

**CHAIRMAN'S & MANAGING DIRECTOR'S PRESENTATION
AT AGM HELD ON 14th OCTOBER 2015**

CHAIRMAN'S ADDRESS

Good afternoon Ladies and Gentlemen.

My name is Bill Stevens and as the Chairman of the Reject Shop, I welcome you all to the Annual General Meeting and thank you for your attendance here today. The Company Secretary has advised me that we have a quorum present, so I declare the Annual General Meeting open.

Before we proceed, I would like to introduce, with me here today, my fellow non-executive directors, Ms. Melinda Conrad (Chairman of our Remuneration Committee), Mr. Kevin Elkington (Chairman of our Audit & Risk Committee), Mr. Denis Westhorpe and our Managing Director Mr. Ross Sudano; also to my far right is Mr. Darren Briggs, the Company Secretary and Chief Financial Officer.

Mr. Daniel Rosenberg, of PricewaterhouseCoopers, the Company Auditor, is also with us today; as are a number of members of our management team, and a number of our staff.

I would today like to present a brief overview of the company's activities for the year, including a number of significant events; highlight the impact of those events on a number of key decisions made by the Board during the year; and profile the progress on some significant strategic objectives.

Ross Sudano will then present to you his thoughts on, and objectives for, the business going forward.

Following Ross's presentation; I will formally submit the Annual Report, inclusive of the Director's Report; the Remuneration Report; the Director's Declaration; and the Auditors Report for consideration and invite questions from registered shareholders or their registered representatives.

The Board

The Board remains compact, but is considered to continue to incorporate the appropriate skills that are relevant to your Company, and to assist management in their activity on your behalf.

The Board has considered its performance over the past twelve months, and believes that it has continued to provide context and oversight to Ross, and to his executive team – (which also includes a number of recent appointments – as set out in the Annual report) through this period of transition.

The Board continues to have a process in place to review its own succession. In this context, we are also considering the range of skills and experience which will be of most benefit to the Company and its Executive team as we continue into this significant next phase of expanded operations of your Company. It is in this context that the agenda for this meeting includes an item in regard to Director fees.

The Year

The past year has continued to present conditions for the Australian Retail industry which are demanding. Ross will talk to you in more detail about how the business is dealing with its continued and profitable growth objectives.

A year ago I referred to the particularly disappointing start to the 2015 financial year in the first quarter. The balance of the year did lift from that poor start. The move into regular TV promotion of the Reject Shop, which began exactly one year ago, has been instrumental in lifting the profile of our Brand, and in providing a significant lift in continuing Brand recall.

The accelerated store opening program which commenced in October 2012 and ran through 2014 has stabilized through the 2015 year, with only 21 new stores opened. As previously discussed, all of our stores must be economically viable – and achieve base financial metrics. As noted in the 2015 full year results, some additional charges were taken - in respect of lease costs and asset impairments, for a number of stores where our additional efforts have been unable to improve their profitability. The number of stores where additional charges has been taken is small in relation to the total portfolio. Nonetheless, this continues to be an area of considerable focus. Several stores were closed during 2015, and a couple where we have already been able to open a nearby relocation, which are trading well and providing an ongoing offer to loyal (and new) customers; but on a sensible economic basis. With a 336 strong store portfolio, and with some opened in newer but expanding communities, it is expected that there will be some that may perform below our standard metrics for a short period. It is the team's objective to lift all stores to sustainable performance.

Consistent with the importance of the Logistics flow of inventory to our stores, and having regard to the DC facilities in Queensland (re-opened in 2011) and Western Australia (opened in 2014), we have just entered into the lease of a new DC facility in Melbourne. This lease will become operational when the lease of our current facility at Tullamarine (which commenced in 2007) expires early in calendar year 2017. The new facility, at Truganina in Melbourne's near-west, and its improved handling capability, will support the continuing steady growth of the company's store portfolio and required logistics operations. It is expected that the capital required to fund the fit-out of this new Distribution Centre will primarily be capable of being met from operating cash flow, with periodic support from our ongoing and established banking arrangements.

We still see around 400 stores nationally, as part of a sensible economic model – although all elements of our strategy continue to be challenged by Ross. As foreshadowed last year, we have continued to develop the company's Brand Awareness and Media Program - as well as our people-development, and infrastructure support.

