Appendix 4E

The Reject Shop Limited

(ABN 33 006 122 676)

Consolidated preliminary final report

For the 52 week financial period ended 28 June 2020
Compared to the 52 week financial period ended 30 June 2019

Results for announcement to the market

				$A'000
Sales revenue from continuing operations	up	3.4%	to	820,645
Profit from continuing operations after tax attributable to members	up	106.6%	to	1,120
Net profit for the period attributable to members	up	106.6%	to	1,120

Dividends	Amount per share	Franked amount per share
Interim dividend	nil	n/a
Final dividend	nil	n/a

Record date for determining entitlements to final dividend	n/a
Dividend payment date	n/a

Commentary on the Group's trading results is included in the media release and the annual report enclosed.

THE REJECT SHOP

Annual Report

2019- 2020

About The Reject Shop

The Reject Shop has been delivering value to shoppers for almost 40 years. The Reject Shop helps all Australians save money everyday by offering products frequently used and replenished such as food, snacks, greeting cards, party, health and beauty, cleaning supplies, storage, kitchenware, homewares, pet care and seasonal products at low prices in 354 convenient store locations across Australia.

Contents

Notice Of Annual General Meeting:
10.00am, Wednesday 21 October 2020.

The Reject Shop Limited is a Company limited by shares, incorporated and domiciled in Australia. The address of the Company's registered office is 245 Racecourse Road, Kensington VIC 3031. These financial statements are presented in Australian currency and were authorised for issue by the directors on 19 August 2020. The Company has the power to amend and re-issue these financial statements.

Chairman's Review

"The Reject Shop has been stabilised and the process of fixing has commenced"

The FY20 financial year saw the stabilisation of The Reject Shop and the commencement of the process of 'fixing' the business under the new leadership of our Chief Executive Officer, Andre Reich.

The Company was pleased to welcome Andre Reich as Chief Executive Officer in January 2020. Andre has created a strong new leadership team with key new hires and, under Andre's leadership, the Company has developed a comprehensive three-phase strategy, successfully responded to the challenges of the initial phase of COVID-19 and further progressed a range of initiatives to better manage the cost of doing business.

The Company delivered a 3.4% increase in sales as more customers turned to us throughout the year, particularly through the Christmas trade period and the initial phase of the COVID-19 pandemic. Moving forward, we will continue to work on ways for customers to shop with us first and more regularly.

Earnings before interest and taxes ("EBIT") of $9.3 million and net profit after tax ("NPAT") of $1.1 million were significantly improved on the prior year when the Company recorded a loss.

In addition to securing a new debt facility with our long-standing existing bankers, the Company successfully completed a $25 million equity raise.

Due to a significant turnaround, together with the successful equity raise, the Company generated positive cash flows of $66.2 million during the year, which has resulted in the Company holding cash of $92.5 million at year end with no drawn debt. This is indicative of the Company's improving position.

On behalf of the Board, I would like to take the opportunity to thank Andre and our committed and passionate team members for their work in delivering this year's results.

Finally, I would like to express my gratitude to my Board colleagues, our shareholders, customers, suppliers and other stakeholders for your support and encouragement throughout the year.

Yours sincerely,

Steven Fisher
Non-executive Chairman

CEO’s Review

“The Reject Shop is well positioned to navigate the uncertain trading environment with its improved profitability and strong balance sheet – there is further work to do to fix the Company before we reset and grow.”

Our financial position

The Reject Shop has a long history of discount price retailing in Australia. The Reject Shop’s purpose has always been centred on helping all Australians save money. Our purpose has assisted us well, especially over the past 6 months. During this time, our team has stepped up and served our customers in a way that has greatly inspired me. The dedication of our team to go above and beyond is, and will be, our competitive advantage. I am deeply thankful for their shared commitment and hard work.

The FY20 financial year saw positive progress in stabilising our business, with notable achievements underpinning the ‘fix’ phase of the business turnaround. Team member and customer safety has been a key focus throughout the COVID-19 period. We are faced with unprecedented challenges and implemented measures to ensure our team members and customers remained safe.

We were pleased to secure $25 million of additional funding through a successful equity raising in March 2020. This has allowed us to positively reset our banking relationship. We were then able to turn our attention to reducing the level of product inventory in the business. Combined, these actions resulted in the Company finishing FY20 in a strong liquidity position with $92.5 million in cash and no drawn debt.

We also undertook the restructuring of the Store Support Centre and store operations functions, which included creating smaller ‘hands-on’ leadership teams to improve decision-making speed and accountability. We appointed a new senior leadership team that combines experienced internal and external talent,

who I am confident are well placed to take the business forward.

Importantly, we commenced engaging our strategic suppliers with the focus of rationalising and resetting our product assortments to improve the product supply of everyday products at low prices.

Overall, in FY20, we concentrated on stabilising the business to support the turnaround.

Our Vision – ‘helping all Australians save money every day’

In FY21, we will continue to deliver cost reduction initiatives that will ensure the business is set with a lean cost base to support transformation and growth over the coming years.

We will refine our purpose by listening to our teams and our customers about the role we play in ‘helping all Australians save money every day’ and we will do this by executing strategies that are grouped into the following categories: Customers, Operations and Performance.

Customers

Over the next 12 months, we will deliver a noticeable change in the value of our products. Our prices and range width will reduce as we realise cost savings achieved by buying at scale from our suppliers and passing those savings onto our customers through lower prices.

Our product assortment across our 350+ stores will provide the opportunity for our customers to conveniently address most of their basic shopping needs in one trip. We will improve our selection of known national brands from leading local and overseas manufacturers, supported by private brands offering even greater value.

Operations

We know that it is our committed and passionate team members who will transform our business and it is for this reason that we recognise them as our unique competitive advantage. To support our team, our priority will be to ensure we have the right people in the right roles with our objective to create meaningful long-term employment with The Reject Shop. We will ensure that we have standard ways of working across our business to improve efficiencies, increase team member job satisfaction, and create an easy and consistent experience for our customers.

We have the ability to deliver lower prices in convenient locations that provide a safe, fast and friendly shopping experience, which will in time distinguish us from other retailers. We believe that a strong focus on efficiency and scale will support our expansion into many more suburban and rural locations across Australia – allowing us to help more Australians save every day.

Performance

The 'fix' phase of our turnaround is focused on resetting the financial cost base of the business. We have three significant priorities that will be undertaken in FY21:

- inventory optimisation and reduction;
- efficiency realisation across our stores and supply chain; and
- renegotiation of a substantial number of store leases.

Our commercial and business simplification focus will create a platform that is scalable and will support further store expansion in the coming years.

Looking forward

2021 is our 40-year anniversary and it is a significant and exciting milestone.

I would like to thank the Board for their support throughout this deeply challenging year and for sharing their experience, encouragement and governance.

With great thanks and respect, I recognise our 5,000 plus committed and passionate team members in stores, distribution centres and the Store Support Centre. Their determination and commitment to restore The Reject Shop to profitability is greatly valued and admired. Thanks team!

To our suppliers and business partners who believe in our purpose and who are by our side every day – thank you for your partnership and for helping us reposition our business for the future.

To our customers, and to the communities who support our customers, we pledge to make continued improvements to satisfy your shopping needs and bring fun to your experience while saving you money on everyday items, every single day.

And to our shareholders, thank you for your patience and long-term commitment to our business. We are genuinely committed to delivering a successful turnaround over the coming years and creating a sustainable growth platform for The Reject Shop.

On a personal note, I have appreciated the warm welcome that I have received from team members, suppliers and stakeholders. The COVID-19 pandemic has created many unexpected challenges and opportunities for The Reject Shop and I am immensely proud of how our team members responded by helping all Australians save money every day.

Andre Reich

Andre Reich
Chief Executive Officer

Board of Directors

Steven Fisher
Non-Executive Chairman
Bachelor of Accounting, Chartered Accountant (South Africa)

Steven has more than 30 years' experience in general management positions in the wholesale consumer goods industry and was the former Managing Director of the Voyager Group. Prior to entering the consumer goods industry, Steven was a practising chartered accountant having qualified with a Bachelor of Accounting degree in South Africa.

Steven joined the Board of The Reject Shop in June 2019 and he is also a director of Laybuy Australia Pty Ltd.

During the last three years Steven has served as a director of the following other listed company:

- Breville Group Limited (director since 2004)#

David Grant
Non-Executive Director
Bachelor of Commerce, Chartered Accountant (Australia & New Zealand) and Graduate of the Australian Institute of Company Directors

David is a Chartered Accountant with extensive experience in the accounting profession and the commercial sector. David's executive career included roles with Goodman Fielder Limited and Iluka Resources Limited.

David is currently a non-executive director of a range of publicly listed entities and is the chairman of the audit and risk committee of two of these entities.

David joined the Board of The Reject Shop in May 2020.

During the last three years David has served as a director of the following other listed companies:

- Event Hospitality and Entertainment Limited (director since 2013)#
- Retail Food Group Limited (director since 2018)#
- A2B Australia Limited (director since 2020)#
- The responsible entity of the MG Listed Unit Trust (Murray Goulburn Co-operative Co. Limited) (director 2017 to 2020)

Selina Lightfoot
Non-Executive Director
Bachelor of Arts, Bachelor of Laws, Graduate Diploma in Applied Finance & Investment and Graduate of the Australian Institute of Company Directors

Selina is an experienced company director and consultant; her previous executive experience includes over 25 years as a corporate legal advisor, including 10 years as a partner at a major Australian law firm.

Selina's areas of expertise include corporate governance, mergers and acquisitions, business integration, outsourcing and commercial contracting. Through her legal roles and other directorships, Selina has been exposed to a broad range of industries, including technology, retail and manufacturing.

Selina joined the Board of The Reject Shop in August 2018 and she is a director of Hydro Tasmania, Victorian Opera and JDRF Australia.

During the last three years, Selina has served as a director of the following other listed companies:

- Nuchev Limited (director since 2016 – the entity was listed on 9 December 2019)#
- DWS Limited (director 2016 to 2020)

Nicholas (Nick) Perkins

Non-Executive Director

Bachelor of Arts, Bachelor of Laws and Graduate of the Australian Institute of Company Directors

Nick is the Managing Director and General Counsel of Kin Group Pty Ltd, which is a substantial shareholder of The Reject Shop. The Kin Group is a diversified, global, long-term focused investor with offices in Melbourne and New York.

Nick has held a variety of roles within the Kin Group, and its subsidiary businesses, for over a period of 17 years, including 10 years as the General Counsel of Pact Group Limited.

Nick joined the Board of The Reject Shop in May 2020.

During the last three years, Nick has not served as a director of any other listed company.

Michele Teague

Non-Executive Director

Diploma of Business (Marketing) and Graduate of the Australian Institute of Company Directors

Michele is an experienced senior executive and company director; her previous experience includes managing director and marketing roles with expertise in brand, customer experience and digital.

Michele's executive career included roles with Kmart Australia, Metcash, Woolworths NZ and Air New Zealand.

Michele joined the Board of The Reject Shop in September 2017 and she is a director of Kinetic IT, a national enterprise solutions provider. Michele has previously been a director of New Zealand Rugby League.

During the last 3 years, Michele has not served as a director of any other listed company.

denotes current directorship.

Leadership Team

Andre Reich
Chief Executive Officer

Andre is recognised across the market as a high performing retail executive with extensive experience in low price general merchandise and apparel retail formats.

Andre's retail experience commenced at Myer in the mid-1990s with time in a number of roles spanning business growth roles, concessions and buying. In 2007, Andre became the CEO of Review (an Australian womenswear retail brand) and he successfully transitioned that business to new ownership.

In 2009, Andre joined Wesfarmers and played a key role in Kmart Australia's successful turnaround through his leadership of the merchandise and marketing functions. Andre was transferred to Target Australia as Chief Operating Officer in 2016 with responsibility for merchandise, sourcing, quality and marketing. Andre spent three years resetting the Target Australia business.

Andre commenced as Chief Executive Officer of The Reject Shop in January 2020.

Dani Aquilina
Chief Operating Officer

Dani has more than 20 years' experience in retail, including 12 years with The Reject Shop and 8 years with Kmart Australia.

Since joining The Reject Shop in 2007, Dani has progressed through a variety of roles within the Company and has deep knowledge and hands-on experience with most aspects of the Company. It was on this basis that Dani performed the role of acting Chief Executive Officer from May 2019 until the appointment of Andre Reich in January 2020. Dani was appointed Chief Operating Officer of the Company in January 2020 with accountability for the operations function and process and performance improvement from the factory gate to the hands of our customers.

Clinton Cahn
Chief Financial Officer

Clinton was appointed Chief Financial Officer of The Reject Shop from 1 May 2020.

Clinton joined the Company in March 2020 following roles at Crown Resorts, TPG Capital and UBS Investment Bank. At Crown Resorts, Clinton had significant strategic and financial involvement in key projects and transactions both in Australia and overseas, including the $2.2 billion Crown Sydney Hotel Resort. Clinton was also heavily involved in Crown's digital strategy and headed Crown's investor relations.

Paul Calvert
General Manager, Operations

Paul has more than 25 years of retail experience in the United Kingdom and Australia. Paul started his retail journey as a team member with his local Asda store where he filled the shelves whilst studying before working his way through the ranks to become a store manager. Paul went on to hold a variety of leadership positions in Sainsburys in both their supermarket and convenience teams.

After moving to Australia in November 2015 Paul initially worked for Woolworths in Western Australia before moving to Coles where he held several roles both in operations and store support.

Paul joined The Reject Shop in May 2020.

Michael Freier
General Counsel & Company Secretary

Michael is an experienced legal practitioner with private practice (King & Wood Mallesons in Melbourne and McCullough Robertson in Brisbane) and in-house experience (Repco in Melbourne). In private practice, Michael worked on a wide range of property transactions around the country. Since moving in-house, Michael has demonstrated experience managing property transactions, risk, corporate governance and product safety issues.

Michael has held the role of General Counsel of The Reject Shop since August 2016 and he was appointed Company Secretary on 1 September 2019.

Kate Lewis
General Manager, Human Resources

Kate has more than 25 years of experience working across large supermarket retailers where she has held both operational and human resource positions. Kate has had extensive experience in driving and executing human resource strategy across these large complex businesses. Kate's experience includes developing capability, sourcing great talent, transformation, fostering high performing teams, driving process and organisational improvement as well as achieving results in fast paced environments.

Kate joined The Reject Shop in February 2020.

Paul Rose
General Manager, Property

Paul is an experienced senior level professional with over 20 years' experience in retail property, working with major retailers and major landlords throughout Australia.

Paul held senior roles for 10 years with leading ASX listed property trusts and commercial agencies in centre management, leasing and development.

Paul then held senior property roles with Wesfarmers-owned Kmart Australia from 2009 and incorporated Target Australia from 2016. During this time, Paul was part of the property leadership team that delivered major store network growth to assist with re-positioning Kmart Australia.

Paul joined The Reject Shop in February 2020.

Carl Wilson
General Manager, Merchandise

Carl is a highly experienced retailer with extensive experience in the United Kingdom (Ted Baker and Debenhams) and Australia (Jeans West and Wesfarmers Group) working within Merchandise and Supply Chain.

For the past 13 years he has worked within the Wesfarmers Group where he contributed to the successful turnaround of Kmart Australia and the transformation of Target Australia, where he held the positions of General Manager of Planning and the General Manager of Transformation.

Carl joined The Reject Shop in February 2020.

Corporate Governance, Environmental and Social Statement

The Company and the Board are committed to maintaining high standards of corporate governance. The Company supports the intent and purpose of the ASX Corporate Governance Council's Principles and Recommendations ("ASX Principles") and complies with the requirements of the 3rd Edition, as outlined in this Corporate Governance Statement. The Company acknowledges the new recommendations and suggestions contained in the 4th Edition of the ASX Principles to come into effect for the Company's next financial year and will report against this edition in its Corporate Governance Statement in the 2020 / 2021 Annual Report.

A summary of the Company's main corporate governance practices is outlined below and were in place for the entire period, unless otherwise stated. This statement is accurate and is up to date as at 19 August 2020 and has been approved by the Board. A full copy of the Company's corporate governance, environmental and social policies and charters can be found in the 'About Us' section of the Company's website at **www.rejectshop.com.au**.

The Board of Directors

The Board operates in accordance with the Board Charter, which establishes the composition of the Board and its overall responsibilities, as summarised below:

Composition of the Board

Under the Company's Constitution and the Board Charter the following criteria must always be met:

- The Board must be comprised of at least three directors;
- The Board must be comprised of a majority of independent directors;
- The Chairman must be an independent director; and
- The Managing Director (if one has been appointed) and the Chairman are separate roles and undertaken by separate people.

There are currently five non-executive directors. Each non-executive director is individually assessed, on an annual basis, for independence based on the following criteria:

- They must not be a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;

- They have not, within the last three years, been employed in an executive capacity by the Company, or been a director after ceasing to hold any such employment;
- They have not, within the last three years, been a principal of a material professional adviser or a material consultant to the Company, or an employee materially associated with a service provider;
- They must not be a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- They must have no material contractual relationship with the Company or another group member other than as a director of the Company;
- They have not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with their ability to act in the best interests of the Company; and
- They must be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with their ability to act in the best interests of the Company.

Materiality is assessed on both qualitative and quantitative bases.

Of the five non-executive directors, four are assessed as independent in that they satisfy all criteria above.

Mr Steven Fisher and Mr Nick Perkins have each been nominated and appointed, under a nominee director protocol agreed with Allensford Pty Ltd in its capacity as trustee for the Allensford Unit Trust ("Allensford"), a substantial shareholder that is ultimately controlled by Kin Group Pty Ltd ("Kin Group"). The protocol sets out the agreed approach to the appointment of two nominee directors, the management of potential and actual conflicts of interest, including information sharing, and dealing in shares of the Company.

The Board has considered Mr Fisher's independence in light of the criteria above and satisfied itself that Mr Fisher is not associated with Allensford or Kin Group. The Board has determined that Mr Fisher is independent and that his nomination by a substantial shareholder does not materially interfere with his capacity to bring an independent judgement to bear on issues before the Board.

Mr Perkins is not considered independent by virtue of his employment with Kin Group.

The directors considered as independent are as follows:

Steven Fisher
David Grant (Appointed 1 May 2020)
Selina Lightfoot
Michele Teague

The director considered as non-independent is as follows:

Nicholas Perkins (Appointed 1 May 2020)

Details of each director's experience is contained on pages 6 and 7 and their attendance at Board and Committee meetings is contained in the Directors' Report on page 17 in this annual report.

All directors have entered into written agreements with the Company. In addition, Mr Perkins has agreed to comply with the terms of the nominee director protocol.

