Appendix 4D

The Reject Shop Limited

(ABN 33 006 122 676)

Consolidated preliminary half year report

For the 26 weeks ended 31 December 2017
Compared to the 26 weeks ended 01 January 2017

$A'000

Revenues from continuing operations	up	1.1%	to	437,596
Profit from continuing operations after tax attributable to members	up	1.1%	to	17,721
Net profit for the period attributable to members	up	1.1%	to	17,721

Dividends	Amount per share	Franked amount per share
Interim dividend	24 cents	100%

Record date for determining entitlements to the dividend	19 March 2018
Dividend payment date	9 April 2018

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	HYE18	HYE17	% Chg
Sales	437,596	432,942	1.1%
Gross Profit (i)	44.4%	43.9%	
Cost of Doing Business (i) (ii)	36.3%	35.8%	
EBITDA (i)	35,335	35,059	0.8%
Depreciation and Amortisation	9,583	9,531	
EBIT (i)	25,752	25,528	0.9%
Net Interest Expense	376	356	
Profit Before Tax	25,376	25,172	0.8%
Income Tax Expense	7,655	7,652	
Net Profit After Tax	17,721	17,520	1.1%

(i) Non IFRS Measure
(ii) Unaudited

Sales

Sales grew by 1.1% from $432.9m to $437.6m against the prior corresponding period (pcp).

Comparable sales rose 0.4% for the half, where the first quarter at 1.9% below the pcp was offset by the second quarter which was 2.2% above the pcp.

The overall positive comparable sales was the net effect of positive comparable customer numbers during the half, which was slightly offset by a small fall in the average basket size, which was selling price driven. In a geographic sense, West Australia continued to be the greatest drag on comp sales in the period.

Consistent with the pcp, our Christmas Seasonal offering was well received, with Sales and Gross Profit in line with budgeted expectations.

Overall sales growth was also aided by 6 (Net) new store openings and 3 relocations in the half, as well as growth from the 6 new stores (Net) opened in the prior year.

Gross Profit

Gross Profit (sales less cost of sales) as a percent to sales rose 50 basis points on the pcp.

This reflected:

- A more balanced product offer and well managed stock flow, which resulted in a significant reduction in markdown activity on the pcp; and
- An improved level of efficiency in the Distribution Centre network, particularly in the Melbourne and Perth DC’s.

Cost of Doing Business (CODB)

CODB (consisting of store and administrative expenses but excluding depreciation and amortisation) increased by 0.5% to Sales during the half.

This increase was the net effect of the following:

- ➔ Store expenses inclusive of store wages, new store opening costs, relay/refurbishment costs and impairment/onerous lease costs, remained flat at 31.0% of Sales, mainly being the net of:
    - Store Wages (incl. on-costs) were flat as a % to sales, where labour efficiencies emanating from the Truck to Customer program, improved rostering techniques and workers compensation cost reductions were able to offset the impact of EBA wage rises in a relatively flat comparable store sales period;
    - Occupancy Costs increased slightly by 0.11% of Sales despite the continuation of reduced cash rentals on lease renewals during the half and the positive effect of closing underperforming stores in FY17 and 1HFY18;
    - Advertising Costs decreased by 0.21% of sales, mainly as a result of a more targeted catalogue distribution process and a greater focus on digital media;
    - Store Operating Costs decreased 0.15% of Sales reflecting the continuation of a number of Cost Out projects including the Energy Optimisation Project; and
    - Store Impairment/Onerous Lease/Relocation/Closure costs increased by 0.21% to sales.

- ➔ Administrative expenses, which increased by 0.5% to sales, mainly due to an increase on the pcp in the provision for short and long-term incentives, in line with the increased profitability expected in FY18 compared to FY17.

Depreciation and amortisation expense has remained flat at $9.6 million, reflecting the moderated number of new store openings (net of closures) and the reducing average capital cost to open new stores, in recent years.

Earnings

The Company EBIT of $25.7 million was $0.2m or 0.9% above the prior half, with EBIT Margin of 5.9% to Sales being flat, reflecting the net effect of the increased Gross Profit to Sales increase and the increase in Administrative Expenses to Sales.

