with the ordinary resolutions on the agenda.

I would now like to share with you a brief overview of the past year and a summary of the key current strategic initiatives we will focus on over the next 12 months

This was another successful year for the Company with a number of significant milestones achieved: Sales were up 16.8% to \$237m and Net Profit After Tax was up 38.7%, comfortably exceeding our forecasts and inclusive of a maiden second half profit.

Earnings per share was 35.9 cents, up 34.5% and dividends of 30.5 cents per share were declared and paid: Up 79% on the prior year and inclusive of a special dividend of 7.5 cents per share.

During the year the Company saw significant progress on a number of strategic fronts. By the end of the financial year we had exited all of the remaining E\$2 stores, achieving our objective of servicing every trade area with a full TRS store, a process that commenced in 2001.

We committed to substantial investment in people and capital in opening our new Distribution Centre at Melbourne Airport and we opened our first Western Australian store.

Looking ahead, we have just completed our annual 5 year planning process, which highlighted the significant improvement opportunities within all aspects of the business, including the potential to accelerate our growth from historical levels.

To achieve our aims we also identified the need to continue our investment in all aspects of our business, particularly in IT & Logistics to support the existing strategies and provide the basis for future growth.

With the retirement of Barry Saunders at the end of the financial year, the Board is focused on ensuring an appropriate process is in place to find his successor. We have appointed an external consultant, Cordner King who has identified the attributes the next Managing Director must possess and is currently involved in testing the external market and evaluating internal candidates to ensure we identify the best available candidate.

The process is well underway with the aim to be finalised in the new calendar year.

The Board is pleased with the progress to date and is confident of a very strong appointment and a quality transition. We note the appointee will benefit from the current management team's understanding of the Company's future direction and Barry's agreement to be available for advice if required during a 2 year period post retirement, which also contains a non-compete clause for 2 years

The Board takes Corporate Governance seriously. It has established appropriate policies and procedures to ensure appropriate corporate governance practices have been met and maintained during the year.

As a part of this process, has conducted the annual review of the Board and its Committees. As a result of the review I am satisfied appropriate governance policies are in place and more importantly, adherence to these policies is being adequately measured.

The Board and management continue to work well together and in conclusion I would like to take the opportunity to thank: my fellow Directors, the management team and all our staff for their significant contributions to the Company's success.

I now invite Barry Saunders, to provide more details on the result and our outlook.