Responsibilities of the Board

The Board delegates responsibility for the day-to-day management of the Company to the Chief Executive Officer and leadership team, however retains responsibility for:

- establishing and reviewing the implementation of strategy;
- monitoring the performance and approving remuneration of the Chief Executive Officer and members of the leadership team;
- ensuring appropriate resources are available to achieve the Company's objectives; and
- promoting high standards of corporate governance, including overseeing the Company's risk management policies.

To enable the directors to fulfil their responsibilities, each director may, at the Company's expense and after consultation with the Chairman, seek independent professional advice.

The Chairman, in conjunction with the Remuneration and Nominations Committee, is responsible for monitoring, assessing and reviewing the Board's performance. This year the Chairman has conducted a Board performance review by way of an internal assessment, incorporating both verbal and written feedback from directors, with feedback subsequently reported by the Chairman back to the Board.

To assist in meeting its responsibilities, the Board has established the Audit and Risk Committee and the Remuneration and Nominations Committee, each with their own separate charter. Significant matters arising from these Committee meetings are tabled at the subsequent Board meeting.

Board Skills and Experience Matrix

To assist in identifying areas of focus and maintaining an appropriate and diverse mix of skills, the Board has developed a 'Board Skills and Experience Matrix' ('Board Matrix') which is represented in the table below. The Company's Board Matrix sets out the mix of skills, experience and expertise that the Board currently has. The Board benefits from the combination of directors' individual skills, experience and expertise in the areas identified below:

Board Skills and Experience Matrix (out of 5 directors)

Legal, Governance & Compliance	
Legal	2
Corporate Governance	5
Compliance	5
Operations	
Marketing	2
Retail, buying, sales & distribution	2
General management experience	5
Business development	4
Strategy	5
CEO	3
Property / store development	1
Supply chain / offshore procurement	2
Finance and Risk	
Accounting	2
Finance	4
OH&S / risk management	5
People	
Human resources	2
Remuneration	5
Technology	
Technology	2
Digital	1

Rotation of Directors

Under the Company's constitution, at least one third of the Company's directors must retire at each annual general meeting as well as any director who has served for more than three years since their last election, excluding the Managing Director (if one has been appointed).

Audit and Risk Committee

The Audit and Risk Committee operates under the Audit and Risk Committee Charter which outlines the composition and responsibilities of the Audit and Risk Committee as outlined below:

Composition of the Audit and Risk Committee

The Audit and Risk Committee Charter, in line with the recommendations outlined by the Corporate Governance Council, states that the Committee should consist of at least three members, all of whom are non-executive directors and the majority being independent directors. The chairperson must be an independent director and not the Chairman of the Board. In addition, the members of the Committee must have a working familiarity with basic finance and accounting practices, and at least one member of the Committee must have accounting or related financial management expertise. The Audit and Risk Committee currently comprises the following members:

David Grant (Chair from 1 June 2020)
Selina Lightfoot (Chair from 30 June 2019 to 31 May 2020)
Michele Teague
Steven Fisher
Nicholas Perkins

Role of the Audit and Risk Committee

The role of the Audit and Risk Committee is to assist the Board in:

- overseeing the reliability and integrity of financial and asset management;
- ensuring compliance with the Company's accounting policies, financial reporting and disclosure practices;
- monitoring internal controls including financial systems integrity and risk management; and
- maintaining the relationship with, and reviewing the work of, external auditors.

Responsibilities of the Audit and Risk Committee

- Reviewing the integrity of accounting principles adopted by management in the presentation of financial reports;
- Regularly reviewing, assessing and updating internal controls, risk management and regulatory compliance;
- Reviewing, monitoring and assessing related party transactions; and
- Monitoring the effectiveness and independence of the external auditor.

Role of the External Auditor

PricewaterhouseCoopers was appointed auditor effective 2 July 2001 and provides an annual declaration of their independence to the Audit and Risk Committee. Whilst not a member of the Audit and Risk Committee, they are invited to attend meetings. In addition, they will attend the Annual General Meeting to answer shareholder questions relating to the conduct of their audit.

Risk Management and Assessment

The Board has delegated to the Audit and Risk Committee the responsibility for overseeing the implementation of certain policies and procedures aimed at ensuring that the Company conducts its operations in a manner that manages risk to protect its people, its customers, the environment, Company assets and reputation as well as to realise business opportunities.

The Company does not have an internal audit function. However, risk identification and management is a key focus of the leadership team. Accordingly, the leadership team has designed and implemented a risk management and internal control system to manage the Company's material risks, including a comprehensive analysis of the material risks which is prepared for review by the Audit and Risk Committee.

In addition, the Company's Loss Prevention and Quality Assurance functions provide ongoing assurance to the Audit & Risk Committee and management that established procedures and requirements are being met.

Consistent with the obligations contained in section 295A of the *Corporations Act 2001* (Cth), the Chief Executive Officer and the Chief Financial Officer have made the necessary certifications to the Board.

Continuous Disclosure Policy

The Company has a Continuous Disclosure Policy which establishes the framework by which the Company will satisfy its continuous disclosure obligations as required by the Listing Rules of the Australian Securities Exchange and the Corporations Act. This policy ensures information is disclosed in a full and timely manner to enable all shareholders and the market to have an equal opportunity to obtain and review information about the Company.

The Company has a Shareholder Communication Policy which recognises the right of Shareholders to be informed of matters, in addition to those required by law, which affect their investment. In conjunction with the Company's Continuous Disclosure Policy, this policy ensures that Shareholder and financial markets are provided with information about the Company's activities in a balanced and understandable way. In addition, the Company is committed to communicating effectively with Shareholders and making it easier for Shareholders to communicate with the Company.

Link Market Services (our Registrar) enables the Company to provide these services electronically.

Annual and half year reports, media and analyst presentations, press releases, together with the broader Continuous Disclosure Policy, are available on the Company's website.

Code of Conduct

The Company has an established corporate code of conduct which forms the basis for a shared view of the Company, its mission and its ethical standards and the forms of acceptable behaviour by the leadership team and team members. After approval by the Board, this code has been adopted by all members of the leadership team. The code of conduct encourages all team members to report any breaches of the code to the leadership team or People and Culture team. In addition, the Company has a whistleblower policy which offers team members an avenue to report matters of concern on a known or anonymous basis.

The Company has a Share Trading Policy which restricts the dealing of securities by directors and team members to specified windows during the period and only with the prior approval of an authorised officer. In the case of any director, Key Management Personnel or other team member at the level of general manager intending to deal in the Company's securities, the written clearance from the Chairman is required (or the Board of Directors, where the Chairman wishes to deal in the Company's securities).

Diversity Policy

The Company recognises the importance of diversity and values differences such as age, gender, ethnicity, religion, sexual orientation, disability and cultural background at all levels of the organisation. Accordingly, the Company has developed a Diversity Policy which focuses on respecting the unique differences that individuals can bring to the business. This policy ensures the Company will continue to foster an environment that respects differences in age, gender, ethnicity, religion, sexual orientation, disability and cultural background. The Company will continue to ensure that all employment opportunities are filled and remunerated on the basis of merit and performance and not due to any known bias.

The Company is committed to building a diverse workforce and is particularly focused on gender diversity and inclusivity. The following initiatives have been set to support this focus:

- communication of the Company's Gender Diversity Statement to internal and external stakeholders;
- review the means by which the Company recruits, develops and retains female team members across the organisation;
- continue to build from our current workplace flexibility options including job sharing and/or part-time employment;
- conduct and report a gender audit to measure progress from baseline data and identify and review any specific areas of gender inequality; and
- report to the Board on a regular basis.

The following table represents the level of gender diversity within the Company and changes from the prior year:

	No. of Employees - Female 28 June 2020	No. of Employees - Total 28 June 2020	% Female	No. of Employees - Female 30 June 2019	No. of Employees - Total 30 June 2019	% Female
Board	2	5	40%	2	6	33%
Senior Executives (i)	3	10	30%	1	6	17%
Middle Management (ii)	5	16	31%	6	28	21%
Store Managers (iii)	229	387	59%	222	381	58%
All Team Members	3,709	5,461	70%	3,745	5,595	67%

(i) Senior Executives are the Chief Executive Officer and members of the leadership team (i.e. those team members that report to the Chief Executive Officer).

(ii) Middle Management includes management roles that report to members of the leadership team.

(iii) All team members include anyone employed by The Reject Shop other than members of the Board.

During July 2020, The Reject Shop lodged its annual public report with the Workplace Gender Equality Agency.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee Charter outlines the composition and responsibilities of the Remuneration and Nominations Committee.

Composition of the Remuneration and Nominations Committee

Under the Remuneration and Nominations Charter, and consistent with the Corporate Governance Council recommendations, the Committee consists of at least three members. The majority of Committee members must be non-executive directors, with the chairperson of the Committee being a non-executive director. In the last annual report, it was indicated that the functions of the Committee would be separated into two separate committees, but on further reflection, it was determined the functions be performed by one committee.

Each member of the Committee must also be independent of the management of the Company and free from any relationship that, in the business judgement of the Board, would interfere with the exercise of their independent judgement as a member of the Committee.

The Remuneration and Nominations Committee currently comprises the following members:

Selina Lightfoot (appointed Chair on 17 June 2020)
Michele Teague
Steven Fisher
David Grant
Nicholas Perkins

Role of the Remuneration and Nominations Committee

The role of the Remuneration and Nominations Committee is to review and make recommendations to the Board regarding:

- the remuneration and appointment of key management personnel, including Chief Executive Officer, and non-executive directors;
- policies for remuneration and compensation programs of the Company; and
- all equity-based compensation plans.

To adequately fulfil its role, the Remuneration and Nominations Committee obtains and considers all relevant advice and information including industry trends in remuneration policy, market rates for the positions of Chief Executive Officer, members of the leadership team and non-executive directors, and movements in general wage rates.

Information regarding director and key management personnel remuneration is provided in the Directors' Report and on pages 26 to 35 of this annual report.

Environmental and Social Statement

The Company is committed to being responsible for the impact it has on our environment and, wherever possible, engaging with our community to research and implement positive environmental outcomes.

The Company is committed to reducing our environmental footprint and our greenhouse gas emissions. Our focus is on providing a more sustainable and holistic approach to energy usage, waste disposal, recycling and the positive education of our team members in relation to the environment.

Energy Efficiency Initiatives

Lighting

In mid-2015, with increasing electricity costs and usage in its store network, the Company commenced a multi-million dollar investment into an energy saving project to insure itself against ongoing price rises and to bring down operating costs consistent with our objective of reducing our environmental footprint.

As of 28 June 2020, we have installed high-efficiency LED lighting and automated energy management systems into 308 stores. This equipment regulates lighting levels, run times and air conditioning usage. In addition, the energy management system will allow the Company to individually control power usage at each store and therefore manage its energy costs. This energy reduction equipment now forms part of our standard fit-out and will be rolled out to all new stores in the future.

In addition, the Company is also actively managing supply contracts with energy retailers on an annual basis to ensure we are obtaining the lowest unit tariff charges to support the above investment.

Air Conditioning

The Company continues with a stringent maintenance plan to ensure all equipment is running efficiently and to Australian Standards. The Company also continues to work with landlords to maximise servicing within any contractual agreements. Integration of Company-controlled air-conditioning units with the nationwide electricity optimisation program is also driving some significant benefits.

Reducing Waste and Recycling

The Company is increasing its engagement with its contracted waste company in order to improve its recycling capabilities. Increased plastic and cardboard recycling across the store network has been a focus. Further reductions in the usage of plastic and cardboard are also being sought further up the supply chain.

Sustainable Awareness and Fit-out

The Company continues to review more sustainable material options for use in building, fitting out and refurbishing our stores. Multiple programs to increase the efficiency of stock delivery and reducing packaging wastage are currently being reviewed.

Ethical Sourcing Policy

The Company has developed an Ethical Sourcing Policy which is available within the Investors (Corporate Governance) Section of the Company website **www.rejectshop.com.au**.

The policy incorporates both environmental and socioeconomic criteria for all local and imported products sourced directly or through agents. The policy encourages trade partners and agents to improve their social and environmental practices as well as protect our corporate reputation and that of their individual businesses and brands.

Directors' Report

Your directors present their report on the Company and its subsidiaries for the financial period ended 28 June 2020.

Directors

The directors of The Reject Shop Limited during the whole of the financial period and up to the date of this report, unless otherwise stated below, were:

Steven Fisher
Non-Executive Director
Chairman of the Board (appointed 1 October 2019), Member of the Audit and Risk Committee and Member of the Remuneration and Nominations Committee.

David Grant (Appointed 1 May 2020)
Non-Executive Director
Chairman of the Audit and Risk Committee (appointed 1 June 2020) and Member of the Remuneration and Nominations Committee.

Selina Lightfoot
Non-Executive Director
Chair of the Audit and Risk Committee (until 31 May 2020), Member of the Audit and Risk Committee (from 1 June 2020), Member of the Remuneration and Nominations Committee (30 June 2019 to 16 June 2020) and Chair of the Remuneration and Nominations Committee (appointed 17 June 2020).

Nicholas Perkins (Appointed 1 May 2020)
Non-Executive Director
Member of the Audit and Risk Committee and Member of the Remuneration and Nominations Committee.

Michele Teague
Non-Executive Director
Member of the Audit and Risk Committee and Member of the Remuneration and Nominations Committee.

Jack Hanrahan (Resigned 15 October 2019)
Non-Executive Director
Member of the Audit and Risk Committee and Chairman of the Remuneration and Nominations Committee.

William J Stevens (Retired 16 October 2019)
Non-Executive Director
Chairman of the Board (resigned 30 September 2019), Member of the Remuneration and Nominations Committee and Member of the Audit and Risk Committee.

Zachary Midalia (Resigned 30 April 2020)
Non-Executive Director
Member of the Audit and Risk Committee and Member of the Remuneration and Nominations Committee.

For the financial period ended 28 June 2020, the details of the experience and expertise of the current directors and the Company Secretary are outlined on pages 6 to 9 of this annual report.

Meetings of Directors

The number of meetings of the Board of Directors and Committees held during the period ended 28 June 2020, and the number of meetings attended by each director, were:

Director	Director meetings		Audit & Risk Committee meetings		Rem-uneration & Nominations Committee meetings	
	A	B	A	B	A	B
S Fisher	21	21	4	4	3	3
M Teague	21	21	4	4	3	3
S Lightfoot	21	21	4	4	3	3
D Grant	2	2	0	Y Y	1	1
N Perkins	2	2	0	YY	1	1
J Hanrahan	4	4	2	2	2	2
WJ Stevens	4	5	2	2	2	2
Z Midalia	18	18	4	4	2	2

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the period
YY – No meetings held during the time the director held office during the period

Principal Activities

The principal activities of the consolidated entity during the financial period were the retailing of discount variety merchandise and no significant change in the nature of these activities occurred during the period.

Operating and Financial Review

The Operating and Financial Review, forms part of the Directors' Report, on pages 18 to 25.

Significant Changes in the State of Affairs

There has been no material change in the state of affairs of the Company or the consolidated entity.

Matters Subsequent to the End of the Financial Period

The Company and the Australia and New Zealand Banking Group (ANZ) have agreed to extend the Company's existing banking facilities to now expire in August 2021 (previously March 2021). The limits for the banking facilities are as follows:

- interchangeable facility: $10 million; and
- seasonal facility: $20 million (the seasonal facility can only be used between October and December each year; the Company is required to deposit $5 million with ANZ when the seasonal facility is being used).

The COVID-19 pandemic continues to impact the Australian economy and retail sector. During July and August 2020, various State governments in Australia implemented new restrictions, which vary by State. While the future impact and duration of the COVID-19 pandemic (and any associated State government restrictions) on the Company is currently unknown, the pandemic may affect the Company's operations and results.

Otherwise no other matters or circumstances have arisen since the end of the financial period which significantly affect or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

Environmental Regulation

The Company is not involved in any direct activities that have a marked influence on the environment within its area of operation. As such, the directors are not aware of any material issues affecting the Company or its compliance with the relevant environmental agencies or regulatory authorities.

Dividends – The Reject Shop Limited

No dividends were paid to members during the financial period. Since the end of the financial period, no dividend has been declared.

The Company's dividend reinvestment plan is not currently active.

Insurance of Officers

The Company has paid premiums to insure all directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

During the financial period, the Company paid a premium of $399,979 to insure the directors and officers of the Company.

Proceedings on behalf of the Company

No proceedings have been brought or intervened in on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001*.

Rounding of Amounts

The Company is a kind referred to in *ASIC Corporations (rounding in financial/ directors' report) Instrument 2016/191*, issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the directors' and financial reports. Amounts in these reports have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain specified cases, to the nearest dollar.

Overview of Operations

The Company operates in the discount variety retail sector in Australia.

The ongoing development of the merchandise product ranges to meet customer needs is a key focus.

Our store locations continue to be one of the key strengths of the Company, providing our customers with convenient access to our offer. We expect to continue to open new stores in locations that reach new customers and close non-profitable locations. We continue to focus on capturing improved lease terms and new store locations for the Company to ensure we are well positioned to meet the needs of our customers into the future.

During the year, the Company opened six new stores, relocated two stores and closed nine stores, resulting in a national store footprint totalling 354 stores by the end of the year.

Overview of Financial Performance

$ Amounts are $m / % to Sales	FY20 Statutory[i]	FY19 Statutory (Pre AASB 16)
Sales	820.6	793.7
Gross Profit[ii]	41.7%	42.2%
Cost of doing business[ii]	26.7%	39.9%
EBITDA[ii]	**123.4**	18.2
Depreciation and Amortisation	(113.4)	(19.6)
EBIT[ii]	**10.0**	(1.4)
Impairment charge	(0.7)	(21.9)
EBIT after impairment[ii]	**9.3**	(23.3)
Net Interest Expense	(7.7)	(0.7)
Profit / (Loss) Before Tax	**1.6**	(24.1)
Income Tax (Expense) / Benefit	(0.5)	7.2
Net Profit After Tax / (Loss)	**1.1**	(16.9)

(i) The Statutory results for FY20 reflect the adoption of the new Accounting Standard AASB 16 Leases. The Company has adopted AASB 16 using the modified retrospective approach and, as a result, prior period comparatives have not been restated.

(ii) Non IFRS measure and unaudited.

FY20 Performance

Sales in FY20 increased by $26.9 million or 3.4% on the prior period to $820.6 million. Comparable store sales growth was 3.5% (first half: 0.5%; second half: 7.1%).

Second half comparable store sales growth was mainly driven by strong customer demand for 'essential' and 'stay at home' products during the first wave of COVID-19 in Australia. These products included grocery, cleaning, toiletries and pet care as well as craft and stationery, toys, garden, furniture, electronics, hardware and kitchen. However, certain traditionally strong performing categories experienced a decline in sales during the second half due to COVID-19 restrictions. These products included Easter-related products, luggage, party/events as well as cards and wrap.