All of these elements, including the prospective funding commitments of the new Melbourne DC, and the focus on improving our stock-turn metrics, have been considered by the Board in its assessment of the ongoing capital requirements of the Company. Currently, it is the intention of the Board that a Dividend payout ratio of 60% of NPAT, although on an expected higher NPAT in 2016, will continue. We will however continue to review the capital and funding requirements of the Company's ongoing and expanding operations, with reference to both the level of retained earnings, and the balance of **franking credits** which may be attached to Dividend payments.

At the time of the August 2015 results announcement, and the subsequent meetings with analysts and major investors, Ross has indicated that the first six weeks of activity had resulted in positive comp. Store sales – and this has continued through the first quarter, and into October. Ross will provide further commentary on this, and we believe that we are well placed to head into our major Christmas trading period.

Strategic – Remuneration

The Remuneration Report will be subject to a shareholder advisory vote – in accordance with legislation. You will also be aware that the Remuneration Report specifically deals with those employees who are considered to be Key Management Personnel (KMP's). We consider this group to be our Executive team, as well as the Board.

By reference to the Annual Report, it will be noted that **no short term 'at risk'** remuneration was paid for the 2014-2015 period to Key Management Personnel. This came on top of the outcomes for the 2013-2014 year, where the no such amounts were paid to the Executive team.

The Board, consider that Management, and our staff, should be appropriately remunerated for doing their jobs. From a Management perspective, the jobs entail specific functions, as well as an expectation of financial outcomes. Previously, and as discussed, some short term elements of 'at-risk' remuneration have been payable upon achievement of specified, focussed elements of the Executive roles, as well as the financial targets. This has included the specific objectives essential each year to the continued growth prospects of the company.

The Board has long considered many of these elements to be components of the Executive team job specifications and functions, and on which their 'fixed remuneration' is based. Accordingly, and while the continued 'safety' of our people and our customers is a specific element which enables the payment of short term 'at-risk' remuneration, such additional amounts will only be payable if the current-year financial outcomes meet the targets agreed with Board.

The Board and Management are very clear on the fact that our Shareholders, while supporting the growth strategy, also require a sound return from the existing business.

Long Term incentives

As part of the Remuneration Report, there are details in respect of Performance Rights granted during the year. A number were related to the 2014 financial year, and a number have been granted as a component of contracts of employment. All members of the executive team (including our Managing Director Ross Sudano) are eligible for grants of Performance rights in respect of the 2015 year end. The grant to Ross is a later Agenda item for approval by Shareholders.

The hurdles which the Board had attached to the ultimate vesting of those Performance Rights have been discussed in the Annual Report. For Performance Rights awarded prior to November 2013, these include a mix of profit related and other operational objectives. The relative weightings of 60% financial and 40% operational were determined by the board, in a prior year, and after having regard to an external report commissioned.

In respect to performance rights previously granted, and where vesting (or final vesting) conditions were assessable based upon the financial results of the year ended 30th June 2015, the Board has, as set out in the financial statements, allowed **25%** of those rights to vest (at Target). In vesting those Performance Rights, we recognized the sustained efforts of the Executive team towards securing specific long term objectives of the Company – even in their knowledge that some of the financial hurdles established in the past, could not be achieved.

For Performance Rights to be granted in respect of the year ended 30 June 2015, the Board considers the vesting term of three years, which was **adopted in 2013**, remains appropriate.

As discussed in the Annual Financial Report, the Board considers that the reversion to a focus on clearly determinable financial hurdles, based upon:

- Earnings per share growth of 10% p.a.;
- Appropriate returns on capital employed; and
- Improvements in our earnings to sales ratios,

provides a clearer alignment with the interests of, and outcomes expected by, Shareholders.

Accordingly, the financial hurdles to be achieved to enable full vesting of the performance rights in respect of both the 2014 and 2015 awards, have been set based on achievement of those financial criteria.

Strategic Direction

The Company remains committed to the broad strategic direction which has been in place for some time, and which Ross will discuss in more detail.

The ability to continue our new store growth remains very important, but the achievement of efficiencies in our Cost of Doing Business are also critical. We continue to drive to reach more customers with our value offering, and the responses to our new store, and re-located store openings program, Australia wide, continue to be extremely positive.

