

EVERYONE'S A WINNER AT

THE REJECT SHOP

**ASX/Media Release
(ASX:TRS)**

13 January 2011

OPERATIONAL IMPACT OF QUEENSLAND FLOODS

The Reject Shop advises the Company has completed a preliminary impact assessment of the potential extended closure of its Ipswich Distribution Centre.

Recent Impact on Stores

The Queensland floods have been impacting trading throughout the first weeks of January with numerous intermittent store closures and an inability to adequately service stores during the period. This had been getting progressively worse culminating with more than half of our 27 Queensland stores being closed over the past week due to rising flood waters across the state.

Impact on the Distribution Centre

The Ipswich Distribution Centre had also been interrupted at different times during January although it had primarily been operational during the period. With the flooding of the Ipswich area on January 11, the base level of the Distribution Centre is now under several metres of water.

The Centre is likely to be closed for a minimum period of 8 weeks due to significant water damage to equipment; including but not limited to some components of the conveying equipment, forklifts, computer equipment and potential significant electrical damage. Access to the Distribution Centre over the last 48 hours has been restricted and therefore a full assessment of the damage has not yet been possible.

A significant amount of inventory held in the distribution centre was lost. The Company has insurance in respect of inventory and assets which should enable such losses to be fully recovered.

Interim Operational Plan

The Company has instigated its business continuity plan which includes:

- Diverting current Ipswich activities to its Melbourne based facilities; and
- Instigating an extensive recovery program at the Ipswich Distribution Centre to clear debris and re-install the required components of its infrastructure.

The Company has the capacity to service its overall store base from Melbourne and will be able to commence some service to those stores currently serviced from Ipswich within the week. However, the Melbourne facilities will take time to ramp up to full capability. Re-directing or re-balancing inventory from the Queensland Distribution Centre (when available), the Port of Brisbane (which is currently closed) and overseas shipments will take some time.

Commenting on the impact, Managing Director Chris Bryce stated, "This will have a significant impact on our ability to operate our business optimally for some time. Equipment can be replaced; but given the automation within the facility, the availability of required equipment, and the time it will take to install and test, the overall timeline for re-opening is yet to be determined."

"We are also cognisant of the devastation the floods have caused in many parts of Queensland and therefore understand that essential services will and should take priority over our requirements. Our initial assessment suggests that the facility will be inoperable for 8 weeks, but it will likely take longer to re-instate full operating capability. Thankfully the distribution centre was not operating at the time and all our staff are accounted for and safe."

“The disruption this will cause to our service to stores in the interim, and the flow-on effect on trading is difficult to assess, however it will certainly have an impact during this half and on our ability to meet our overall profit guidance. Whilst our stores will remain trading, servicing them with the required level of inventory will be problematic ” he said.

The Company has business interruption insurance for such an event. This covers loss of profits from the impact on overall trade, increased cost of working, and claims recovery. The Company believes it is premature to assess the overall recovery of such losses at this stage. However, it is likely it will incur some non-recoverable costs.

Noting some of the analysts’ commentary over the past 48 hours, the Chairman of the Board, Bill Stevens confirmed that the Company remained committed to its long term growth strategy, and to the role of the re-instated Ipswich Distribution Centre in that strategy.

The Reject Shop Limited

Chris Bryce
Managing Director
T: 03 9371 5555

Geoff Fowlstone
Fowlstone Communications
Office: 02 9955 9899
Mobile: 0413 746 949