Net Profit after tax at $17.7 million increased by $0.2 million (1.1%) on the prior period.

Dividends

The Company has declared an interim dividend of 24 cents per share (pcp: 24.0cps) which has a record date of 19 March 2018 and will be paid on 9 April 2018. This dividend 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 solid operating cash flow generation during the half, with its Cashflow from Operating Activities of $39.5 million more than sufficient to fund the capital investment requirements of the business, as well as fund the return to a Dividend Payout Ratio of at least 60% for FY18.

Consistent with the prior half year, the Company finished the peak seasonal trading period in a significant Net Cash position of $30.8 million. Whilst the combination of Capital Expenditure, the interim dividend payment and other working capital requirements will see the Company carry some moderated debt levels during the second half, the Company forecasts that it has adequate facilities in place to remain well within its Debt Covenants for the foreseeable future.

The level of Capital Expenditure during the first half of $11.2 million decreased by $4.9 million on the pcp, mainly due to the fit-out costs of the Distribution Centre at Truganina, which was $6.1 million in the prior period (1HFY18: $268,846).

Overview of Operational Performance and Outlook

After the disappointing second half trading of FY17, where the Company endured negative Comparable Sales growth and a reported NPAT loss of $5.2 million, the Company set itself to rebuild its Comparable Customer Counts and increase its everyday range in stores.

This approach was relatively successful during the half, as the business returned to positive Comparable Sales from September onwards, whilst at the same time managing its Gross Margins on the back of a reduced level of in-store markdowns.

Importantly, the business has continued to progress all of its strategic projects, designed to improve the processes and procedures within the business, reduce CODB and further develop the platform for longer term profit growth for the Company. The benefits of these projects can be seen in the Store Expenses line of these accounts.

The second half trading has commenced reasonably well, with the business recording positive comparable sales in the seven weeks to date.

With a continued subdued positive comparable sales trajectory during the remainder of the second half, the business expects to record an NPAT in the range of $16.5m to $17.5m for the FY18 period. This is a significant improvement on the $12.3 million NPAT recorded in the FY17 period.

DIRECTORS' REPORT

Your directors present their report on the Company and its controlled entities for the half year ended 31 December 2017.

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 unless otherwise stated:

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

Ross Sudano
Managing Director and Chief Executive Officer

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

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

Michele Teague (Commenced on 18 September 2017)
Non-executive Director
Member of the Remuneration Committee and Member of the Audit and Risk Committee.

Review of operations

The profit of the consolidated entity for the half year after providing for income tax amounted to $17,721,000.

The half year ended 31 December 2017, 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 31 December 2017 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

The company did not declare a final dividend for the year ended 2 July 2017. On 21 February 2018, the directors declared a fully franked interim dividend of 24 cents per share to be paid on 9 April 2018.

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 6.

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

21 February 2018

Auditor's Independence Declaration

As lead auditor for the review of The Reject Shop Limited for the half-year ended 31 December 2017, 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.

Sam Lobley
Partner
PricewaterhouseCoopers

Melbourne
21 February 2018

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Consolidated Statement of Comprehensive Income
For the Half Year Ended 31 December 2017

	Note	Half Year 2017 $'000	2016 $'000
Revenues from continuing operations			
Sales revenue	2	**437,596**	432,942
Other income	2	**19**	15
		437,615	432,957
Cost of sales		**245,242**	244,079
Store expenses		**142,424**	141,067
Administrative expenses		**24,178**	22,268
		411,844	407,414
Finance costs	3	**395**	371
Profit before income tax		**25,376**	25,172
Income tax expense	4	**7,655**	7,652
Profit for the half year		**17,721**	17,520
Other comprehensive income			
Items that may be re-classified to profit or loss			
Changes in the fair value of cash flow hedges		**1,583**	8,857
Income tax relating to components of other comprehensive income		**(475)**	(2,657)
Other comprehensive income for the half-year, net of tax		**1,108**	6,200
Total Comprehensive Income for the Half Year Attributable To Members Of The Reject Shop Limited		**18,829**	23,720

Earnings per Share		**Cents**	Cents
Basic Earnings Per Share	20	**61.4**	60.7
Diluted Earnings Per Share	20	**60.4**	60.2