All States showed positive comparable store sales growth in FY20.

Due to changes in accounting for leases, gross profit, cost of doing business (CODB), EBITDA, EBIT and net profit after tax (NPAT) are not directly comparable.

Gross profit was $342.4 million with a gross margin of 41.7%. The margin decline during the year reflects the product mix shift that occurred during the second half towards lower margin, higher volume consumables and away from higher margin general merchandise.

The margin decline also incorporates the impact of markdowns taken on aged/clearance inventory during the fourth quarter as well as an increase in the net realisable value (NRV) provision of $0.9 million in relation to further markdowns planned for FY21. Supply chain costs, which are incorporated in gross profit, were also higher compared to the prior period due to the sales growth achieved in the second half. Gross profit benefited in the second half from an improvement in shrinkage, which reflects the initial benefit from security barrier gate installations in approximately 90 stores, with a further 110 gates expected to be installed during the first half of FY21.

CODB (consisting of store and administrative expenses but excluding depreciation and amortisation) was $219.1 million. CODB as a percentage of sales was 26.7%. CODB savings achieved during the year included the optimisation of in-store labour, which resulted in store labour reducing to 14.5% of sales (compared to

15.4% in the prior period). Store occupancy costs were flat at approximately 14% of sales, with CPI increases partially offset by rent reductions on renewals. Other store costs were well controlled and marketing spend was reduced.

CODB includes $1.9 million in redundancy costs as well as $1.9 million of costs associated with moving the annual stocktake from July 2020 to June 2020, resulting in two full annual stocktakes occurring during the year (compared to one in the prior period). The head office was restructured in April 2020, which resulted in an approximately 20% reduction in headcount at head office (or 12.5% reduction net of new hires). The Reject Shop did not receive any wage subsidies under the JobKeeper program during the year.

The Company generated EBITDA of $123.4 million and EBIT of $9.3 million. Statutory NPAT for FY20 was $1.1 million, which compares to a loss of $(16.9) million in the prior period.

New Leases Accounting Standard (AASB 16 *Leases*)

AASB 16 *Leases* became effective for the Company from 1 July 2019.

As disclosed in further detail on page 50 of these accounts, the adoption of the new standard has had a material impact on the financial statements, albeit the cash flows of the business will not be impacted at all.

Dividends

The Company did not declare any dividends during the year.

Financial Position and Capital Investment

The combination of sales growth during the initial phase of COVID-19, solid working capital management and a moderated capital expenditure program has resulted in free cash flow increasing from $(1.9) million in the prior period to $61.6 million in financial year 2020.

After taking into account free cash flow, net equity raising proceeds of $24.1 million and net repayment of borrowings of $19.5 million, the Company's net cash position at 28 June 2020 is $92.5 million with no drawn debt. This compares to a net cash position of $6.8m at 30 June 2019.

Inventory was significantly reduced during the year and closed at $70.9 million, representing a 36% reduction from $110.8 million in the prior period. This reflects markdowns taken to aged/clearance inventory in the fourth quarter of FY20, with aged inventory levels reducing to 5.6% of total inventory (previously 9.2%). Rationalisation of the number of different types of products within the range has commenced, reducing to approximately 10,000.

As at the balance date, the Company does not have any drawn debt.

Store Network Plans

The Company will continue to restructure its store portfolio. Currently, three new stores are planned for FY21, and an expected four closures. The Company will also look to perform refurbishments on selected stores.

Overview of retail industry trends and supply chain

The Australian retail sector is in a state of flux with the COVID-19 pandemic creating uncertainty. The COVID-19 pandemic has adversely impacted a number of retailers and, in a number of prominent and well publicised cases, some retailers have closed. For others, the COVID-19 pandemic created an opportunity.

E-commerce continues to evolve and become more prominent although bricks and mortar remains the largest component of the retail landscape.

It is expected that economic conditions will remain challenging in the short-term with unemployment increasing, consumer confidence potentially weakening and traditional spending behaviour changing. The easing of COVID-19 restrictions in some jurisdictions and increased government fiscal expenditure provide some support, but the Australian retail sector is likely to face headwinds on its path to recovery.

Within this context, the discount variety sector contains a range of challenges. The greatest challenge concerns competitor activity. Competition comes from a range of areas, including:

a) regionally based discount variety chains;

b) a multitude of single owner-operator discount variety businesses;

c) discount department stores;

d) supermarkets, particularly larger national chains; and

e) various e-commerce participants, including international and national businesses.

Competitor activity is focused on price competition and store location. The Company remains determined to be a leader in providing every day low prices on our core merchandise offerings in convenient locations. The Company is well positioned to respond to changing levels of consumer spending amid a potential economic downturn.

Business Risks

There are a number of factors, both specific to the Company and of a general nature, which may threaten both the future operating and financial performance of the Company and the outcome of an investment in the Company. There can be no guarantee that the Company will achieve its stated objectives, that it will meet trading performance expectations, or that any forward-looking statements contained in this report will be realised or otherwise eventuate.

The operating and financial performance of the Company is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest and exchange rates, access to debt and capital markets and government fiscal, monetary and regulatory policies. A prolonged deterioration in general economic conditions, including increases in interest rates or a decrease in consumer and business demand, may have an adverse effect on the Company's business or financial position.

The specific material business risks faced by the Company, and how the Company manages these risks, are set out below:

1. COVID-19

The COVID-19 pandemic has created uncertainty and volatility internationally and domestically. This uncertainty and volatility includes: the evolving restrictions imposed by the government which continue to evolve to deal with COVID-19; international and domestic economic conditions; interest rates; employment levels; consumer demand; consumer and business sentiment; government fiscal, monetary and regulatory policies. Additionally, the duration of the pandemic is uncertain.

The impact of COVID-19 on the Company has taken a number of different forms in different parts of the Company's operations. The initial outbreak of COVID-19 impacted the Company's international supply chain in China, which resulted in short delays or cancellations of orders from international suppliers or manufacturers of products to be purchased by the Company. The spread of COVID-19 throughout Australia, and the associated restrictions imposed by authorities, created challenges for the Company to source products domestically and around its ability to continue to operate from its retail network and distribution centres.

In general, the Company was able to successfully operate through the initial phase of the COVID-19 pandemic due to being able to provide a safe and clean shopping environment for team members and customers through additional cleaning, taking additional safety measures and complying with the health advice provided by authorities. The Company was required to close six stores in North-West Tasmania between 13 April and 3 May 2020 due to restrictions imposed by the Tasmanian Government.

As the COVID-19 pandemic continues to evolve, the Company's financial performance depends on its ability to operate and manage uncertainty across its entire operation.

2. New and existing store growth

The growth strategy of the Company is dependent upon its ability to generate growth from its existing stores and to open new stores in accordance with its expansion strategy. Generating growth from existing stores will be dependent on a number of factors, including improving supply chain efficiencies, stock levels and appropriate sourcing of products. The opening of new stores from time to time will depend on the availability of suitable sites and the ability of the Company to negotiate acceptable lease terms. These factors will therefore impact on the ability of the Company to successfully implement its growth strategy.

The Company has appointed an experienced and capable property team to manage its property expansion strategy.

3. Competition

The Company operates a retail model where price and value are critical to the customers it serves. The market in which the Company operates is highly competitive and is subject to changing customer demand and preferences, with competition based on a variety of factors including merchandise selection, price, parallel importing, marketing and customer service. The Company closely monitors price and quality to ensure it maintains its competitive stance. The Company's financial performance or operating margins could be adversely affected if its competitors develop competitive advantages over it or engage in aggressive product discounting, if new competitors enter the market or if the Company fails to successfully respond to changes in the market. Market consolidation or future acquisitions could also result in further competition and changes to retail margins and market share, which could negatively impact the Company's financial performance or operating margins.

The Company has developed a comprehensive three-phase strategy to respond to the competitive environment. A key component of the three-phase strategy concerns the ongoing development of the merchandise range to meet customer needs.

4. Consumer discretionary spending

The Company is exposed to consumer spending patterns but operates an everyday low price proposition and positions itself in convenient locations to maximise sales potential at all times. As many of the Company's products are consumable goods, sales levels are sensitive to customer sentiment. The Company's product range and its financial operation and performance may be affected by changes in consumer disposable incomes, confidence and demand, including as a result of changes to economic outlook and interest rates.

5. Financial performance and costs

The Company earns the majority of its EBIT and NPAT in the first six months of its financial year. This is due mainly to significant sales attributable to the number of high-profile seasonal events in the first half of the financial year. Sustained poor trading performance at any time during major seasonal events, such as Christmas, may have a material impact on the profitability of the Company. A significant proportion of the Company's operating costs are fixed in nature. As a result, a significant shortfall in sales during any period could result in an adverse impact on the Company's profitability. At the same time, the Company is subject to increases in the cost of operating its business, with annual cost escalations being built into the enterprise agreements in place for its store and distribution centre staff as well as its lease agreements for both stores and distribution centres. While the Company's increasing scale as well as improving operating efficiencies and strong lease negotiations have to some extent offset some of these cost increases, such increases would also impact on profitability.

The Company's future financial performance is dependent, to a certain extent, on the level of capital expenditure that is required to maintain its business. Any significant unforeseen increase in the capital expenditure would impact its future cash flow.

6. Financing risks

Historically, the Company has relied on a working capital facility with the ANZ Bank, which requires an annual review. While the annual review requirement is consistent with the terms on which the Company's bank facilities have been made available in recent years, there is a risk that the financier will not agree to renew its bank facilities with the Company in the future. Likewise, the bank may only renew such bank facilities on terms which are not acceptable to the Company. An inability of the Company to renew these facilities may affect the Company's financial performance and position in the future. Further, should the Company be unable to satisfy the terms, conditions and relevant covenants under its bank facilities, the Company would be in breach of those facilities and, amongst other things, may need to source funding from alternative sources. As outlined on page 18, the Company and the ANZ Bank have agreed to extend the Company's existing banking facilities to now expire in August 2021 (previously March 2021).

7. Employment laws

The Company is mindful of recent instances in the Australian retail and hospitality sectors where there has been non-compliance with statutory and award obligations (including payment obligations) owed by employers to employees. The Company has processes in place to monitor compliance with employment laws and takes its obligations to its workforce seriously.

8. Supply risk

The Company and its suppliers are subject to various risks which could limit the Company's ability to procure sufficient supply of products. As a consequence of the fact that the Company relies significantly on a mixture of Australian sourced and imported products from outside Australia, the Company is exposed to various risks in relation to its supply chain. Outbreaks of pandemics or diseases and, in particular, the recent outbreak of COVID-19, could potentially have a detrimental financial impact on the Company's business.

The Company remains focussed on other risks relating to its international supply chain. Other such risks include modern slavery, political instability, increased security requirements for foreign goods, costs and delays in international shipping arrangements, imposition of taxes and other charges as well as restrictions on imports. The Company is also exposed to risks related to labour practices, environmental matters, disruptions to production and ability to supply, and other issues in the foreign jurisdictions where suppliers operate. More generally, risks which could limit the Company's ability to procure sufficient supply of products include raw material costs, inflation, labour disputes, union activities, boycotts, financial liquidity, product merchantability, safety issues, natural disasters, disruptions in exports, trade restrictions, currency fluctuations and general economic and political conditions. Any of these risks, individually or collectively, could materially adversely affect the Company's financial and operational performance.

In response to the requirements of the *Modern Slavery Act* 2018 (Cth), the Company is currently developing a modern slavery policy framework, conducting due diligence and assessing the risk of modern slavery within the Company's operations and supply chain. The Company will publish a mandatory public statement in accordance with the legislation during the course of FY21.

Separately, there is a risk that any change in the Company's relationships with key suppliers (including a supplier seeking to terminate the relevant agreement) may result in the Company being unable to continue to source products from existing suppliers, and in the future, to source products from new suppliers, at favourable prices, on favourable terms, in a timely manner and in sufficient volume. The Company cannot guarantee that its existing arrangements with key suppliers will be renewed, or renewed on terms similar to their current terms. The loss or deterioration of the Company's relationships with suppliers, or an inability to negotiate agreements with new suppliers on terms which are not materially less favourable than existing arrangements, may have a material adverse effect on the Company's financial and operational performance.

9. Property portfolio management

Lease costs represent a significant proportion of the overall operating cost base of the Company.

The Company's stores and distribution centres are leased and therefore subject to negotiation at the end of each lease term. While the potential impact of a single store closure is mitigated by the number of stores the business now operates, there is no guarantee any store or distribution centre will be renewed at the end of each lease term on terms acceptable to the business.

The business actively manages its store portfolio against established financial and operational criteria which must be met for both new and existing stores.

Each of the Company's distribution centres is operated either by the Company itself or by a third party. In either case, there is a risk that, due to circumstances outside the control of the Company, stock located at the distribution centre could be damaged, or that access to the distribution centre could be restricted, meaning that such stock is unable to be retrieved. This could have a material adverse effect on the Company's financial and operational performance.

The Company has appointed an experienced and capable property team to manage its property portfolio.

10. Merchandising sourcing and management

The Company relies on its ability to anticipate and meet the needs of its target customers and purchases products accordingly. Misjudgements in demand and trends or changes in consumer preferences could result in overstocked inventory and the sale of products below originally anticipated selling prices, which may in turn have an adverse impact on cash flows and profitability.

The Company's merchandise team actively manage the Company's inventory to avoid inventory becoming overstocked or selling below anticipated prices.

11. Reliance on key personnel

The Company is reliant on retaining and attracting quality senior executives and other team members who provide expertise, experience and strategic direction in operating the business. The responsibility of overseeing day-to-day operations and the management of the Company is concentrated amongst a number of key senior personnel. The leadership team is led by a new Chief Executive Officer who has recently been appointed to lead the implementation of the current strategy for the business. The loss of the services of any of those key team members (for any reason whatsoever) or the inability to attract new qualified personnel, could adversely affect the Company's operations.

Additionally, successful operation of each of the Company's stores depends on its ability to attract and retain quality team members. The Company has over 5,000 team members across its stores and distribution centre network. Competition within the Australian retail market, as well as other factors such as changing demographics or employment laws could increase the demand for, and cost of hiring, quality team members. The Company's financial and operational performance could be materially adversely affected if it cannot attract and/or retain quality team members for its stores.

The Company is developing a comprehensive recruitment and retention strategy, which is aimed at providing meaningful employment through many (and varied) career opportunities within the Company.

12. Exchange rate

The Company relies significantly on imported products (either directly purchased by the business or indirectly through local or overseas wholesalers) the costs of which are denominated in foreign currencies and as a result the cost of product and retail sales prices can be subject to movements in exchange rates. The Company mitigates against movements in exchange rates through the use of forward cover. If the Company is unable to alter pricing due to uncovered movements in exchange rates, this may have a material impact on its financial performance.

13. Product liability exposure

The Company purchases and sells over 12,000 different products on an annual basis, all of which must be fit for purpose and compliant with the Australian Consumer Law. Notwithstanding the compliance protocols established by the Company and insurance arrangements, there is a risk that a product may breach relevant consumer law, the implication of which could have a material impact on the Company's business and performance.

The Company's success in generating profits and increasing its market share is also based on the success of the key brands which it distributes and sells, including third party branded products. Reliance on these key brands has the potential to make the Company vulnerable to brand or reputational damage from any negative publicity, product tampering or recalls. This may also increase the rise of stock and asset write downs.

The Company has a comprehensive product compliance program in place. The quality assurance team continues to enhance and refine the program and is focused on ensuring that the Company complies with its product compliance obligations.

14. Occupational health and safety

The Company has over 5,000 team members across its stores and distribution centre network, as well as thousands of customers who visit its stores nationwide. The business has a national occupational health and safety ("OH&S") function, supported by OH&S representatives in appropriate geographic locations to oversee the application of OH&S policies and work safe procedures across the business.

Notwithstanding the above, given that the Company operates more than 350 stores in Australia, there is always a risk that a personal injury claim or otherwise may occur to a customer or employee due to unforeseen circumstances. Any claim relating to an accident which occurs in any of the Company's stores could materially affect the Company's brand and reputation, as well as its businesses, operating and financial performance.

15. Information technology

The Company's management information and other information technology systems are designed to enhance the efficiency of the Company's operations. If any of these systems are not maintained sufficiently or updated when required, or if disaster recovery processes are not adequate, system failures may negatively impact on the Company's business and performance.

There is a risk that a general technological development will involve costs which are disproportionate to previous generation technologies.

The Company is currently reviewing its technology architecture and infrastructure to ensure that the technology system supports the Company's three-phase strategy.

16. Markets and Liquidity

The market price of the Company's shares will fluctuate due to various factors, many of which are non-specific to the Company, including the number of potential buyers or sellers of the Company's shares on the Australian Securities Exchange ("ASX") at any given time, recommendations by brokers and analysts, Australian and international general economic conditions, inflation rates, interest rates, changes in government, fiscal, monetary and regulatory policies, commodity prices, global geo-political events and hostilities and acts of terrorism, and investor perceptions. In the future, these factors may cause the Company's shares to trade at a lower price.

In addition, the Company currently has a small number of substantial shareholders on its share register. There is a risk that these shareholders may sell their shares at a future date. This could cause the price of the Company shares to decline.

There may be few or many potential buyers or sellers of the Company shares on the ASX at any given time. This may affect the volatility and/or the market price of the Company's shares and/or the prevailing market price at which shareholders are able to sell their shares in the Company.

17. Litigation

The Company is subject to the usual business risk that litigation or disputes may arise from time to time in the course of its business activities. These may include claims, disputes, inquiries and investigations involving customers, team members, landlords, suppliers, government agencies/authorities, regulators or other third parties. There can be no assurance that legal claims will not be made against the Company, or that the Company's insurance will be adequate to cover liabilities resulting from any such claims. Any successful claim against the Company may adversely impact its future financial performance or position as well as its reputation and brand.

The Company has a comprehensive risk framework in place to respond to the actual or potential risk of litigation.

18. Reputational risk

The risks that have been identified in this annual report may individually or collectively materially affect the Company's brand and reputation, which may in turn adversely impact on the Company's operating and financial performance. The Company has developed a comprehensive system of managing risk to protect its people, its customers, the environment, Company's assets and reputation as well as to realise business opportunities. The Company has a very low tolerance for any activities that could materially damage its brand or reputation although the Company accepts that it may periodically have temporary negative publicity.

Remuneration Report

The remuneration report is set out in the following sections and includes remuneration information for The Reject Shop Limited's non-executive directors, executive directors and key management personnel:

A – Principles used to determine the nature and amount of remuneration
B – Details of remuneration
C – Service agreements
D – Share-based compensation
E – Additional information

The information provided in this remuneration report has been audited as required by section 308 (3C) of the *Corporations Act 2001*.