All stores must achieve viable economic returns, and Ross and his team continue to challenge all elements of our costs. In addition, his team continues to challenge our ability to present our 'best' retail profile and offer to our customers. This places greater emphasis on our training and development regimes, and our people and our capabilities.

We remain committed to building a model which delivers a trusted and well-priced offering to our customers, and which provides an appropriate return to our shareholders, and to our finance providers for their capital support. These remain our drivers.

The Team

In regard to our operations, and the sound business model that has been developed, the strength and commitment of the management team remains a major component of our ongoing success. Like any business I am sure that there will continue to be periodic changes in our team, as people seek new and different challenges, and as we seek to ensure that we have the skills and capabilities to meet our new challenges - and I sincerely thank our Executive team, and all of our more than 6000 people, for their continuing efforts.

I now invite our Managing Director, Mr. Ross Sudano, to address you in regard to his first twelve months with the business, and his view of the future.

MANAGING DIRECTOR'S ADDRESS

Good afternoon everyone and thank you for joining us.

Overview

A year ago, shortly after I took up the role of CEO, I outlined my initial observations on the business and the initial elements of a plan to place the business back on a sound footing for long term growth.

At the time the company indicated that trading conditions during the first half to that point had been extremely challenging with negative comparable store sales, particularly during the first quarter.

A year later I am pleased to report that the building blocks of the strategy we have put in place are beginning to deliver results. We have made considerable changes to our business focussing on the five core areas we indicated needed to improve:

- Sales
- Marketing
- Supply Chain
- Property; and
- People and capability.

We are by no means there yet, we are on a journey which will take some time, however the business has continued to improve quarter by quarter and I am confident we are on the right track.

Before I outline in more detail the progress on this journey I will briefly recap the financial performance for the financial year ended 30 June 2015 and provide some brief commentary on how we are seeing current trading conditions.

FY15 overview

We delivered strong top line sales growth for the full year of 6.4% which was a pleasing achievement especially in the context of the challenging first quarter performance which led to a disappointing first half result.

The sales growth was achieved through a combination of the sales benefits of the new stores opened during the financial years FY14 and FY15 as well as continued quarter by quarter improvement in comparable store sales which finished at +2.3% for the second half (compared to -3.3% for the first half) and +4.7% in the 4th quarter.

Impacted by the first half result, the full year NPAT performance was slightly below last year however we are encouraged by the fact that the business returned to profit growth in the traditionally challenging second half.

This improvement has been driven by an emphasis on everyday value products, a change to the way we activated promotions in store, a change to the way we communicated to customers out of store and some progress on bringing on trend products to market.

In addition to the improved sales performance, underlying profitability was also enhanced in the second half by close management of Gross Margins, despite the effects of a declining AUD and some early benefits of our emphasis on reducing our CODB.

Our customers have responded positively to the ongoing changes we are making to our business.

We continue to focus our efforts to consistently deliver our customer promise of;

“Always get more for your money through the fun and excitement of discovering a new bargain”.

Turning to the new financial year, we are pleased to report that the change in sales momentum has continued into the first quarter of FY16. Comparable Sales are well above the same time last year (as they were in Q4) albeit cycling a difficult trading period last year.

This has been achieved in a challenging retail environment. Real disposable incomes continue to remain flat with ongoing uncertainty around employment prospects impacting on consumer sentiment. The outcome being that retail continues to be patchy, with specific areas performing well. Specifically, retail focussed on home improvement or redecoration has and continues to perform well both in the general retail market and in our stores.

In the first 13 weeks of the new financial year we have opened 3 new stores (with a fourth due to open in Mentone tomorrow), we have also relocated 3 stores, with 5 further store openings planned for the remainder of the financial year. As well as the new store openings we have refurbished 20 existing stores. All of these stores are trading to or above our expectations and are based on the updated store format that significantly improves our customers' shopping experience. Our feedback from these new locations continues to be overwhelmingly positive.

We are now entering our key selling period with Christmas fast approaching. Our business is well positioned to provide our customers with a clear value offer and new and interesting products at an affordable price during this key period. Christmas is now set up in all our stores and we look forward to delighting our customers over the festive season.

Looking forward

As I reiterated in my opening remarks, we are working on maximising the strengths of the TRS business model, the growing relevance of the discount shopper and leveraging off the investment in stores and the reach they provide us to improve our overall business performance.