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

Consolidated Balance Sheet
As at 31 December 2017

	Note	**31 December 2017 $'000**	02 July 2017 $'000
Current Assets			
Cash	5	**30,853**	15,616
Inventories	6	**105,954**	92,906
Tax Assets		**-**	434
Other	7	**4,984**	2,416
Total Current Assets		**141,791**	111,372
Non-Current Assets			
Property, plant and equipment	8	**95,737**	94,586
Deferred tax assets	9	**15,526**	12,782
Total Non-Current Assets		**111,263**	107,368
Total Assets		**253,054**	218,740
Current Liabilities			
Payables	10	**47,020**	31,976
Borrowings	11	**-**	13,000
Tax liabilities		**7,153**	-
Provisions	12	**12,864**	9,757
Derivative financial instruments	27	**1,510**	3,093
Other	13	**15,146**	10,661
Total Current Liabilities		**83,693**	68,487
Non-Current Liabilities			
Provisions	14	**1,459**	1,873
Other	15	**13,582**	13,227
Total Non-Current Liabilities		**15,041**	15,100
Total Liabilities		**98,734**	83,587
Net Assets		**154,320**	135,153
Equity			
Contributed equity	16	**46,247**	46,247
Reserves	17	**4,177**	2,731
Retained profits	18	**103,896**	86,175
Total Equity		**154,320**	135,153

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 2017

2017	Contributed Equity $'000	Capital Profits $'000	Share Based Payments $'000	Hedging Reserve $'000	Retained Earnings $'000	Total $'000
Balances as at 02 July 2017	**46,247**	**739**	**4,157**	**(2,165)**	**86,175**	**135,153**
Profit for the period	-	-	-	-	17,721	17,721
Other comprehensive income	-	-	-	1,108	-	1,108
Transaction with owners in their capacity as owners:						
Dividends Paid	-	-	-	-	-	-
Share based remuneration	-	-	223	-	-	223
Tax credited directly to equity	-	-	115	-	-	115
Balances as at 31 December 2017	**46,247**	**739**	**4,495**	**(1,057)**	**103,896**	**154,320**

2016	Contributed Equity $'000	Capital Profits $'000	Share Based Payments $'000	Hedging Reserve $'000	Retained Earnings $'000	Total $'000
Balances as at 03 July 2016	**46,247**	**739**	**4,497**	**(2,379)**	**86,238**	**135,342**
Profit for the period	-	-	-	-	17,520	17,520
Other comprehensive income	-	-	-	6,200	-	6,200
Transaction with owners in their capacity as owners:						
Dividends Paid	-	-	-	-	(5,483)	(5,483)
Share based remuneration	-	-	550	-	-	550
Tax credited directly to equity	-	-	20	-	-	20
Balances as at 01 January 2017	**46,247**	**739**	**5,067**	**3,821**	**98,275**	**154,149**

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 2017

	Note	Half Year 2017 $'000	Half Year 2016 $'000
Cash Flows from Operating Activities			
Receipts from customers (inclusive of goods and services tax)		**481,356**	476,236
Payments to suppliers and employees (inclusive of goods and services tax)		**(438,354)**	(432,319)
Interest received		**19**	15
Borrowing costs paid		**(395)**	(375)
Income tax paid		**(3,172)**	(4,094)
Net cash inflows from operating activities	19	**39,454**	39,463
Cash Flows from Investing Activities			
Payments for property, plant and equipment		**(11,217)**	(16,152)
Net cash outflows used in investing activities		**(11,217)**	(16,152)
Cash Flows from Financing Activities			
Proceeds from borrowings		**54,000**	61,960
Repayment of borrowings		**(67,000)**	(73,960)
Dividends paid	22	**-**	(5,483)
Net cash outflows used in financing activities		**(13,000)**	(17,483)
Net increase / (decrease) in cash held		**15,237**	5,828
Cash at the beginning of the half year		**15,616**	15,068
Cash at the end of the half year	19	**30,853**	20,896

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 31 December 2017 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 02 July 2017 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.