A – Principles used to determine the nature and amount of remuneration

The objective of the Company's Remuneration and Nominations Committee is to ensure that directors and executives are remunerated fairly and within accepted market and industry ranges. The composition, role and responsibility of this Committee is outlined in the Corporate Governance Statement on page 15 of this annual report.

Officers and executive remuneration structure

The executive remuneration and reward framework has four components:

- Base pay and benefits;
- Other remuneration such as superannuation payments;
- Short-term cash rewards; and
- Long-term rewards through participation in the Company's Performance Rights Plan.

The framework seeks to align executive reward with achievement of strategic objectives and the creation of value for shareholders. The objective of the Company's executive reward framework is to ensure every payment, either monetary or in the form of equity, is on the basis of reward for performance and is appropriate for the results delivered. The Board ensures the Company follows appropriate corporate governance in establishing executive remuneration including reference to external remuneration consultants and/or available market information.

Base pay and benefits

Executive salaries are structured as a total employment cost package which may be delivered as a mix of cash and non-monetary benefits at the executive's discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for senior executives is reviewed annually to ensure competitiveness with the market. There are no guaranteed base pay increases in the contracts of any of the senior executives. The Company has a formal process by which the performance of all senior executives is reviewed. An executive's pay is also reviewed on promotion.

Executive benefits made available are car allowances, private use of Company owned vehicles (disclosed as non-monetary benefits) and salary sacrifice superannuation arrangements.

Short term cash rewards (STR)

For FY20, the Remuneration and Nominations Committee determined that one member of the Key Management Personnel will receive 50% of their potential STR. As announced on 9 December 2019, the Chief Executive Officer was not eligible for an STR during FY20.

For FY20, the STR for key management personnel was determined based on improving the Lost Time Injury Frequency Rate (10% weighting) and financial performance through achieving budgeted EBIT (90% weighting). If these STR targets are achieved, payments of 22.5% of total fixed remuneration are eligible to be made. The audited financial report remains the basis for measuring achievement against the financial performance targets.

Long Term Rewards

Performance Rights Plan

The Company implemented the Performance Rights Plan on 27 April 2004, to form the basis of The Reject Shop's ongoing long-term incentive scheme for selected team members. These performance rights involve the payment of a total of $1.00 exercise price for each tranche granted and exercised on a particular day, regardless of the number of rights exercised on that day.

Criteria for periods prior to FY20:

The financial criteria upon which the performance rights are eligible to vest consist of the following hurdles, which are independently measured over a three-year period:

- Weighting of 50% – Earnings Per Share compound growth of at least 10% per annum;
- Weighting of 25% – Improved Earnings Before Interest, Income Tax, Depreciation and Amortisation (EBITDA) of at least 0.15% to sales per annum; and
- Weighting of 25% – Return on Average Capital Employed of at least 20% per annum.

The Board retains the right to reassess all aspects of the vesting conditions for future performance rights grants.

The number of performance rights issued is based on 22.5% of the total fixed remuneration divided by the weighted average share price for the period 30 days before and 31 days after the end of the financial period in which the rights are granted. For financial reporting purposes, the value of each right granted at grant date is measured using a Black-Scholes option pricing model. The audited financial report is the basis for measuring achievement against the financial performance target.

For the performance rights tranche granted in respect of the 2017 financial year, and due to vest on 28 June 2020, the Remuneration and Nominations Committee has determined that none of the performance rights will vest. This is on the basis that the Company has not achieved the performance criteria as set out above.

Criteria for FY20:

The need to stabilise the Company during FY20, and the commencement of the process of 'fixing' the business, required the Company to develop new criteria for the long-term incentive scheme for a small number of team members, including the Key Management Personnel (excluding the Chief Executive Officer).

The financial criteria upon which the performance rights are eligible to vest concern the Company meeting budgeted EBIT in FY20 and the relevant participants being employed by the Company when the Performance Rights are exercised (1 July 2022).

The Board retains the right to reassess all aspects of the vesting conditions for future performance rights grants.

The number of performance rights issued is based on 22.5% of the total fixed remuneration divided by the weighted average share price for the period 30 days before and 31 days after the end of the financial period in which the rights are granted. For financial reporting purposes, the value of each right granted at grant date is measured using a Black-Scholes option pricing model. The audited financial report is the basis for measuring achievement against the financial performance target.

One-off allocation

In addition, and subject to defined service periods, the Board granted performance rights with no financial criteria as a one-off allocation to certain key management personnel during the course of FY20.

As announced on 9 December 2019, the Chief Executive Officer received a one-off allocation of 300,000 performance rights, which will vest as follows:

a) 50% on 14 January 2023;
b) 25% on 14 January 2024; and
c) 25% on 14 January 2025.

Other members of the key management personnel received a one-off allocation totalling 150,000 performance rights on 1 September 2019 in order to retain their services for at least a one to two year period.

For FY21:

The Remuneration and Nominations Committee is currently in the process of implementing a revised incentive scheme for a small number of team members, including Key Management Personnel, in relation to FY21. The incentive scheme will include both a short-term cash rewards component as well as a long-term rewards component through participation in the Company's Performance Rights Plan. The revised incentive scheme is being designed to:

- incentivise key executives to outperform Board expectations during the 'fix' phase of the turnaround strategy;
- align the interests of key executives with shareholders by rewarding for long-term share price appreciation; and
- incentivise key executives to remain with the Company during the turnaround and for longer-term growth.

Targets for eligibility will include measurement against over-performance of EBIT targets and in the case of long term rewards, EPS growth.

B – Details of remuneration

Directors' fees

The current aggregate limit for directors' fees is $950,000 per annum (FY2019 : $950,000) with a base fee payable (including superannuation) to the Chairman of $206,205 per annum (FY2019 : $206,205) and to a non-executive director of $120,438 per annum (FY2019 : $120,438). The Chairman's remuneration is inclusive of Committee fees while non-executive directors who take on additional responsibilities receive additional fees (Chairman of Audit and Risk Committee: $6,180 (FY2019 : $6,180), Chairman of Remuneration and Nominations Committee: $5,150 (FY2019 : $5,150)). The Managing Director (if one had been appointed) does not receive directors' fees.

Directors' fees are reviewed annually, with external remuneration consultants providing advice, as the need arises, to ensure fees reflect market rates. There are no guaranteed annual increases in any director's fees. Any increase in the aggregate limit for directors' fees must be approved at the Company's Annual General Meeting.

Non-executive directors do not participate in the short or long-term incentive schemes.

Executive Remuneration

The following executives, along with the directors, as detailed on page 17 of the Directors' Report, were the key management personnel with the responsibility and authority for planning, directing and controlling the activities of the Company and the consolidated entity, during the financial period:

Andre Reich
- Chief Executive Officer (commenced on 13 January 2020)

Dani Aquilina
- Acting Chief Executive Officer (commenced on 23 May 2019 and concluded on 12 January 2020)
- Chief Operating Officer (commenced on 13 January 2020)

Darren Briggs
- Chief Financial Officer (left the Company on 30 April 2020)

All of the above persons were employed by The Reject Shop Limited and were key management personnel for the entire period ended 28 June 2020 and the period 30 June 2019 unless otherwise stated.

As indicated in the Annual Report for 2018/2019, the Company conducted a review of the key management personnel. Following that review, the Board has determined that, from 1 July 2019, not all members of the leadership team will meet the definition of key management personnel. For those personnel who were previously considered to be key management personnel in the prior period, their remuneration has been disclosed in the comparatives in this report.

Details of the remuneration of the directors and other key management personnel of The Reject Shop Limited and the consolidated entity, including related parties, for the current and prior financial periods are set out in the following tables:

2020	SHORT-TERM BENEFITS			POST EMPLOY-MENT BENEFITS	OTHER BENEFITS	SHARE-BASED BENEFITS			
	Cash salary and fees	Cash Rewards	Non-monetary benefits	Super-annuation	Other	Perform-ance Rights	Other	Total	Proportion of Annualised Remuneration as performance related
Name	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Non-executive Directors									
WJ Stevens (i)	52,127	-	-	4,952	-	-	-	57,079	-
M Teague	109,989	-	-	10,449	-	-	-	120,438	-
S Lightfoot	115,149	-	-	10,939	-	-	-	126,088	-
J Hanrahan (ii)	36,411	-	-	-	-	-	-	36,411	-
S Fisher	168,582	-	-	16,015	-	-	-	184,597	-
Z Midalia (iii)	99,813	-	-	-	-	-	-	99,813	-
D Grant (iv)	18,737	-	-	1,780	-	-	-	20,517	-
N Perkins (iv)	19,962	-	-	-	-	-	-	19,962	-
Total Non-Executive Directors	**620,770**	**-**	**-**	**44,135**	**-**	**-**	**-**	**664,905**	**-**
Other Key Management Personnel									
A Reich (v)	369,523	-	-	10,501	-	72,276	-	452,300	-
D Aquilina (vi)	542,765	168,390	-	21,003	-	117,621	-	849,779	21.9%
D Briggs (vii)	355,157	-	-	21,002	115,427	63,385	-	554,971	11.4%
Total Other Key Management Personnel	**1,267,445**	**168,390**	**-**	**52,506**	**115,427**	**253,282**	**-**	**1,857,050**	**-**
Total	**1,888,215**	**168,390**	**-**	**96,641**	**115,427**	**253,282**	**-**	**2,521,955**	**-**

(i) WJ Stevens retired as a Director on 16 October 2019.
(ii) J Hanrahan resigned as a Director on 15 October 2019.
(iii) Z Midalia resigned as a Director on 30 April 2020.
(iv) D Grant and N Perkins were each appointed Directors on 1 May 2020.
(v) A Reich was appointed Chief Executive Officer on 13 January 2020.
(vi) D Aquilina concluded the role of Acting Chief Executive Officer on 12 January 2020 and commenced as Chief Operating Officer on 13 January 2020. D Aquilina's cash rewards during the period included a retention payment of $100,000 and short term cash rewards of $68,390.
(vii) D Briggs left the Company on 30 April 2020 and received an exit payment of $115,427.

2019	SHORT-TERM BENEFITS			POST EMPLOY-MENT BENEFITS	OTHER BENEFITS	SHARE-BASED BENEFITS			
	Cash salary and fees	Cash Rewards	Non-monetary benefits	Super-annuation	Other	Perform-ance Rights	Other	Total	Proportion of Annualised Remuneration as performance related
Name	$	$	$	$	$	$	$	$	%
Non-executive Directors									
WJ Stevens	188,315	-	-	17,890	-	-	-	206,205	-
M Teague	109,989	-	-	10,449	-	-	-	120,438	-
KJ Elkington (i)	77,362	-	-	7,349	-	-	-	84,711	-
S Lightfoot (ii)	96,014	-	-	9,132	-	-	-	105,146	-
M Campbell (iii)	39,125	-	-	3,717	-	-	-	42,842	-
J Hanrahan (iv)	68,015	-	-	-	-	-	-	68,015	-
S Fisher (v)	4,628	-	-	440	-	-	-	5,067	-
Z Midalia (v)	5,656	-	-	-	-	-	-	5,656	-
Total Non-Executive Directors	**589,103**	**-**	**-**	**48,977**	**-**	**-**	**-**	**638,080**	**-**
Executive Directors									
R Sudano (vi)	752,318	-	41,259	20,531	473,659	(88,363)	-	1,199,404	-
Total Executive Directors	**752,318**	**-**	**41,259**	**20,531**	**473,659**	**(88,363)**	**-**	**1,199,404**	**-**
Other Key Management Personnel									
D Briggs	332,866	-	854	20,531	-	(5,382)	-	348,870	-
D Aquilina	355,270	-	4,733	20,531	-	(6,128)	-	374,406	-
AJ Penrose	253,912	-	7,448	20,531	-	(4,134)	-	277,758	-
R d'Andrea	305,176	-	6,278	20,531	-	(4,178)	-	327,808	-
E Tollinton (vii)	212,760	-	-	15,399	-	(30,298)	-	197,861	-
K Chand (viii)	334,211	-	2,277	1,711	-	-	-	338,199	-
A Molloy (ix)	273,333	-	4,532	-	-	(36,992)	-	240,872	-
B Short (x)	106,184	-	985	6,844	-	-	-	114,013	-
P Barry (xi)	353,016	-	-	20,531	63,412	-	-	436,959	-
S Williamson (xii)	25,643	-	-	1,711	-	-	-	27,354	-
Total Other Key Management Personnel	**2,552,372**	**-**	**27,108**	**128,321**	**63,412**	**(87,111)**	**-**	**2,684,101**	**-**
Total	**3,893,793**	**-**	**68,366**	**197,829**	**537,070**	**(175,474)**	**-**	**4,521,585**	**-**

The remuneration in the table above only reflects the amounts paid to the individuals for the time they were key management personnel.

(i) KJ Elkington ceased being a Director on 28 February 2019.
(ii) S Lightfoot was appointed a Director on 23 August 2018.
(iii) M Campbell was appointed a Director on 12 December 2018 and resigned as a Director on 17 April 2019.
(iv) J Hanrahan was appointed a Director on 12 December 2018.
(v) S Fisher and Z Midalia were appointed as Directors on 14 June 2019.
(vi) R Sudano was Chief Executive Officer until 23 May 2019. As a result, R Sudano was paid in cash $74,644 of annual leave entitlements (which are excluded from the table above); $277,065 in lieu of a contracted notice period and a grossed up motor vehicle fringe benefit of $196,594 paid out upon his resignation which are included in 'other benefits' above.
(vii) E Tollinton was the Chief Information Officer until 1 March 2019. E Tollinton was paid in cash $11,241 annual leave entitlements which are excluded from the table above.
(viii) K Chand was the General Manager of Property until 31 July 2018. K Chand was paid in cash $15,194 annual leave entitlements which are excluded from the table above. From the 1 August 2018, K Chand was engaged as a contractor and was paid $308,000 for the remainder of the financial year.
(ix) A Molloy was the General Manager of Operations until 28 February 2019. A Molloy was paid in cash $39,829 annual leave entitlements which are excluded from the table above.
(x) B Short was appointed the General Manager of Operations on the 12 March 2019. B Short ceased to be considered a member of key management personnel on 1 July 2019.
(xi) P Barry was the General Manager of Buying until 24 May 2019. As a result, P Barry was paid in cash $25,772 of annual leave entitlements which are excluded from the table above and $63,412 in lieu of a three-month notice period paid out upon his resignation which is included in 'other benefits' above.
(xii) S Williamson was appointed Acting General Manager of Buying on the 1 June 2019. S Williamson ceased to be considered a member of key management personnel on 1 July 2019.

For remuneration report purposes, the amount reported as "Share Based Payments" is the accounting expense under AASB 2.

The 'fair value' is determined using a Black Scholes model and will generally be different to the "volume weighted average market price (VWAP)" which is used to determine the number of rights that are granted. No adjustment to the reported remuneration amounts is made in the event that actual market price of shares on the vesting of Performance Rights exceeds the fair value of those Performance Rights on their grant date. Similarly, no reduction is made to remuneration where the market price of shares on the vesting of Performance Rights is lower than the market price of shares on the date that Performance Rights are granted.

No other long term or remuneration benefits were paid or are payable with respect to the current and prior period.

C - Service agreements

All key management personnel are on employment terms consistent with the remuneration framework outlined in this report.

In addition, all executive key management personnel have service agreements which provide that a period of notice of three to six months is required by the Company or the relevant team member to terminate their employment.

D – Share-based compensation

The number of performance rights over shares in the Company granted to key management personnel during the current financial period, together with prior period grants which vested during the period, is set out below:

2020	Grant date	Number of rights granted during the period	Date exercisable	Expiry date	Fair value of performance rights at grant date	Total fair value of performance rights at grant date	Number of performance rights granted in prior periods vested during the period
Key Management Personnel							
D Briggs	1 Sep 2019	25,000	31 Aug 2020	31 Aug 2022	$1.83	$45,814	-
D Briggs	1 Sep 2019	25,000	31 Aug 2021	31 Aug 2022	$1.74	$43,500	-
D Briggs	18 Oct 2019	39,000	1 July 2022	16 Oct 2023	$2.07	$80,913	-
D Aquilina	1 Sep 2019	50,000	31 Aug 2020	31 Aug 2022	$1.83	$91,627	-
D Aquilina	1 Sep 2019	50,000	31 Aug 2021	31 Aug 2022	$1.74	$87,001	-
D Aquilina	18 Oct 2019	58,700	1 Jul 2022	16 Oct 2023	$2.07	$121,784	-
A Reich	13 Jan 2020	150,000	14 Jan 2023	12 Jan 2025	$1.91	$286,410	-
A Reich	13 Jan 2020	75,000	14 Jan 2024	12 Jan 2026	$1.82	$136,813	-
A Reich	13 Jan 2020	75,000	14 Jan 2025	12 Jan 2027	$1.74	$130,690	-
Total		**547,700**				**$1,024,552**	**-**

All performance rights granted during the current period will vest on the exercise dates above provided the required performance hurdles are achieved (if applicable) and the team member remains employed with the Company at the vesting date. The total payable on the exercise of one or more performance rights on a particular day is $1.00 regardless of the number exercised on that day. The minimum possible value to be received by executive directors or other key management personnel under each grant of performance rights is $Nil.

Subsequent to period end there has been no grant of performance rights to key management personnel.

On 17 July 2020 (subsequent to the period end), the Company vested 50,000 performance rights to Darren Briggs, which were exercised on 20 July 2020.

Shares Issued to Key Management Personnel on Exercise of Options or Performance Rights

Non-executive directors have not been granted performance rights in any period.

No shares were issued to key management personnel on exercise of performance rights during the current year.

E – Additional information

Cash Incentives and Performance Rights

For each cash incentive and grant of performance rights included in the table below, the percentage of the grant that vested in the financial period as well as the percentage that was forfeited, because the performance criteria were not achieved or the person did not meet the service criteria, is as listed. The performance rights vest over several years provided the vesting conditions are met. No performance rights will vest if the conditions are not satisfied, hence the minimum value of each performance right yet to vest is $Nil. The maximum value of performance rights yet to vest has been determined as the total number of performance rights still to vest multiplied by the fair value of each performance right at grant date. The fair value for accounting purposes is determined using the Black-Scholes option pricing model.

	Cash Incentive		Performance Rights						
2020	Paid %	Forfeited %	Date Granted	Vested %	Forfeited #	Forfeited %	Financial Periods in which rights may vest	Maximum total number of rights may vest	Maximum total value of grants may vest $
Key Management Personnel									
D Briggs	-	100	FY20	-	39,000	44	FY21 - FY22	50,000	89,314
			FY19	-	27,200	100	-	-	-
			FY18	-	36,900	100	-	-	-
D Aquilina (i)	50	50	FY20	-	-	-	FY21 - FY23	158,700	300,412
			FY19	-	-	-	FY22	28,000	51,384
			FY18	-	38,000	100	-	-	-
A Reich	-	-	FY20	-	-	-	FY23 - FY25	300,000	553,914

(i) D Aquilina's cash incentive included a short term cash reward of $68,390, representing 50% of the potential reward, and a cash retention payment of $100,000.