The four major goals that the company is measuring itself on are:

1. A clearly differentiated customer offer that is delivered conveniently to our customers via our existing store network, new stores and new store formats,
2. A return to comparable store sales growth in a sustainable way by increasing customer transactions,
3. A focus to improve our efficiency of operations to assist in delivering our customer offer and reducing our Cost of Doing Business (CODB) to fund our sales growth and to deliver improved returns to shareholders,
4. To become an employer of choice by providing a challenging but rewarding work environment.

The achievement of these goals is aspirational; we are not consistently delivering on these objectives today. However we have developed out waves of organisational improvement that will assist us in achieving these goals over time.

The first wave of change is focussed on “getting back to basics”. This includes a very strong ongoing focus on our customer engagement, delivery of our customer promise as well as a focus on the efficiency of operations and our CODB.

Customer Offer

Our focus is built on extensive work done with customers and non-customers to better understand who our key customers are and what they are looking for from TRS. This work has been completed during the year and is forming the basis of all our thinking as we develop out our customer promise.

We believe The Reject Shop has a powerful and motivating purpose,

“To enable and inspire more people to do more with less”.

And this comes to life via a promise to;

“Always get more for your money through the fun and excitement of discovering a new bargain”

We believe we deliver a unique retail experience, as most of our stock changes constantly and we regularly have new products in store. There are always low prices on everything, famous brands at best in market price; our core convenience items that are available everyday and a great range of on trend products we’ve searched the world to find - at the lowest prices.

When we are delivering on our promise our customers are receiving more for their money, they are finding unexpected bargains in our stores and we are making their shopping fun and exciting – giving people a sense of being Savvy! This is delivered from a conveniently located store network that enables our customers to easily access our offer.

All of this is captured in our customer promise and when we are delivering it we will have a desirable, distinctive and defensible offer. We have been working on implementing this in store over the last six months.

Sustainable Sales Growth

The improved sales performance I highlighted earlier has been achieved by refocusing on the delivery of great value on everyday products that has been the cornerstone of our TRS offer over time. Getting this right for customers is critical in extending their trust, increasing foot traffic in our stores, and generating additional transactions and sales growth.

Our challenge is to maintain this momentum and build on it by providing new and interesting products to our customers while in our stores. This continues to be an area of focus for us, and is critical in meeting our customers’ expectations.

During the half, our customers have responded positively when we deliver elements of our offer. We still have significant work to do to deliver all aspects of our offer in store consistently every week. Early customer responses have been positive and this momentum has carried through the first quarter of FY16.

We have focussed on developing our capability to communicate key messages both in and out of store. In store we are focussed on communicating a sense of urgency, discovery and regular convenience. While we have made progress during the second half of the year, there remains much to do during the new financial year.

Out of store we are developing a mix of media communication that is a blend of traditional media, such as TV and catalogues, as well as an increasing focus and reliance on the development and use of a data base of loyal customers to communicate with directly on a regular basis.

We now have over 200,000 Savvy Shoppers on our data base. Combined with more than 166,000 supporters on social media we have the capacity to talk directly to a significant number of our customers.

This is a significant change in a short period of time. We see huge opportunity to continue to grow our Savvy Shopper data base and to improve our communication and our media mix as a result. We are also working on improving the in store experience for our customers to enhance their shopping experience. We have made some early changes to the way we present our stores with positive feedback received. These changes have been incorporated in the opening of an updated store format at Kellyville in Sydney that provides a different shopping experience. The Kellyville store provides a store format from which we will continue to innovate and build on with a focus on enhancing our customer experience.

Reduce CODB **Refining our Supply Chain**

We have a strong supply chain network. It has the ability to service an expanding number of stores across the country, with a range of metropolitan, country and regional offers, to existing and new customers.

We have been working on removing some of the complexity from our business with a view to reducing our stock holdings and improving the speed with which we are able to get product on display in our stores. By year end, we have been able to reduce our total in store stock holding on the prior year, while at the same time we have increased our total store portfolio by 12. This has significantly improved our speed to market and freed up cash in the process.

So while we have made progress in the last six months, the delivery of our offer is dependent on further efficiencies in our supply chain.

The first wave of our organizational improvements is focused on 'getting back to basics', and includes eight strategic initiatives, that when delivered will improve our supply chain efficiency and our CODB.