New standards and interpretations not yet adopted

There are no other standards that are not yet effective and that are expected to have a material impact on the net earnings of the entity in the current or future reporting periods and on foreseeable future transactions.

	Half Year	
	2017 $'000	2016 $'000
Note 2: Revenue From Continuing Operations		
Sales Revenue		
Sales of goods	**437,596**	432,942
Other Income		
Interest	**19**	15
	437,615	432,957

Note 3: Expenses		
Profit before income tax expense includes the following expenses:		
Interest and finance charges paid/payable	**395**	371
Depreciation and amortisation expenses included in:		
Cost of sales	**1,787**	1,321
Store expenses	**6,788**	6,786
Administrative expenses	**1,008**	1,424
	9,583	9,531
Impairment/ (reversal) of store assets	**61**	(276)
Store asset write off	**431**	84
Rental expenses relating to operating leases:		
Minimum lease payments	**57,619**	57,137
Reversal of provision for onerous leases	**(91)**	(295)
Provision for rent escalations	**584**	(763)
Rent paid on percentage of sales basis	**67**	152
Employee benefits expenses	**87,470**	87,383
New store opening costs (inc. refurbishments and defits)	**971**	871

	Half Year 2017 $'000	2016 $'000
Note 4: Income Tax		
(a) Income tax expense		
Current tax	**10,399**	6,414
Deferred tax	**(2,744)**	1,238
	7,655	7,652
Deferred income tax expense included in income tax expense comprises:		
(Increase) in net deferred tax assets	**(2,744)**	1,238
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	**25,376**	25,172
Tax at the Australian tax rate of 30% (2016 – 30%)	**7,613**	7,552
Tax effect of amounts which are deductible in calculating taxable income:		
Research and development	**-**	100
	7,613	7,652
Under provided in prior years	**42**	-
Income tax expense	**7,655**	7,652
(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	**115**	20
(d) Tax (expense) / income relating to items of other comprehensive income		
Cash flow hedges	**(475)**	(2,657)

	Note	31 December 2017 $'000	02 July 2017 $'000
Note 5: Current Assets – Cash			
Cash on hand	19	**1,805**	1,674
Cash at bank	19	**29,048**	13,942
		30,853	15,616
Note 6: Current Assets – Inventories			
Inventory at cost		**104,769**	91,289
Inventory at net realisable value		**1,185**	1,617
		105,954	92,906

Note 7: Current Assets – Other	31 December 2017 $'000	02 July 2017 $'000
Prepayment	**1,804**	589
Other current assets	**3,180**	1,827
	4,984	2,416

Note 8: Non-Current Assets – Property, Plant And Equipment
Leasehold improvements

At cost	**79,620**	74,411
Less accumulated depreciation	**(42,443)**	(39,363)
	37,177	35,048

Plant and equipment

At cost	**152,777**	148,625
Less accumulated depreciation	**(94,217)**	(89,087)
	58,560	59,538
Total property, plant and equipment	**95,737**	94,586

Note 9: Non-Current Assets – Deferred Tax Assets

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

Employee benefits	**4,165**	3,409
Lease escalation	**2,854**	2,679
Inventories	**1,302**	1,627
Lease incentives	**2,058**	831
Provisions and accruals	**1,168**	996
Depreciation	**4,880**	3,798
Employee share trust	**323**	208
Hedging reserve	**453**	928
Sundry items	**(123)**	(252)
	17,080	14,224
Set-off of deferred tax liabilities of consolidated entity pursuant to set off provisions:		
Depreciation	**(1,554)**	(1,412)
Hedging reserve	**-**	(30)
Net deferred tax assets	**15,526**	12,782

	31 December 2017 $'000	02 July 2017 $'000
Deferred tax assets expected to be recovered within 12 months	**8,708**	6,766
Deferred tax assets expected to be recovered after more than 12 months	**6,818**	6,016
Net deferred tax assets	**15,526**	12,782

Note 10: Current Liabilities – Payables

Unsecured liabilities		
Trade payables	**36,573**	28,668
Sundry payables and accruals	**10,447**	3,308
	47,020	31,976