The vesting conditions associated with Performance rights are tested each year and, to the extent that the conditions are not expected to be met, the Remuneration and Nominations Committee has the discretion to cancel or forfeit the performance rights yet to vest.

Performance Rights Holdings

Non-executive directors do not participate in long term incentives and have not been granted performance rights in any period.

The number of performance rights over shares in the Company held during the current and prior financial period by each key management personnel of The Reject Shop Limited and the consolidated entity, including related parties, are set out below:

2020	Balance at the start of the period	Performance rights granted during the period	Performance rights vested & exercised during the period	Other changes during the period	Balance at the end of the period
Key Management Personnel					
D Briggs (i)	64,100	89,000	-	(103,100)	50,000
D Aquilina	66,000	158,700	-	(38,000)	186,700
A Reich	-	300,000	-	-	300,000
Total	**130,100**	**547,700**	**-**	**(141,100)**	**536,700**

(i) D Briggs left the Company on 30 April 2020 and all performance rights were lapsed or forfeited other than 50,000 performance rights.

On 17 July 2020 (subsequent to the period end), the Company vested 50,000 performance rights to Darren Briggs, which were exercised on 20 July 2020. The fair value of the performance rights at the grant date on 1 September 2019 was $89,314. Otherwise there have been no performance rights granted or vested to key management personnel subsequent to the period end.

Share Holdings

The number of shares in the Company held during the current and prior financial period by each director and other key management personnel of The Reject Shop Limited and the consolidated entity, including related parties, is set out below:

2020	Balance at the start of the period	Received during the period on the exercise of performance rights and options	Other changes during the period	Balance at the end of the period
Directors				
WJ Stevens (i)	6,500	-	(6,500)	-
M Teague	-	-	1,500	1,500
S Lightfoot	5,500	-	7,375	12,875
J Hanrahan (ii)	5,000	-	(5,000)	-
S Fisher	-	-	99,039	99,039
Z Midalia (iii)	4,040	-	(4,040)	-
D Grant	-	-	-	-
N Perkins (vi)	7,799	-	-	7,799
Key Management Personnel				
D Briggs (iv)	-	-	-	-
D Aquilina	-	-	9,000	9,000
A Reich (v)	-	-	536,842	536,842
Total	**28,839**	**-**	**638,216**	**667,055**

(i) WJ Stevens retired as a Director on 16 October 2019.
(ii) J Hanrahan resigned as a Director on 15 October 2019.
(iii) Z Midalia resigned as a Director on 30 April 2020.
(iv) D Briggs left the Company on 30 April 2020.
(v) A Reich was appointed Chief Executive Officer on 13 January 2020. A Reich purchased his shares on-market and took up his pro-rata entitlement in the March 2020 equity raise.
(vi) N Perkins shares were acquired prior to his appointment as Director.

Loans to or other transactions with Key Management Personnel

No loans were made to or from directors of The Reject Shop Limited or to or from other key management personnel of the consolidated entity, including related parties or are outstanding as of 28 June 2020 (FY2019 - $Nil).

No other transactions were undertaken with directors or other key management personnel, including related parties during the period (FY2019 - $Nil).

Company Performance

The following table outlines the Company's earnings and share performance over the last ten years:

Period	NPAT	EPS cents per share	Share price at start of period	Share price at end of period	Share price growth	Ordinary & special dividends paid or declared per share
FY2011	$16.2m	62.1	$16.42	$11.66	(29.0)%	$0.31
FY2012 (i)(ii)	$21.9m	84.1	$11.66	$9.15	(21.5)%	$0.42
FY2013	$19.5m	73.4	$9.15	$17.19	87.9%	$0.37
FY2014	$14.5m	50.3	$17.19	$8.82	(48.7)%	$0.30
FY2015	$14.2m	49.4	$8.82	$5.40	(38.8)%	$0.30
FY2016 (i)	$17.1m	59.3	$5.40	$12.45	130.6%	$0.44
FY2017	$12.3m	42.8	$12.45	$4.16	(66.6)%	$0.24
FY2018	$16.6m	57.4	$4.16	$5.68	36.5%	$0.35
FY2019	($16.9m)	(58.5)	$5.68	$1.83	(68.0)%	$0.10
FY2020	$1.1m	3.6	$1.83	$7.46	307.6%	-

(i) 53-week period.
(ii) In FY2012 a special dividend of 8.5 cents was also paid.

A detailed review of performance and operations can be found in the Operating and Financial review on pages 18 to 25 of this annual report.

Shares under performance rights

Unissued ordinary shares of the Company under performance rights at the date of this report are as follows:

Date of Grant	Expiry Date	Vesting Date	Value at Grant Date $	Exercise Price $	Total number on Issue	Number on issue to key management personnel
18 Oct 2018	1 Jul 2022	1 Jul 2021	1.84	-	28,000	28,000
1 Sep 2019	31 Aug 2022	31 Aug 2020	1.83	-	50,000	50,000
1 Sep 2019	31 Aug 2022	31 Aug 2021	1.74	-	50,000	50,000
18 Oct 2019	16 Oct 2023	1 Jul 2022	2.07	-	87,600	58,700
13 Jan 2020	12 Jan 2025	14 Jan 2023	1.91	-	150,000	150,000
13 Jan 2020	12 Jan 2026	14 Jan 2024	1.82	-	75,000	75,000
13 Jan 2020	12 Jan 2027	14 Jan 2025	1.74	-	75,000	75,000
27 Mar 2020	28 Mar 2025	27 Mar 2023	4.05	-	150,000	-

Subsequent to period end, the Board has not granted any further performance rights under the Performance Rights Plan.

Shares issued and the exercise of options and performance rights

There were no further shares issued during the year as a result of the exercise of performance rights. On 17 July 2020 (subsequent to the period end), the Company vested 50,000 performance rights to Darren Briggs, which were exercised on 20 July 2020.

Remuneration of Auditors:

	Consolidated Entity	
	2020 $	**2019 $**
During the period the following fees for services were paid or payable to PricewaterhouseCoopers Australia and its related parties as the auditor:		
Audit and Accounting Related Services		
Audit and review work	**425,720**	374,000
Other Assurance services	**43,615**	50,613
	469,335	424,613
Tax Compliance and Consulting Services		
Tax compliance	**44,136**	40,500
Tax consulting advice	**37,500**	59,400
	81,636	99,900
Total Remuneration	**550,971**	524,513

Independence of Auditors

PricewaterhouseCoopers was appointed auditor in FY2002 and whilst their main role is to provide audit services to the Company, the Company does employ their specialist advice where appropriate. In each instance, the Board has considered the nature of the advice sought in the context of the audit relationship and in accordance with the advice received from the Audit and Risk Committee, does not consider these services compromise the auditor's independence requirements of the Corporations Act for the following reasons:

- No non-audit services provided to the Company and reviewed by the Board were considered to impact upon the impartiality and objectivity of the auditor; and
- None of the services undermined the general principles relating to auditor independence as set out in APES 110 – *Code of Ethics for Professional Accountants*, including not reviewing or auditing the auditor's own work, not acting in a management or a decision making capacity for the Company, not acting as advocate for the Company or not jointly sharing economic risk or rewards.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is contained on page 38 of this annual report.

This report is made in accordance with a resolution of the directors:

Steven Fisher
Chairman

19 August 2020

Auditors’ Independent Declaration

Auditor’s Independence Declaration

As lead auditor for the audit of The Reject Shop Limited for the 52 week period ended 28 June 2020, 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of The Reject Shop Limited and the entities it controlled during the period.

Sam Lobley
Partner
PricewaterhouseCoopers

Melbourne
19 August 2020

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Consolidated Statement of Comprehensive Income

For the 52 week period ended 28 June 2020

	Note	2020 $'000	2019 $'000
Revenue from continuing operations			
Sales revenue	2	**820,645**	793,687
Other income	2	**17**	51
		820,662	793,738
Expenses			
Cost of sales		**487,713**	462,556
Store expenses		**275,846**	287,692
Administrative expenses		**47,042**	44,833
Impairment expenses	3	**727**	21,941
		811,328	817,022
Finance costs	3	**7,708**	789
Profit / (loss) before income tax		**1,626**	(24,073)
Income tax expense / (benefit)	4	**506**	(7,174)
Profit / (loss) for the period attributable to shareholders of The Reject Shop		**1,120**	(16,899)
Other comprehensive income			
Items that may be re-classified to profit or loss			
Changes in the fair value of cash flow hedges		**(11,489)**	(3,379)
Income tax relating to components of other comprehensive income		**3,447**	1,014
Other comprehensive income for the period, net of tax		**(8,042)**	(2,365)
Total Comprehensive loss attributable to shareholders of The Reject Shop Limited		**(6,922)**	(19,264)

Earnings per share		**Cents**	Cents
Basic earnings per share	27	**3.6**	(58.5)
Diluted earnings per share	27	**3.5**	(58.5)

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

Consolidated Balance Sheet

As at 28 June 2020

	Note	2020 $'000	2019 $'000
Current Assets			
Cash	5	**92,489**	26,308
Inventories	6	**70,850**	110,791
Tax assets		**-**	2,696
Derivative financial instruments	22	**-**	2,107
Other current assets	7	**6,629**	2,245
Total Current Assets		**169,968**	144,147
Non Current Assets			
Property, plant and equipment	8	**51,277**	60,975
Right-of-use assets	9	**172,698**	-
Deferred tax assets	10	**28,171**	20,196
Total Non Current Assets		**252,146**	81,171
Total Assets		**422,114**	225,318
Current Liabilities			
Payables	11	**45,042**	43,826
Borrowings	12	**-**	19,500
Lease liabilities - current	9	**83,557**	-
Tax liabilities		**4,295**	-
Provisions - current	13	**11,795**	10,341
Derivative financial instruments	22	**9,382**	-
Other - current liabilities	14	**11,411**	10,606
Total Current Liabilities		**165,482**	84,273
Non Current Liabilities			
Lease liabilities - non current	9	**110,165**	-
Provisions - non current	13	**3,404**	2,930
Other - non current liabilities	15	**-**	12,793
Total Non Current Liabilities		**113,569**	15,723
Total Liabilities		**279,051**	99,996
Net Assets		**143,063**	125,322
Equity			
Contributed equity	16	**70,326**	46,247
Reserves	17	**(1,240)**	6,218
Retained profits	18	**73,977**	72,857
Total Equity		**143,063**	125,322

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the 52 week period ended 28 June 2020

2020	Contributed Equity $'000	Capital Profits $'000	Share Based Payments $'000	Hedging Reserve $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000	Total $'000
Balances as at 30 June 2019	**46,247**	**739**	**4,004**	**1,476**	**(1)**	**72,857**	**125,322**
Profit for the period	-	-	-	-	-	1,120	1,120
Other comprehensive income	-	-	-	(8,042)	-	-	(8,042)
Foreign exchange translation	-	-	-	-	35	-	35
Transaction with owners in their capacity as owners:							
Issue of ordinary shares, net of transaction costs	24,079	-	-	-	-	-	24,079
Dividends Paid	-	-	-	-	-	-	-
Share based remuneration	-	-	305	-	-	-	305
Tax credited/(debited) directly to equity	-	-	244	-	-	-	244
Balances as at 28 June 2020	**70,326**	**739**	**4,553**	**(6,566)**	**34**	**73,977**	**143,063**

2019	Contributed Equity $'000	Capital Profits $'000	Share Based Payments $'000	Hedging Reserve $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000	Total $'000
Balances as at 1 July 2018	46,247	739	4,321	3,841	12	95,826	150,986
Profit for the period	-	-	-	-	-	(16,899)	(16,899)
Other comprehensive income	-	-	-	(2,365)	-	-	(2,365)
Foreign exchange translation	-	-	-	-	(13)	-	(13)
Transaction with owners in their capacity as owners:							
Dividends Paid	-	-	-	-	-	(6,070)	(6,070)
Share based remuneration	-	-	(178)	-	-	-	(178)
Tax credited/(debited) directly to equity	-	-	(139)	-	-	-	(139)
Balances as at 30 June 2019	**46,247**	**739**	**4,004**	**1,476**	**(1)**	**72,857**	**125,322**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the 52 Week Period Ended 28 June 2020

	Note	2020 $'000	2019 $'000
Cash Flows from Operating Activities			
Receipts from customers (inclusive of goods and services tax)		**902,710**	873,056
Payments to suppliers and employees (inclusive of goods and services tax)		**(729,841)**	(858,738)
Interest received		**17**	51
Borrowing costs paid		**(7,708)**	(789)
Income tax (paid) / received		**2,202**	(4,750)
Net cash inflows from operating activities	21	**167,380**	8,830
Cash Flows from Investing Activities			
Payments for property, plant and equipment		**(10,681)**	(10,706)
Net cash outflows used in investing activities		**(10,681)**	(10,706)
Cash Flows from Financing Activities			
Proceeds from borrowings		**134,000**	247,500
Repayment of borrowings		**(153,500)**	(228,000)
Principal elements of lease payments		**(95,097)**	-
Proceeds from issue of shares		**25,000**	-
Share issue costs		**(921)**	-
Dividends paid	26	**-**	(6,070)
Net cash (outflows) / inflows used in financing activities		**(90,518)**	13,430
Net increase in cash held		**66,181**	11,554
Cash at the beginning of the financial year		**26,308**	14,754
Cash at the end of the financial year	21	**92,489**	26,308

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to Financial Consolidated Statements

Note 1: Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the consolidated entity, consisting of The Reject Shop Limited and its subsidiaries.

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001, as appropriate for for-profit oriented entities.

Going Concern and COVID-19

In preparing the financial report, the Directors have considered the current impact of the COVID-19 pandemic on the Group as well as the general economic and business conditions in which the Group operates. The Group was able to trade through the initial phase of the COVID-19 pandemic with minimal disruption to its network of 354 stores (only six stores in North-West Tasmania were closed between 13 April and 3 May 2020 due to restrictions imposed by the Tasmanian Government) during the year. The Group did not require any wage subsidies under the Federal Government's JobKeeper Program during the year. The Directors are unable to predict the potential future impact on the Group, whether positive or negative, of the COVID-19 pandemic and its associated impact on the Australian economy and the retail sector as well as any other direct or indirect consequence of the COVID-19 pandemic and any further restrictions that could be imposed.

During the year, the Group has been successful in raising additional equity capital and has made significant working capital improvements, including reducing its inventory balance to $70,850,000 (FY2019: $110,791,000). Importantly, at year end, the Group had cash reserves of $92,489,000 (FY2019: $26,308,000) and no drawn debt. Subsequent to year end, the Group extended its banking facilities with the ANZ Bank from March 2021 to August 2021, which provides further certainty in relation to debt funding. For details on the Group banking arrangements see Notes 12 and 21.

Given the Group's strong liquidity position, and having regard to the current known impact of the COVID-19 pandemic on the Group, the Directors are satisfied that the company will continue as a going concern and have prepared the financial statements on this basis.

Compliance with IFRS

The financial report of The Reject Shop Limited also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified for:

- certain financial assets and liabilities (including derivative instruments) that are measured at fair value, and
- certain classes of property, plant and equipment and right-of-use assets that are measured at historical cost less depreciation and impairment (where applicable).

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed further in note 1 (aa).

(b) Principles of Consolidation

(i) Subsidiaries

The consolidated financial statements incorporate all the assets and liabilities of the subsidiaries of The Reject Shop Limited as at 28 June 2020 and the results of the subsidiaries for the period. The Reject Shop Limited and its subsidiaries are referred to in this financial report as the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Reject Shop Limited has a 100% owned non-operating subsidiary, TRS Trading Group Pty Ltd, which has not traded since 2003.

The Reject Shop Limited has a 100% owned operating subsidiary, TRS Sourcing Co. Limited, which is domiciled in Hong Kong. This subsidiary provided procurement services to the Group.

(ii) Employee Share Trust

The Reject Shop Limited has formed a trust to administer the Company's Performance Rights Plan. This trust is consolidated, as it is controlled by the Group.

(c) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the senior management personnel. The Reject Shop Limited has only one operating business segment. Refer to Note 30 for information.

(d) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the current income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets and liabilities are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

The head entity, The Reject Shop Limited, and the controlled entity in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a standalone taxpayer in its own right.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a moving average basis and include an appropriate proportion of freight inwards, logistics, discounts and supplier rebates.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(f) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

The depreciable amount of all fixed assets including capitalised leased assets, is depreciated on a straight-line basis over their estimated useful lives. The useful life for each class of asset is:

Class of fixed asset	Useful Life
- Leasehold Improvements and Office Equipment	5 – 12 years
- Fixtures and Fittings	5 – 12 years
- Motor vehicles	3 – 5 years
- Computer Equipment	3 years

(g) Leases

The Group leases various retail stores, distribution centres, offices and vehicles. Rental contracts are typically made for fixed periods of two to five years but may have extension options as described below. Lease terms are negotiated on

Note 1: Summary of significant accounting policies continued

(g) Leases continued

an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2020 financial year, leases described above were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

(h) Employee Benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, annual leave and vested sick leave are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be settled.

(ii) Long service leave

The liabilities for long service leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Superannuation

Contributions are made by the consolidated entity to employee personal superannuation funds and are charged as expenses when incurred. The consolidated entity does not have any Defined Benefit Fund obligations.

(iv) Bonus plans

A liability for employee benefits in the form of bonus plans is recognised when there is a contractual or constructive liability and at least one of the following conditions are met:

- there are formal terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice has created a constructive obligation.

Liabilities for short term cash incentives are expected to be settled within 12 months and are measured at amounts expected to be paid when settled.

(v) Equity-based compensation benefits

Equity-based compensation benefits are provided to selected employees via the Performance Rights Plan.

The fair value of performance rights granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the shares, adjusted for the fair value of any rights which do not ultimately vest.

The fair value at grant date is determined using a Black-Scholes options pricing model that takes into account:

- the exercise price;
- the term of the Performance Rights;
- the vesting and performance criteria;
- the impact of dilution;
- the non-tradeable nature of the Performance Rights;
- the share price at grant date and expected price volatility of the underlying share;
- the expected dividend yield; and
- the risk-free interest rate for the term of the Performance Rights.

The fair value of the Performance Rights granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of rights that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of Performance Rights that are expected to vest, net of any Performance Rights that have been forfeited throughout the period. The employee benefit expense recognised each period takes into account the most recent estimate.

(i) Cash

For presentation of statement of cash flows, cash includes cash on hand and at call, short-term deposits with banks and financial institutions, and investments in money market instruments maturing within two months, net of bank overdrafts. Bank overdrafts are shown with borrowings in current liabilities on the balance sheet.