We are currently mobilising these projects and allocating resources to ensure we are working on embedding them into our business. These initiatives will progressively roll-out and will provide us the launch pad for subsequent waves of improvement.

One of the key initiatives we have been working on is how best to create the most flexible low cost distribution system for South East Australia. The expiry of the lease agreement for our Melbourne distribution centre in Tullamarine in early 2017 has provided us with the opportunity to review the way we currently operate and how best to support our goal of improved performance and efficiency to assist in delivering our offer and lowering our CODB.

We have determined that a new purpose built site would deliver the best outcomes for TRS in creating the most flexible, low cost solution that meets our long term service needs. This new distribution centre will deliver greater capacity to support future growth with flexibility to support additional revenue streams. Increased service to stores through improved speed to market, increased service flexibility and reduced operating costs through productivity efficiencies, design and capability improvements. The new site will be located in Truganina in Melbourne's West and construction of the site will commence shortly. As Bill mentioned earlier, we can advise the capital and operating costs required to fund the fit out and changeover to a new distribution centre will be met from operating cash flows and the support of our ongoing banking arrangements.

In store productivity and efficiency

Within our stores we believe there is an opportunity to improve productivity and efficiency, with the majority of improvements to come from an investment in people and capability and standardised operating processes.

This is an extensive challenge across 336 stores and all out of store support. It involves both changes to capability and culture and is one of the most significant changes required to underpin the future performance of our business.

Property portfolio

We are focussed on providing convenient access to our customers, while ensuring that returns from each store are sensible for our shareholders. We have been reviewing existing leases and where we haven't been able to achieve rents which are economically sustainable, we have exited the store. This has resulted in 9 store closures during FY15. At the same time we have been building our pipeline of new store opportunities to sustain our key strength of convenience for our expanding customer base, and seeking replacement locations to service our loyal customers in areas where we have closed stores. During FY15 we opened 21 new stores, while also relocating 2 stores and closing another 9 stores, resulting in a National store footprint totalling 333 stores by the end of the year.

Employer of Choice **People and capability**

As mentioned previously, our ability to develop our people and embed a performance based culture that recognizes and rewards outcomes is critical to ensuring our future success.

We have commenced this process and are currently rebasing our expectations across the business and identifying both capability gaps and assessing our existing talent for future development and growth. This is a significant challenge across 336 stores and over 6,000 people but is one of our key measures of success and while progress is being made it will take time to embed changes in our people and business.

During the half there have been significant changes to the composition of the executive leadership team. As a result of these changes, we welcome;

- Colleen Grady – GM of Buying
- Allison Batten – GM of Planning
- Kelvin Chand – GM of Property
- Robert d'Andrea – GM of Human Resources
- Ed Tollinton – Chief Information Officer

Colleen, Allison, Kelvin, Rob and Ed all join our existing leadership team of;

- Darren Briggs – CFO
- Mike Robertson – GM of Operations
- Dani Aquilina – GM of Supply Chain
- Allan Penrose – GM of Marketing

The recent additions to the executive team all complement the skills of our existing team. I believe we now have in place a leadership team capable of accepting the challenges of delivering on our customer promise. The Executive team all have extensive retail backgrounds and experience, and are working through the opportunities in each of their areas to reshape our business for the benefit of all our stakeholders. They are all in the room, please feel free to introduce yourselves to any of them after we conclude our meeting today.

Next steps

Over the next twelve months we will continue to improve our offer to meet the needs of our key customer segments. The first wave of operational improvement is focussed on getting back to basics, and includes a clear focus on our customer, and being distinctive in the market. We will continue to work on an efficient and effective supply chain.

The initiatives underway will progressively roll out into our business and will provide us with the launching pad for subsequent waves of improvement. Additionally we will continue to focus on our people and capability and work to develop a performance based culture where the stores are the hero's of our business.

I would like to thank all our team at TRS. They have embraced the many changes we are making to the way we do business, and have contributed to changing the momentum of our business for the benefit of all our stakeholders. We are seeing signs of improved customer engagement with TRS. Nonetheless, there is more to do, and we have an exciting and rewarding journey ahead of us all.

I continue to believe that this is a very good business and that the opportunity exists for TRS to develop and deliver sustainable growth over the longer term.

I thank you again for your attendance today and will now hand you back to Bill for the formal part of today's meeting.