Note 11: Current Liabilities – Borrowings

Cash advance	**-**	13,000

Note 12: Current Liabilities – Provisions

Onerous leases	**160**	109
Employee entitlements	**12,704**	9,648
	12,864	9,757

Note 13: Current Liabilities –Other

Accrued expenses	**9,653**	6,810
Deferred income	**2,730**	1,395
Rent escalation	**2,763**	2,456
	15,146	10,661

Note 14: Non-Current Liabilities – Provisions

Onerous leases	**-**	142
Employee entitlements	**1,459**	1,731
	1,459	1,873

Note 15: Non-Current Liabilities – Other

Deferred income	**6,830**	6,752
Rent escalation	**6,752**	6,475
	13,582	13,227

Note 16: Equity – Contributed Equity

Movements in ordinary share capital

Date	Details	No. of shares	Issue Price per share $	Contributed Equity $'000
04 July 2016	**Balance**	**28,849,623**		**46,247**
26 July 2016	Exercise of performance rights	9,925		-
01 January 2017	**Balance**	**28,859,548**		**46,247**
2 July 2017	**Balance**	**28,859,548**		**46,247**
31 December 2017	**Balance**	**28,859,548**		**46,247**

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.

	31 December 2017 $'000	02 July 2017 $'000
Note 17: Equity – Reserves		
Capital profits reserve	**739**	739
Share based payments reserve	**4,495**	4,157
Hedging reserve – cash flow hedges	**(1,057)**	(2,165)
	4,177	2,731
Note 18: Equity – Retained Profits		
Retained profits at the beginning of the period	**86,175**	86,238
Net profit attributable to members of the consolidated entity	**17,721**	12,346
Dividends paid	**-**	(12,409)
Retained profits at reporting date	**103,896**	86,175

Note 19: Cash Flow Information

Reconciliation of Cash

Reconciliation of cash flow from operations with profit from ordinary activities	**Half Year 2017 $'000**	Half Year 2016 $'000
Profit from ordinary activities after income tax	**17,721**	17,520
Non-cash flows in profit from ordinary activities:		
Depreciation	**9,583**	9,531
Impairment of store assets	**61**	(276)
Provision of onerous leases	**(91)**	(295)
Store asset write off	**431**	84
Non-cash share based payment expense	**223**	550
Tax credited directly to equity	**115**	20
Changes in operating assets and liabilities, net of effects of purchase and disposal of subsidiaries		
Decrease/(Increase) in receivables and other assets	**(2,568)**	8,828
Decrease/(Increase) in inventories	**(13,048)**	(11,643)
Increase in trade and other creditors and other provisions	**22,184**	8,944
Increase in income tax payable	**7,587**	2,167
Decrease/(Increase) in deferred taxes	**(2,744)**	4,033
Net cash provided by operations	**39,454**	39,463

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	**1,805**	1,675
Cash at bank	**29,048**	19,221
	30,853	20,896

Note 20: Earnings per share	**Half Year 2017 Cents**	Half Year 2016 Cents
Basic earnings per share	**61.4**	60.7
Diluted earnings per share	**60.4**	60.2
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**28,859,548**	28,858,342
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**29,328,792**	29,123,760

Note 21: Net Tangible Assets	31 December 2017 Cents	02 July 2017 Cents
Net tangible asset backing per ordinary share	**534.8**	468.3

	Half Year	
	2017 $'000	2016 $'000
Note 22: Dividends		
No fully franked final dividend paid (2016: Paid on 17 October 2016)	**-**	5,483
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	**51,409**	47,349

Note 23: Segment Information

The Reject Shop operates within the one reportable segment (retailing of discount variety merchandise). Total revenues of $437,596,402 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 24: Dividend Reinvestment Plan

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

Note 25: Capital Commitments

The consolidated entity has contractually committed to approximately Nil in capital expenditure at the end of the reporting period.

Note 26: 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 27: 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 2017 was a liability of $1,509,855 (2 July 2017: liability of $3,093,402).

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 7 to 18 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 31 December 2017 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
21 February 2018

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

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 31 December 2017, 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 Group. The consolidated entity comprises 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 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 half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 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*.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

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:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

Sam Lobley
Partner

Melbourne
21 February 2018