(j) Revenue Recognition

Revenue from the sale of goods is recognised at the point of sale (i.e. at a point in time). All revenue is stated net of the amount of goods and services tax (GST), returns and staff discounts.

(k) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The entity designates derivatives as hedges of the cash flows of highly probable forecast transactions (cash flow hedges).

The consolidated entity documents at the inception of the transaction the relationship between the hedging instrument and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The consolidated entity also documents its assessment, both at hedge inception and on an ongoing basis of whether the derivatives that are used in hedging transactions have been and will continue to be effective in offsetting changes in cash flows of hedged items.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are transferred out of equity and included in the cost of the hedged item when the forecast purchase that is hedged takes place.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Note 1: Summary of significant accounting policies continued

(l) Foreign Currency Translation

(i) Functional and presentation currency
Items included in the financial statements of the consolidated entity are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is The Reject Shop Limited's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the income statement, except derivatives which comprise of effective hedges.

(m) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs incurred for the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

(o) Impairment of Property, Plant and Equipment and Right-Of-Use assets

Assets that are subject to amortisation are reviewed for impairment at each reporting date when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(p) Dividends

Provision is made for the amount of any dividends declared, determined or publicly recommended by the Directors on or before the end of the financial period but not distributed at balance date.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate.

(r) Contributed Equity

Ordinary shares are classified as equity.

(s) Earnings per Share

(i) Basic earnings per share
Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during financial year, adjusted for bonus elements in ordinary shares issued during the period.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares (including performance rights) and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) Software Costs

Costs in relation to software development, including website costs, are charged as expenses in the period in which they are incurred unless they relate to the acquisition or development of an asset, in which case they are capitalised and amortised over the useful life which is generally three years.

(u) Restoration Costs

An expense is provided for in the period in which the legal or constructive obligation arises, usually on lease inception. The provision is measured at the present value of management's best estimate of make-good costs with a corresponding asset added to the cost of the fit out.

(v) Store Opening Costs

Non-capital costs associated in the setup of a new store are expensed in the period in which they are incurred.

(w) Training Subsidies

Government subsidies for employees undertaking external traineeships are treated as income in the period they are received and after all costs to which they relate have been incurred.

(x) Cost of Sales

The Group includes warehousing and logistics costs as part of its "Cost of Sales" line in the Consolidated Statement of Comprehensive Income.

The Group considers that all costs associated with getting stock to stores ready for sale is a cost attributable to the sale of such inventory.

(y) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(z) Rounding of Amounts

The Group is a kind referred to in *ASIC Corporations (Rounding in Financial/ Directors' Report) Instrument 2016/191*, issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the directors' and financial reports. Amounts in these reports have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(aa) Critical Accounting Estimates and Judgements

For the 28 June 2020 reporting period, certain accounting estimates and judgements were made in relation to the following:

(i) Impairment of store assets

The Group offers a wide range of discount variety merchandise through its network of 354 stores and store assets, including the right-of-use asset, which represents one of the largest amounts on the Consolidated Balance Sheet.

The assessment of impairment on store assets is a critical estimate and judgment. A test for impairment is triggered by a change in a number of indicators, both internal and external. These indicators include, but are not limited to, physical damage to the asset, declining economic performance of the asset, technological changes, market or economic changes and plans to discontinue or restructure operations. The Group considers the ongoing COVID-19 pandemic and the impairment noted at 30 June 2019 to be impairment indicators at 28 June 2020.

Impairment testing can only be done for an individual asset that generates cash inflows that are largely independent of cash inflows from other assets. A 'cash generating unit' (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The Group has defined each individual store as a CGU as the cash inflows from an individual store are largely independent from the inflows of any other store. Accordingly, the assessment of the carrying value of the relevant assets is on an individual store basis for store fixtures and fittings and right-of-use assets.

The recoverable amount is defined as the higher of the asset's fair value less costs of disposal or its value in use. The Group determines value in use by making certain assumptions including forecast future cash flows and discount rates. The assumptions on future cash flows have been developed based on past performance and expectations in relation to the future. The discount rate has been determined using market information relevant to the industry in which the Group operates.

Impairment assessments are sensitive to the estimates and judgments made in the impairment test and assumptions outlined above. Changes to these assumptions could result in a different outcome or impairment of assets done in the future. Refer to Note 8 for details.

(ii) Impairment of corporate and distribution centre assets

The Group considers the ongoing COVID-19 pandemic and the impairment noted at 30 June

Note 1: Summary of significant accounting policies continued

(aa) Critical Accounting Estimates and Judgements continued

2019 to be impairment indicators at 28 June 2020. As a result, corporate and distribution centre assets, including right-of-use assets, are tested for impairment using a value in use discounted cash flow model. The Group determines value in use by making certain assumptions over forecast cash flows, having regard to external industry forecasts and board approved budgets, and estimating the present value of these cash flows using a discount rate reflecting the Group's cost of capital.

Impairment assessments are sensitive to the judgments and estimates made in the impairment test, including the assumptions outlined above. Changes to these assumptions could result in a different outcome or impairment of assets in the future.

(iii) Determining the lease term for the lease liability

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For leases of distribution centres and retail stores, the following factors are most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Company policy is not to exercise extension options, unless there is a site-specific rationale for doing so.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

(iv) Net realisable value of inventory

The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell. The key assumptions require the use of management judgement. These key assumptions are the variables affecting the expected selling price. Any reassessment of the selling price in a particular period will affect the cost of goods sold.

This provision is calculated by applying an assumed percentage markdown to the inventory on hand at year end. The specific write-down amount depends, in part, on the age of the inventory and incorporates information on known loss-making products. The judgement on this estimate is further informed by:

- the Group's view of current inventory profile and historical data on the margins achieved;
- inventory items held at year end which have been sold below cost during the period ended 28 June 2020 or after 28 June 2020 and prior to finalising the financial statements;
- the impact on estimated selling price of planned mark downs or other strategies to clear slow moving inventory during the year; and
- short term changes to consumer preferences as a result of the COVID-19 pandemic.

(v) Provisioning for shrinkage expense

The Group provides for shrinkage expense for the period by applying an estimated shrink loss percentage to the sales since the date of the last stock count to period-end, on a store-by-store basis. Stock counts are performed across stores to calculate the estimated shrink loss percentage for the whole store network. This estimate includes stock count information obtained from counts performed during the financial period and those completed post period-end. Factors that could impact the estimated provision include the length of the time period since a store last completed a stock take or a change in the actual stocktake results ultimately recognised.

There are no other accounting estimates or judgements within these accounts which have a significant effect on the amounts recognised in the financial report.

(ab) New standards and interpretations adopted by the Group

(i) New and amended standards adopted by the Group

The following new or amended standards became applicable for the current reporting period:

- AASB 16 Leases – For details on the new standard and the adjustment recognised on adoption, see Note 1 (ab)(ii).
- AASB Interpretation 23 Uncertainty over Income Tax Treatments – The Interpretation clarifies how to apply the recognition and measurement requirements in AASB 112 Income Taxes when there is uncertainty over income tax treatments.
- Annual Improvements 2015–2017 Cycle (AASB 2018-1) – This standard makes amendments to AASB 3 Business Combinations, AASB 11 Joint Arrangements, AASB 112 Income Taxes and AASB 123 Borrowing Costs.

The adoption of AASB Interpretation 23 Uncertainty over Income Tax Treatments and Annual Improvements 2015–2017 Cycle (AASB 2018-1) has not had a material impact on the Group.

The Group has adopted AASB 16 from 1 July 2019 but has not restated comparatives for the prior reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications arising from the new leasing rules are therefore recognised in the balance sheet as at 1 July 2019.

(ii) Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 July 2019 of 3.25%.

	2019 $'000
Operating lease commitments disclosed as at 30 June 2019	280,869
Discounted using the Group's incremental borrowing rate of 3.25%	1,092
(less): adjusted as a result of Motor Vehicles and Outgoings not included in lease liability	(36,398)
Lease liability recognised as at 1 July 2019	**245,563**
Of which are:	
Current lease liabilities	88,068
Non-current lease liabilities	157,495
	245,563

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any lease incentive provisions and lease escalation provisions recognised in the balance sheet as at 30 June 2019.

The recognised right-of-use assets relate to the following types of assets:

	1 July 2019
	$'000
Properties	228,313
Motor Vehicles	355
Total right-of-use assets	**228,668**

Note 1: Summary of significant accounting policies continued

(ii) Adjustments recognised on adoption of AASB 16 continued

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- right-of-use assets – increase by $228,668,000;
- lease liabilities – increase by $245,563,000;
- other current and non-current liabilities – decrease by $16,895,000.

In applying AASB 16 for the first time, the Group has used a single discount rate to a portfolio of leases with reasonably similar characteristics as a practical expedient as permitted by the standard.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying AASB 117 and Interpretation 4 'Determining whether an Arrangement contains a Lease'.

(ac) New standards and interpretations

New standards and amendments – applicable from 1 January 2020:

- Release of 4th edition of Corporate Government Principles and Recommendations – The ASX Corporate Governance Council (Council) has released the Fourth Edition of its Corporate Governance Principles and Recommendations, which will take effect for a listed entity's first full financial year commencing on or after 1 January 2020. The changes in the Fourth Edition are designed to encourage listed entities to commit to improving the culture and values of their organisation by clearly articulating the principles and policies they adopt and remaining accountable to all stakeholders by monitoring and reporting on the organisation's performance against each standard.

The impact of the adoption of 4th edition of Corporate Government Principles and Recommendations is currently being considered by the Group.

New standards and amendments – applicable from 1 June 2020:

- COVID-19 rent concessions – As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. The IASB issued amendments outlining an optional practical expedient where lessees benefiting from these rent concessions may account for them as variable lease payments in the periods in which they are granted.

Whilst early adoption of this amendment is available, the Group has chosen not to adopt it. The optional practical expedient is not expected to be adopted.

Note 2: Revenue from Continuing Operations and Other Income

	Consolidated Entity	
	2020 $'000	2019 $'000
Revenue from continuing operations		
Sales of goods	**820,645**	793,687
Interest	**17**	51
	820,662	793,738

Note 3: Expenses

	Consolidated Entity	
	2020 $'000	2019 $'000
Profit before income tax expense includes the following expenses:		
Interest and finance charges paid/payable - borrowings	**567**	789
Interest and finance charges paid/payable - leases	**7,141**	-
	7,708	789
Depreciation of owned assets and amortisation expenses included in:		
Cost of sales	**3,302**	3,606
Store expenses	**12,817**	13,634
Administrative expenses	**2,366**	2,363
	18,485	19,603

Note 3: Expenses continued

	Consolidated Entity 2020 $'000	Consolidated Entity 2019 $'000
Depreciation of right- of- use assets expenses included in:		
Cost of sales	**6,214**	-
Store expenses	**87,761**	-
Administrative expenses	**891**	-
	94,866	
Impairment of Corporate Cash Generating Unit assets – Plant and Equipment and right-of-use	**-**	15,000
Impairment / (reversal of impairment) of Store Cash Generating Unit assets - Plant and Equipment and right-of-use	**727**	6,941
	727	21,941
Asset write offs on store closures	**594**	413
Rental expenses relating to operating expenses (ii)		
Minimum lease payments	**-**	121,545
Provision for onerous leases	**-**	273
Provision for rent escalation	**-**	1,595
Employee benefits expense (i)	**170,801**	172,958
New store opening costs (inc. refurbishments and defits)	**1,436**	1,291

(i) Included within employee benefits expense are redundancy and termination costs of $1,898,000 (FY2019 : $79,000).
(ii) For details on the adoption of AASB 16 Note 1(aa).

Note 4: Income Tax Expense

	Consolidated Entity 2020 $'000	Consolidated Entity 2019 $'000
(a) Income tax expense		
Current tax	**4,790**	521
Deferred tax	**(4,284)**	(7,743)
Under provided in prior years	**-**	48
	506	(7,174)
Deferred income tax expense included in income tax expense comprises:		
(Increase) in net deferred tax assets	**(4,284)**	(7,743)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit / (Loss) before income tax expense	**1,626**	(24,073)
Tax at the Australian tax rate of 30% (2018 – 30%)	**488**	(7,222)
Tax effect of amounts which are not deductible in calculating taxable income:		
Other	**18**	-
Income tax expense (income)	**506**	(7,222)
Under provided in prior years	**-**	48
Income Tax Expense (income)	**506**	(7,174)

Note 4: Income Tax Expense continued

	Consolidated Entity 2020 $'000	Consolidated Entity 2019 $'000
(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	**244**	(139)
(d) Income Tax relating to items of other comprehensive income		
Cash flow hedges	**3,447**	1,014

Note 5: Current Assets – Cash

	Note	Consolidated Entity 2020 $'000	Consolidated Entity 2019 $'000
Cash on hand	21	**1,546**	1,643
Cash at bank	21	**90,943**	24,665
		92,489	26,308

Note 6: Current Assets – Inventories

	Consolidated Entity 2020 $'000	Consolidated Entity 2019 $'000
Inventory at cost	**65,345**	107,675
Inventory at net realisable value	**5,505**	3,116
	70,850	110,791

Inventories recognised as an expense during the period ended 28 June 2020 amounted to $415,868,000 (FY2019: $393,922,000). These were included in the cost of sales. Write-downs of inventories to net realisable value amounted to $6,147,000 (FY2019: $2,337,000). These were recognised as an expense during the period ended 28 June 2020 and included in cost of sales.

Note 7: Current Assets – Other

	Consolidated Entity 2020 $'000	Consolidated Entity 2019 $'000
Prepayment	1,765	1,486
Other current assets(i)	4,864	759
	6,629	2,245

(i) Other current assets include a deposit held of $2,462,000 against certain open hedge contracts at 28 June 2020

Note 8: Non-Current Assets – Property, plant and equipment

	Consolidated Entity 2020 $'000	Consolidated Entity 2019 $'000
Leasehold improvements		
At cost	**84,539**	84,894
Less accumulated depreciation and impairment	**(66,422)**	(60,754)
	18,117	24,140
Plant and equipment		
At cost	**158,931**	161,954
Less accumulated depreciation and impairment	**(125,771)**	(125,119)
	33,160	36,835
Total Property, Plant and Equipment	**51,277**	**60,975**

Note 8: Non-Current Assets – Property, plant and equipment continued

Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial period are as follows:

	Consolidated Entity		
	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Balance at 30 June 2019	24,140	36,835	60,975
Additions at cost	2,246	9,330	11,576
Asset write offs for store closures	(730)	(1,332)	(2,062)
Impairment	(265)	(462)	(727)
Depreciation/amortisation expense	(7,274)	(11,211)	(18,485)
Balance at 28 June 2020	**18,117**	**33,160**	**51,277**

	Consolidated Entity		
	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Balance at 1 July 2018	36,198	56,315	92,513
Additions at cost	4,812	6,627	11,439
Asset write offs for store closures	(512)	(921)	(1,433)
Impairment	(8,667)	(13,274)	(21,941)
Depreciation/amortisation expense	(7,691)	(11,912)	(19,603)
Balance at 30 June 2019	**24,140**	**36,835**	**60,975**

Impairment testing of property, plant and equipment (PP&E) and right-of-use assets

The Group's property, plant and equipment assets comprise assets located at specific stores, distribution centres and at the corporate office. Right-of-use assets are included in the impairment assessment for the first time on adoption of AASB 16 *Leases*.

The Group assesses these assets and the right-of-use assets (see Note 9) for indicators of impairment at each reporting date in accordance with AASB 136 *Impairment of Assets*. The Group considered the impairment recognised at 30 June 2019 and the ongoing impact of the COVID-19 pandemic to be indicators of impairment at 28 June 2020.

The Group performed the test for impairment first at the CGU level consisting of individual stores as this is the smallest group of assets for which independent cash flows can be determined (the "stores CGU"). For testing at the individual stores level, the Group calculated the recoverable amount of the stores CGU using a value-in-use (VIU) discounted cash flow model. The model uses cash flow projections based on forecasts approved by the Board.

For testing of the distribution centres and corporate assets, the Group determined a CGU comprising their assets along with the store assets as it is only at this level that independent cash flows can be determined (the "corporate CGU"). For testing at the corporate CGU level, the Group calculated the recoverable amount using a VIU discounted cash flow model. The model uses cash flow projections based on the Board-approved budget for the financial year 2021 and management forecasts thereafter. Cash flows beyond the five year period were extrapolated using a terminal growth rate.

In preparing the forecasts for the impairment testing, the Group has considered the current impact of the COVID-19 pandemic on the Australian economy and the retail sector, including near term anticipated easing of restrictions. However, the future impact of the COVID-19 pandemic on the Group, including future government restrictions, is currently unknown.

Note 8: Non-Current Assets – Property, plant and equipment continued

The key assumptions used in the CGU models were:

Key assumption	2020	Approach to determine value
Post-tax discount rate	10.0%	The post-tax discount rate is calculated from observable market information with consideration for the COVID-19 pandemic and is risk adjusted relative to the risks associated with the net post-tax cash flows being achieved.
Terminal growth rate	1.40%	The terminal growth rate for the Corporate GCU is estimated by the Group and having regard to long-term industry and economic forecasts.
Average sales growth rate	2.5%	The sales growth rate is based on the Board-approved budget for the financial year 2021 and management forecasts thereafter, which reflects past performance and the Company's expectations.

During the year, the Group recognised an impairment of $727,000 (FY2019: $6,941,000) in relation to underperforming stores and $Nil for the corporate CGU (FY2019: $15,000,000).

Note 9 : Leases

	Consolidated Entity 2020 $'000	Consolidated Entity 2019 $'000
Right-of-use assets		
Property	172,533	-
Vehicles	165	-
	172,698	-

Included within right-of-use assets were additions of $42,962,000 during the year.

	2020 $'000	2019 $'000
Lease Liabilities		
Current	83,557	-
Non-current	110,165	-
	193,722	-
Reconciliation		
Opening lease liabilities recognised on adoption of AASB 16 on 1 July 2019	245,563	-
Additional leases entered into during the year	42,904	-
Interest on leases	7,141	-
Lease repayments (i)	(101,886)	-
Balance at 28 June 2020	193,722	-

(i) Excludes payments made for short term leases of $3,299,000 included in cost of goods sold and administrative expenses.

The Group assesses these right-of-use assets with property, plant and equipment for indicators of impairment at each reporting date in accordance with AASB 136 Impairment of Assets. For details of this assessment see Note 8.

In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under AASB 117 Leases. For adjustments recognised on adoption of AASB 16 on 1 July 2019, refer to Note 1.

Note 10: Non-Current Assets – Deferred tax assets

	Consolidated Entity 2020 $'000	Consolidated Entity 2019 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Employee benefits	**5,151**	3,683
Lease escalation	**-**	3,027
Lease liabilities	**6,307**	-
Inventories	**771**	1,800
Derivative financial instruments	**2,814**	-
Lease incentives	**-**	2,042
Depreciation and impairment	**13,093**	11,267
Other provisions and accruals	**1,608**	736
Employee share trust	**438**	29
Tax losses	**-**	291
Sundry items	**3**	0
	30,185	22,875
Set-off of deferred tax liabilities of consolidated entity pursuant to set-off provisions:		
Depreciation	**(1,804)**	(1,981)
Receivables	**(27)**	(66)
Other current assets	**(183)**	-
Hedging reserve	**-**	(632)
Net deferred tax assets	**28,171**	20,196
Net deferred tax assets expected to be recovered within 12 months	**12,973**	6,794
Net deferred tax assets expected to be recovered after more than 12 months	**15,198**	13,402
Net deferred tax assets	**28,171**	20,196

Movements – Consolidated Entity	Employee Benefits $'000	Inventories $'000	Hedging Reserve $'000	Other $'000	Total $'000
At 1 July 2018	3,730	1,647	(1,646)	8,018	11,749
(Charged) / credited:					
- to profit or loss	(47)	153	-	7,637	7,743
- to other comprehensive income	-	-	1,014	-	1,014
- direct to equity	-	-	-	(310)	(310)
At 30 June 2019	3,683	1,800	(632)	15,345	20,196
(Charged) / credited:					
- to profit or loss	1,468	(1,029)	-	3,845	4,284
- to other comprehensive income	-	-	3,447	-	3,447
- direct to equity	-	-	-	244	244
At 28 June 2020	**5,151**	**771**	**2,815**	**19,434**	**28,171**

Note 11: Current Liabilities – Payables

	Consolidated Entity 2020 $'000	Consolidated Entity 2019 $'000
Trade payables	**34,833**	29,916
Payroll tax and other statutory liabilities	**5,917**	7,790
Sundry payables and accruals	**4,292**	6,121
	45,042	43,826

Note 12: Current Liabilities – Borrowings

	Consolidated Entity 2020 $'000	Consolidated Entity 2019 $'000
Loan Facility - Cash advance(i)	**-**	19,500
	-	19,500

(i) Interest rate of Nil (2019: 2.245%) is applied to the cash advance at year end.

In February 2020, the Group agreed to new banking facilities with ANZ Bank. The limit for the interchangeable facility was reduced from $25 million to $10 million while the limit for the seasonal facility remained unchanged at $20 million. The seasonal facility can only be drawn between October and December each year and the Group is required to deposit $5 million with ANZ Bank when the seasonal facility is drawn.

In August 2020, subsequent to period-end, the Group agreed to extend its new banking facilities with ANZ Bank from 31 March 2021 to 31 August 2021. The Group will be required to maintain a fixed charge cover ratio of 1.15 as at the balance dates ending 30 September and 31 December 2020 and a fixed charge cover ratio of 1.20 as at the balance dates ending 31 March and 30 June 2021. Prior to declaring any dividends the company is required to obtain consent from ANZ Bank.

The Group has fully complied with all of its financial covenants at 28 June 2020. During the prior period, the Group breached its covenant requirements and obtained a waiver from ANZ Bank of the fixed charge cover ratio for the 30 June 2019 and 30 September 2019 compliance dates.

All secured liabilities listed within Notes 12 and 21, including bank overdraft and bank loans, finance purchases and hire purchase agreements, are secured by a Cross Guarantee and Indemnity between The Reject Shop Limited and TRS Trading Group Pty Ltd supported by:

- First Registered Company Charge (Mortgage Debenture) over all the assets and undertakings of The Reject Shop Limited. This is a fixed and floating charge over all present and future assets, undertakings (including goodwill); and unpaid/uncalled capital of the Company.
- First Registered Company Charge (Mortgage Debenture) over all the assets and undertakings of TRS Trading Group Pty Ltd. This is a fixed and floating charge over all present and future assets, undertakings (including goodwill); and unpaid/uncalled capital of the Company.
- Letter of Set Off by and on account of The Reject Shop Limited and TRS Trading Group Pty Ltd.

Note 13: Liabilities – Provisions

	Consolidated Entity 2020 Current $'000	2020 Non Current $'000	2020 Total $'000	2019 Current $'000	2019 Non Current $'000	2019 Total $'000
Onerous leases(i)	-	-	**-**	174	206	380
Provision for make good	**-**	**526**	**526**	-	-	-
Employment entitlements	**11,795**	**2,878**	**14,673**	10,167	2,724	12,891
	11,795	**3,404**	**15,199**	10,341	2,930	13,271

(i) Prior period onerous lease provisions were recognised against the ROU asset on adoption of AASB16.

Note 13: Liabilities – Provisions continued

Amounts not expected to be settled within the next 12 months

The current provision for employee entitlements includes annual leave, long service leave and bonus accruals. For long service leave, it covers all unconditional entitlements where employees have completed the required period of service and where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision for annual leave is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. The provision for long service leave has both a current and non-current portion. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. Expected future payments are discounted using appropriate market yields at the end of the reporting period that match, as closely as possible, the estimated future cash outflows. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	Consolidated Entity	
	2020 $'000	2019 $'000
Leave obligations expected to be settled after 12 months	**5,996**	5,484

Note 14: Current Liabilities - Other	Consolidated Entity	
	2020 $'000	2019 $'000
Accrued expenses	**9,519**	6,435
Deferred income(i)	**1,892**	2,203
Rent escalation(i)	**-**	1,968
	11,411	10,606

(i) Prior period rental escalation and leasehold incentive liabilities were recognised against the ROU asset on adoption of the AASB16.

Note 15: Non-Current Liabilities – Other	Consolidated Entity	
	2020 $'000	2019 $'000
Deferred income(i)	-	4,671
Rent escalation(i)	-	8,122
	-	12,793

(i) Prior period rental escalation and leasehold incentive liabilities were recognised against the ROU asset on adoption of the AASB16.

Note 16: Contributed Equity

Movements in ordinary share capital - Consolidated Entity

Date	Details	Number of issued shares	Issue price per share $	Contributed Equity $'000
1 July 2018	**Balance**	**28,859,548**	**-**	**46,247**
23 August 2018	Exercise of performance rights	48,600	-	-
30 June 2019	**Balance**	**28,908,148**	**-**	**46,247**
27 March 2020	Issue of ordinary shares net of transaction costs(i)	9,268,474	$2.70	24,079
28 June 2020	**Balance**	**38,176,622**	**-**	**70,326**

(i) On 27 March 2020, the Group completed its 1 for 3.12 traditional non-renounceable pro rata entitlement offer for fully paid ordinary shares at an offer price of $2.70. The entitlement offer resulted in the issue of 9,268,474 fully paid ordinary shares and raised proceeds of approximately $25,025,000 or approximately $24,079,000 net of transaction costs

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 Group does not have a limited amount of authorised capital.

Note 17: Equity – Reserves

	Consolidated Entity	
	2020 $'000	2019 $'000
Capital profits reserve	**739**	739
Share based payments reserve[(i)]	**4,553**	4,004
Hedging reserve – cash flow hedges[(ii)]	**(6,566)**	1,476
Foreign currency translation reserve[(iii)]	**34**	(1)
	(1,240)	6,218
Movements:		
Share based payments reserve[(i)]		
Balance at beginning of period	**4,004**	4,321
Performance Rights expense	**305**	(178)
Deferred tax – share based payments	**244**	(139)
Balance at end of period	**4,553**	4,004
Hedging reserve – cash flow hedges[(ii)]		
Balance at beginning of period	**1,476**	3,841
Transfer to inventory	**(1,476)**	(3,841)
Revaluation of cash flow hedges	**(6,566)**	1,476
Balance at end of period	**(6,566)**	1,476
Foreign currency translation reserve[(iii)]		
Balance at beginning of period	**(1)**	12
Currency translation differences	**35**	(13)
Balance at end of period	**34**	(1)

(i) Share-based payments reserve
The share-based payments reserve is used to recognise the fair value of performance rights issued.

(ii) Hedging reserve – cash flow hedges
The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in Note 22. Amounts accumulated in equity are included in the cost of the hedged item when the forecast purchase that is hedged takes place.

(iii) Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Note 18: Equity – Retained Profits

	Consolidated Entity 2020 $'000	Consolidated Entity 2019 $'000
Retained profits at the beginning of the financial period	**72,857**	95,826
Net profit / (loss) attributable to members of the consolidated entity	**1,120**	(16,899)
Dividends provided for or paid	**-**	(6,070)
Retained profits at end of financial period	**73,977**	72,857

Note 19: Commitments

The consolidated entity has capital commitments totalling $4,225,036 (FY2019: $5,368,090) all payable within one year.

	Consolidated Entity 2020 $'000	Consolidated Entity 2019 $'000
Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements payable:		
Not later than one year	-	104,799
Later than one year and not later than five years	-	163,712
Later than five years	-	12,358
	-	280,869

Operating leases primarily relate to retail stores over a two to five-year time period and contain varying terms and escalation clauses.

This does not include any rental payments payable as a percentage of sales contingent on achieving sales thresholds contained within existing operating leases ('percentage rent') as these amounts cannot be reliably measured for future periods. The amount accrued as at 28 June 2020 for percentage rent was $319,873 (FY2019: $83,461).

For detail on the adoption of AASB 16 see Note 1.

Note 20: Contingent Liabilities

As at 28 June 2020, the Group has no contingent liabilities (30 June 2019: $Nil).

Note 21: Consolidated Statement of Cash Flow Information

	Consolidated Entity	
	2020 $'000	2019 $'000
Reconciliation of Cash Flow from operating activities with (loss) / profit after income tax from ordinary activities		
Profit (loss) from ordinary activities after Income Tax	**1,120**	(16,899)
Non cash items in profit / (loss) from ordinary activities		
Depreciation – owned assets	**18,485**	19,603
Depreciation – right of use assets	**94,866**	-
Impairment of corporate assets	**-**	15,000
Impairment of store assets	**727**	6,941
Asset write offs on store closures	**594**	413
Provision for onerous leases	**-**	273
Non cash share-based expense	**305**	(178)
Tax credited / (debited) directly to equity	**244**	(139)
Changes in assets and liabilities:		
(increase) / Decrease in receivables and other assets	**(4,384)**	1,178
Decrease / (increase) in inventories	**39,941**	(5,704)
Decrease in right-of-use assets net of lease liabilities	**21,024**	-
(Decrease) / increase in trade and other creditors and other provisions	**(4,559)**	1,087
Increase / (decrease) in income tax payable	**6,991**	(4,298)
(Increase) in deferred tax assets	**(7,974)**	(8,447)
Net cash provided by operations	**167,380**	8,830

Reconciliation of cash

Cash at the end of the financial period as shown in the statements of cash flows is reconciled to the related items in the consolidated balance sheets as follows:

	Consolidated Entity	
	2020 $'000	2019 $'000
Cash on hand	**1,546**	1,643
Cash at bank	**90,943**	24,665
	92,489	26,308

Credit standby arrangement and loan facilities

The ongoing funding requirements of the Group, reviewed annually, are provided under the terms of a facility agreement. The key facilities and their utilisation are as follows:

	Consolidated Entity			
	2020		2019	
	Limit $'000	Utilised $'000	Limit $'000	Utilised $'000
Interchangeable Facility(i)	**10,000**	**-**	25,000	19,500
Seasonal facility(ii)	**-**	**-**	-	-
Other Facilities(iii)	**550**	**460**	800	471
Total Facilities	**10,550**	**460**	**25,800**	**19,971**

(i) The interchangeable facility may be allocated to the following sub-facilities: documentary credit issuance/documents surrendered facility, foreign currency overdraft facility and Loan facility.

(ii) A seasonal facility of $20,000,000 was utilised from 1 October 2019 and repaid in full by 31 December 2019. Under the new banking facilities agreed with ANZ Bank in February 2020 (see Note 12), the Group is required to deposit $5 million with ANZ Bank when the seasonal facility is drawn.

(iii) Other facilities include an ANZ Bank indemnity guarantee of $550,000 of which $460,000 was utilised in relation to property leases at 28 June 2020.

Note 22: Financial Instruments and Financial Risk Management

Derivative Financial Instruments

	Consolidated Entity	
	2020 $'000	2019 $'000
Current assets and (liabilities)		
Forward foreign exchange contracts – cash flow hedges	**(9,382)**	2,107

Forward exchange contracts – cash flow hedges

The Group imports product from overseas. In order to protect against exchange rate movements, the Group enters into forward exchange contracts to purchase foreign currency for all overseas purchases. These contracts are hedging contracts for highly probable forecast purchases for the ensuing financial period. The contracts are timed to mature when payments for shipments of products are scheduled to be made.

At balance date, the details of outstanding forward exchange contracts to be settled within 12 months are:

		Consolidated Entity			
				Average Exchange Rate	
Sell	Buy	2020 $'000	2019 $'000	2020 $	2019 $
Australian Dollars	United States Dollars	**240,695**	115,976	**0.66**	0.72
Australian Dollars	Euros	**1,028**	817	**0.58**	0.61

The Company's United States Dollars (USD) forward exchange contracts include US$121,000,000 of forward contracts as well as a number of option contracts.

The USD to be delivered at settlement of these option contracts is contingent on the USD spot rate at the time of settlement. If the USD spot rate at settlement is below the exercise price of each of these option contracts, the aggregate amount of USD to be delivered at settlement under all of these contracts would be US$19,500,000 (the "Lower Amount").

Note 22: Financial Instruments and Financial Risk Management continued

If the USD spot rate at settlement is above the exercise price of each of these option contracts, the aggregate amount of USD to be delivered at settlement under all of these contracts would be US$38,500,000 (the "Higher Amount"), which is approximately double the Lower Amount.

The table above shows the Australian Dollar Equivalent of the USD forward exchange contracts outstanding at 28 June 2020 of $240,694,507. This is the Australian Dollar Equivalent of USD forward exchange contracts totalling US$159,500,000, which include: forward contracts of US$121,000,000 and option contracts of US$38,500,000 (being the Higher Amount given the current USD spot rate is above the exercise price of each of the option contracts at 28 June 2020).

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity.

At the balance date the revaluation of these contracts to fair value resulted in a liability of $9,381,529 (FY2019: asset of $2,107,361).

During the period $1,475,152 (FY2019: $3,840,576) was transferred from equity and included in inventory and a net gain of $Nil (FY2019: net $Nil) was transferred to the consolidated profit and loss.

Exposure to Foreign Currency Risk

The Group's exposure to foreign currency risk at the end of the reporting period was as follows:

	Consolidated Entity	
	2020 USD	**2019 USD**
Cash at bank	**3,302**	1,323
Trade payables	**5,747**	8,275

Forward exchange contracts – Balance Date Sensitivity Analysis

The following table summarises the sensitivity of the Group as at balance date to movements in the value of the Australian Dollar compared to the United States Dollar, the principal currency that the Group has an exposure to. The sensitivity analysis as at balance date relates to the conversion of the United States Dollar foreign currency bank account and foreign currency payables and the impact on other components of equity arises from foreign forward exchange contracts designated as cash flow hedges as follows:

	Consolidated Entity	
Sensitivity Analysis – foreign exchange AUD/USD	**2020 $'000**	**2019 $'000**
For every 1c increase in AUD:USD rate, total exposures decrease by		
Income Statement	**51**	139
Equity	**(3,221)**	(1,664)
For every 1c decrease in AUD:USD rate, total exposures (increase) by		
Income Statement	**(52)**	(143)
Equity	**3,246**	1,712

Interest Rate Risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Consolidated Entity					
2020	**Weighted Average Effective Interest Rate**	**Floating Interest Rate $'000**	**Fixed Interest Rate Maturing within 1 Year $'000**	**Fixed Interest Rate Maturing 1 to 5 Years $'000**	**Non-Interest Bearing $'000**	**Total $'000**
Financial Assets						
Cash	**0.04%**	**82,103**	**-**	**-**	**10,386**	**92,489**
Receivables and other debtors		**-**	**-**	**-**	**2,462**	**2,462**
Total Financial Assets		**82,103**			**12,848**	**94,951**
Financial Liabilities						
Bank loans and overdrafts	**2.21%**	**-**	**-**	**-**		
Trade, sundry and other creditors		**-**	**-**	**-**	**49,903**	**49,903**
Lease liabilities		**-**	**-**	**-**	**193,722**	**193,722**
Total Financial Liabilities					**243,625**	**243,625**

	Consolidated Entity					
2019	**Weighted Average Effective Interest Rate**	**Floating Interest Rate $'000**	**Fixed Interest Rate Maturing within 1 Year $'000**	**Fixed Interest Rate Maturing 1 to 5 Years $'000**	**Non-Interest Bearing $'000**	**Total $'000**
Financial Assets						
Cash	0.23%	22,148	-	-	4,159	26,308
Receivables and other debtors		-	-	-	-	-
Total Financial Assets		22,148	-	-	4,159	26,308
Financial Liabilities						
Bank loans and overdrafts	2.92%	-	19,500	-	-	19,500
Trade, sundry and other creditors		-	-	-	49,814	49,814
Total Financial Liabilities		-	19,500	-	49,814	69,314

Note 22: Financial Instruments and Financial Risk Management continued

The following table summarises the sensitivity of the Group to movements in interest rates by applying changes in interest rates to the average levels of financial assets and liabilities carried by the Group over the last two reporting periods. The table illustrates the impact of a change in rates of 100 basis points, a level that management believes to be a reasonably possible movement.

	Consolidated Entity	
Sensitivity Analysis – Interest Rates	**2020 $'000**	**2019 $'000**
For every 100 basis points increase in interest rates		
Income Statement	**424**	(66)
Equity	**-**	-
For every 100 basis points decrease in interest rates		
Income Statement	**(93)**	(59)
Equity	**-**	-

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date in respect of recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts of those assets, as disclosed in the consolidated balance sheet and notes to the consolidated financial statements.

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations. The credit risk exposure to forward exchange contracts is the net fair value of these contracts.

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group.

Capital Risk Management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2020, the Group's strategy, which was unchanged from 2019, was to maintain a gearing ratio at or below 30%. The gearing ratio at 28 June 2020 and 30 June 2019 were as follows:

	Consolidated Entity	
	2020 $'000	**2019 $'000**
Net debt/ (cash)	**(92,489)**	(6,808)
Total equity	**143,063**	125,322
Net debt to equity ratio (i)	**0%**	0%

(i) The Group has no net debt so debt to equity ratio is not applicable.

Liquidity Risk

The Group manages liquidity risk by continuously monitoring forecast and actual cashflow and matching the maturity profiles of financial assets and liabilities. Such cashflow forecasting ranges from daily to weekly to monthly, with an annual forecast to ensure funding facilities are sufficient to service the business.

The tables below analyses the Group's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Consolidated Entity – At 28 June 2020	Less than 6 months $'000	6 – 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying Amount (assets) / liabilities $'000
Non-derivatives							
Non-interest bearing (including lease liabilities)	**110,373**	**42,286**	**59,763**	**49,787**	**4,777**	**266,986**	**256,347**
Variable rates	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Fixed rate	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total non-derivatives	**110,373**	**42,286**	**59,763**	**49,787**	**4,777**	**266,986**	**256,347**
Derivatives							
Net settled	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Gross settled							
- (inflow)	**(102,699)**	**(41,549)**	**2,960**	**-**	**-**	**(141,288)**	**-**
- outflow	**102,819**	**50,280**	**(2,429)**	**-**	**-**	**150,670**	**-**
Total derivatives	**120**	**8,731**	**531**	**-**	**-**	**9,382**	**9,382**

Consolidated Entity – At 30 June 2019	Less than 6 months $'000	6 – 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying Amount (assets) / liabilities $'000
Non-derivatives							
Non-interest bearing	54,346	-	-	-	-	54,346	54,346
Variable rates	-	-	-	-	-	-	-
Fixed rate	19,500	-	-	-	-	19,500	19,500
Total non-derivatives	73,846	-	-	-	-	73,846	73,846
Derivatives							
Net settled	-	-	-	-	-	-	-
Gross settled							
- (inflow)	(115,352)	(3,548)	-	-	-	(118,900)	-
- outflow	113,220	3,573	-	-	-	116,793	-
Total derivatives	(2,132)	25	-	-	-	(2,107)	(2,107)

Note 22: Financial Instruments and Financial Risk Management continued

Net Fair Values

For other assets and other liabilities the net fair value approximates their carrying value.

Fair Value Measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments, forward exchange contracts and interest rate swaps.

The following table presents the entity's assets and liabilities measured and recognised at fair value.

	Consolidated Entity	
	2020 $'000 Level 2	**2019 $'000 Level 2**
Derivatives used for hedging	**(9,382)**	2,107

	Consolidated Entity	
Net Debt Reconciliation	**2020 $'000**	**2019 $'000**
Cash and cash equivalents	**92,489**	26,308
Borrowings repayable within 1 year (including overdraft)	**-**	(19,500)
Net cash / (debt)	**92,489**	6,808
Cash and liquid investments	**92,489**	26,308
Gross debt – fixed interest rate	**-**	(19,500)
Net cash / (debt)	**92,489**	6,808

	Consolidated Entity
	Borrowings due within 1 year $'000
Balance as at 1 July 2018	-
Cash flows	(19,500)
Foreign exchange adjustments	-
Balance at 30 June 2019	**(19,500)**
Cash flows	19,500
Foreign exchange adjustments	-
Balance at 28 June 2020	**-**

Note 23: Key Management Personnel Disclosures

Non-Executive Directors

Steven Fisher	(Chairman) (Appointed 1 October 2019)
Selina Lightfoot	
Michele Teague	
Nicholas Perkins	(Appointed 1 May 2020)
David Grant	(Appointed 1 May 2020)
Jack Hanrahan	(Resigned 15 October 2019)
William J Stevens	(Retired 16 October 2019)
Zachary Midalia	(Resigned 30 April 2020)

All of the above persons were directors of The Reject Shop Limited for the entire period ended 28 June 2020, unless otherwise stated.

Other Key Management Personnel

The following persons had authority and responsibility for planning, directing, and controlling the activities of the Group directly or indirectly during the financial period:

Andre Reich	– Chief Executive Officer (commenced on 13 January 2020)
Dani Aquilina	– Acting Chief Executive Officer (commenced on 23 May 2019 and concluded on 12 January 2020)
	– Chief Operating Officer (commenced on 13 January 2020)
Darren Briggs	– Chief Financial Officer (left the Company on 30 April 2020)

All of the above persons were employed by The Reject Shop Limited and were key management personnel for the entire period ended 28 June 2020 unless otherwise stated.

As indicated in the Annual Report for 2018/2019, the Company conducted a review of the key management personnel. Following that review, the Board has determined that, from 1 July 2019, not all members of the leadership team will meet the definition of key management personnel.

Remuneration of Directors and Key Management Personnel

	Consolidated Entity	
	2020 $	2019 $
Short-term cash rewards	**168,390**	-
Short-term employee benefits	**1,888,215**	3,962,160
Post-employment benefits	**96,641**	197,829
Termination benefits	**115,427**	537,070
Share-based payments	**253,282**	(175,474)
	2,521,955	4,521,585

No other long-term or termination benefits were paid or payable with respect to the current or prior period.

Note 24: Share-based payments

Performance Rights Plan (PRP)

The PRP is the basis of The Reject Shop Limited's long-term reward scheme for selected senior employees. In summary, eligible employees identified by the Board may be granted performance rights, which is an entitlement to a share subject to satisfaction of exercise conditions on terms determined by the Board.

The details of all grants made and outstanding for each financial period are detailed in the tables below:

2020 - Consolidated Entity

Date of Grant	Expiry Date	Date Exercisable	Fair Value at Grant Date $'s	Balance At Start of Period	Granted During Period	Exercised During The Period	Lapsed, forfeited or cancelled during The Period	Balance at End of The Period	Vested and Exercis-able At The End of Period
19 Oct 2017	18 Oct 2021	1 Jul 2020	3.86	138,500	-	-	(138,500)	-	-
18 Oct 2018	17 Oct 2022	1 Jul 2021	1.84	102,000	-	-	(74,000)	28,000	-
1 Sep 2019	31 Aug 2022	31 Aug 2020	1.83	-	75,000	-	-	75,000	-
1 Sep 2019	31 Aug 2022	31 Aug 2021	1.74	-	75,000	-	-	75,000	-
18 Oct 2019	16 Oct 2023	1 Jul 2022	2.07	-	168,000	-	(80,400)	87,600	-
13 Jan 2020	12 Jan 2025	14 Jan 2023	1.91	-	150,000	-	-	150,000	-
13 Jan 2020	12 Jan 2026	14 Jan 2024	1.82	-	75,000	-	-	75,000	-
13 Jan 2020	12 Jan 2027	14 Jan 2025	1.74	-	75,000	-	-	75,000	-
25 Mar 2020	26 Mar 2025	27 Mar 2023	4.05	-	150,000	-	-	150,000	-
Total				**240,500**	**768,000**	**-**	**(292,900)**	**715,600**	

2019 - Consolidated Entity

Date of Grant	Expiry Date	Date Exercisable	Fair Value at Grant Date $'s	Balance At Start of Period	Granted During Period	Exercised During The Period	Lapsed, forfeited or cancelled during The Period	Balance at End of The Period	Vested and Exerci-sable At The End of Period
14 Oct 2015	14 Oct 2019	1 Jul 2018	8.62	48,600	-	(48,600)	-	-	-
20 Oct 2016	19 Oct 2020	1 Jul 2019	6.58	104,500	-	-	(104,500)	-	-
19 Oct 2017	18 Oct 2021	1 Jul 2020	3.86	326,700	-	-	(188,200)	138,500	-
18 Oct 2018	17 Oct 2022	1 Jul 2021	1.84	-	270,900	-	(168,900)	102,000	-
Total				479,800	270,900	(48,600)	(461,600)	240,500	-

For the grants made during the year the fair value was determined using Black-Scholes option pricing model taking into account the following inputs:

Date of new grants	18 Oct 2018	1 Sep 2019	18 Oct 2019	13 Jan 2020	25 Mar 2020
Exercise price	-	-	-	-	-
Share price at grant date $	2.63	1.93	2.33	2.19(i)	4.35
Expected dividend yield	5.2%	5.2%	4.3%	4.6%	2.3%
Risk free rate	2.5%	3.0%	3.0%	3.0%	3.0%

(i) Share price based on date of signing of contract and market announcement of CEO appointment.

The expected price volatility is based on the historic volatility, adjusted for any expected changes to future volatility due to publicly available information.

Performance rights do not carry voting or dividend entitlements.

On 17 July 2020 (subsequent to the period end), the Company vested 50,000 performance rights to Darren Briggs, which were exercised on 20 July 2020. The fair value of the performance rights at the grant date on 1 September 2019 was $89,314. Otherwise there have been no performance rights granted or vested to key management personnel subsequent to the period end.

Remuneration Expense / (Income) arising from share-based payment transactions

	Consolidated Entity	
	2020 $	**2019 $**
Performance rights granted	**305,338**	(177,440)

Note 25 Remuneration of auditors

	Consolidated Entity	
	2020 $	**2019 $**
During the period the following fees for services were paid or payable to PricewaterhouseCoopers Australia and its related parties as the auditor:		
Audit and Assurance Related Services		
Audit and review work	**425,720**	374,000
Other assurance services	**43,615**	50,613
	469,335	424,613
Tax Compliance and Consulting Services		
Tax compliance	**44,136**	40,500
Tax consulting advice	**37,500**	59,400
	81,636	99,900
Total remuneration	**550,971**	524,513

Note 26: Dividends

	Consolidated Entity	
	2020 $	**2019 $**
Dividend declared subsequent to the period end.	**-**	-
Balance of franking account at period end adjusted for franking credits arising from payment of provision for 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 periods based on a tax rate of 30%	**55,724**	51,328

Dividends recognised during the reporting period:

There were no dividends paid to members during the financial period FY2020 (FY2019 interim ordinary dividend of 10.0 cents per share totalling $2,890,815 paid on 8 April 2019).

Note 27: Earnings per share

	Consolidated Entity 2020 Cents	Consolidated Entity 2019 Cents
Basic earnings per share	**3.6**	(58.5)
Diluted earnings per share	**3.5**	(58.5)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	**31,276,192**	28,901,072
Adjustments for dilutive portion of performance rights	**372,952**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.	**31,649,144**	28,901,072

Performance Rights granted under the Performance Rights Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share but to the extent they are not anti-dilutive. Details relating to the performance rights are set out in Note 24.

Note 28: Net Tangible Assets

	Consolidated Entity 2020 Cents	Consolidated Entity 2019 Cents
Net tangible asset backing per ordinary share(i)	**374.7**	433.5

(i) Net tangible assets backing per ordinary share includes right-of-use assets.

Note 29: Parent Entity Financial Information

	Parent Entity 2020 $'000	Parent Entity 2019 $'000
(a) Summary financial information		
The individual financial statements for the parent entity show the following aggregate amounts:		
Balance Sheet		
Current assets	**156,947**	144,355
Total assets	**409,056**	225,415
Current liabilities	**154,427**	85,677
Total liabilities	**267,468**	101,397
Shareholders' equity		
Issued capital	**70,326**	46,247
Reserves	**(1,122)**	6,202
Retained earnings	**72,384**	71,569
	141,588	124,018
Profit / (Loss) for the financial period	**963**	(17,101)
Total Comprehensive Loss for the financial period	**(7,079)**	(19,466)
(b) Guarantees entered into by the parent entity		
Carrying amount included in current liabilities	**-**	-

Refer to Notes 19 and 20 for disclosures concerning contingent liabilities and contractual commitments for the parent entity.

Note 30: Segment information

The Reject Shop operates within one reportable segment (retailing of discount variety merchandise). Total revenues of $820,645,000 all relate to the sale of discount variety merchandise in the Group's country of domicile (Australia), in this single reportable segment. The Group is not reliant on any single customer.

Note 31: Subsidiaries

The Reject Shop Limited has a 100% owned operating subsidiary based in Hong Kong, TRS Sourcing Co. Limited. This subsidiary provided procurement services for TRS Limited and charged a fee for those services.

	2020 $'000	2019 $'000
Fees paid to TRS Sourcing Co. Limited	**1,717**	2,355

The Reject Shop Limited has a 100% owned non-operating subsidiary, TRS Trading Group Pty Ltd, incorporated in Australia. There were no transactions between the parent entity and its subsidiary during the period (2019: Nil).

In addition, The Reject Shop Limited has effective control over The Reject Shop Limited Employee Share Trust which administers shares issued through the Company's Performance Rights Plan. This entity is also consolidated.

Note 32: Matters Subsequent to the End of the Financial Period

In August 2020, subsequent to period-end, the Group agreed to extend its banking facilities with ANZ Bank from 31 March 2021 to 31 August 2021. Refer to Notes 12 and 21 for further information.

The COVID-19 pandemic continues to impact the Australian economy and retail sector. During July and August 2020, various State governments in Australia implemented new restrictions, which vary by State. While the future impact and duration of the COVID-19 pandemic (and any associated State government restrictions) on the Company is currently unknown, the pandemic may affect the Company's operations and results.

No other matters or circumstances have arisen since the end of the financial period which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Note 33: Related Party Transactions

During the year the Group transacted with a related party of Kin Group to purchase goods. Transactions totaled $9,415. All transactions were on a commercial, arms-length basis.

There were no other related party transactions, other than those with KMPs in the normal course of business, during the period ended 28 June 2020.

Directors' Declaration

In the directors' opinion:

(a) The financial statements and notes set out on pages 39 to 72 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 28 June 2020 and of its performance for the financial period ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors draw attention to Note 1(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors:

Steven Fisher
Chairman

Dated this 19 August 2020

Independent Auditor's Report to the Members of The Reject Shop Limited

Independent auditor's report

To the members of The Reject Shop Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of The Reject Shop Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 28 June 2020 and of its financial performance for the 52 week period ended 28 June 2020

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of comprehensive income for the 52 week period ended 28 June 2020
- the consolidated balance sheet as at 28 June 2020
- the consolidated statement of changes in equity for the 52 week period ended 28 June 2020
- the consolidated statement of cash flows for the 52 week period ended 28 June 2020
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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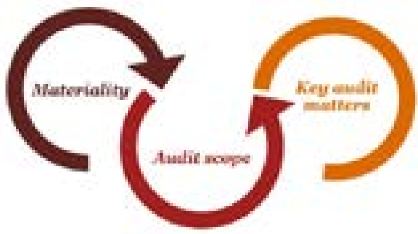
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall Group materiality of $0.4 million, which represents approximately 5% of the Group's weighted average profit or loss before tax.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit or loss before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. Due to fluctuations in profit or loss from year to year, we chose a weighted three year average.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group is principally involved in retailing through discount stores across Australia. The accounting processes are structured around the Group finance function at the Group's head office in Melbourne.
- Our audit evidence was derived through a combination of:
  - developing an understanding of the control environment and tests of specific automated and manual controls; and
  - substantive procedures such as use of data analysis techniques, together with substantive analytical procedures and tests of detail.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	***How our audit addressed the key audit matter***
Carrying amount of distribution centre and head office assets *(Refer to note 8)*	
The Group operates three distribution centres (DCs) servicing its store network and a head office located in Melbourne, Australia, which functions as a shared-service centre for the Group. Fixed assets at the DCs and head office are material to the consolidated balance sheet. Given the challenging trading conditions in the Australian retail industry, the prior period impairment, and the impact of the COVID-19 pandemic, there is a risk the carrying amount of the DC and head office assets may be higher than their recoverable amount. The Group assess impairment of DC and head office assets by preparing a model which estimates future cash flows discounted to their present value ("the model"). This was a key audit matter because of: • the financial significance of the DC and head office assets to the consolidated balance sheet • the judgemental factors involved in the Group assessing impairment, in particular, estimating the future sales growth, terminal growth rate and discount rate.	Our audit procedures included, amongst others: • assessing the appropriateness of the model by comparing it to the requirements of the Australian Accounting Standards • testing the mathematical accuracy of the model • assessing the key inputs into the model, such as the sales growth rate and terminal growth rate by comparing them to board approved budgets, industry forecasts and historical performance of the Group and considered the potential impact of COVID-19 • engaging internal experts to assess the reasonableness of the discount rate used in the model • performing valuation cross-checks by comparing the Group's market capitalisation as at 28 June 2020 to net assets • assessing the adequacy of the disclosures in the financial report having regard to the requirements of Australian Accounting Standards.

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Key audit matter	*How our audit addressed the key audit matter*
Carrying value of store assets, including right of use assets *(Refer to note 8)* The Group offers a wide range of discount merchandise through its network of more than 350 stores. Store assets represent one of the largest assets on the consolidated balance sheet. Given the challenging trading conditions in the Australian retail industry and the impact of the COVID-19 pandemic, there is a risk the carrying amount of the store assets may be higher than their recoverable amount. The Group assesses impairment of store assets on a store-by-store basis, by preparing models with estimates of future cash flows discounted to their present value ("the models"). This was a key audit matter because of: • the financial significance of the store assets to the consolidated balance sheet • the judgemental factors involved in the Group assessing impairment, in particular, estimating future sales growth over the forecast period and discount rate.	Our audit procedures included, amongst others: • evaluating the Group's assessment of the determination of cash generating units • assessing the appropriateness of the models by comparing them to the requirements of the Australian Accounting Standards • testing the mathematical accuracy of the models • assessing the key inputs in the models such as the sales growth rate by comparing them to board approved budgets, historical performance of the stores and the Group's overall sales growth rate, and considered the potential impact of COVID-19 • considering the appropriateness of the period over which cash flows were projected based on our knowledge of the business and the Group's lease portfolio management strategy • engaging internal experts to assess the reasonableness of the discount rate used in the model • assessing the adequacy of the disclosures in the financial report having regard to the requirements of Australian Accounting Standards.

Key audit matter	*How our audit addressed the key audit matter*
Inventory provision –net realisable value (NRV) *(Refer to note 1(aa)(iv))* A provision was recognised as at 28 June 2020 in the financial report to provide for inventory expected to be sold below cost. The Group undertook a process to identify period-end inventory which is likely to be sold below cost. The provision is then recognised by applying the expected markdown required to clear this inventory. The identification of the provision depends, in part, on sales sold below cost throughout the financial period and incorporates information on known loss-making products as well as the impact of planned markdowns. This was a key audit matter because of: • the financial significance of the inventory balance at 28 June 2020 and therefore the potential effect of the provision for NRV on the consolidated statement of comprehensive income and consolidated balance sheet • the subjective nature of the provision on the calculation due to the judgement involved in estimating the ultimate selling price of inventory.	Our audit procedures included, amongst others: • obtaining an understanding of how the Group determines the NRV provision • considering the potential impact on the Group's estimate of the NRV provision from the COVID-19 pandemic • considering the appropriateness of the provision by having regard to: ○ aggregate total inventory sold below cost during the financial period ○ aggregate of inventory in excess of expected future sales quantities ○ aggregate total of inventory wastage incurred during the financial period ○ inventory written-off subsequent to the end of the financial period and up to the completion of our audit.
Inventory provision – shrinkage *(Refer to note 1(aa)(v))* At period-end, the Group recognised a provision against stock for estimated losses related to shrinkage, being physical losses of inventory at each store since the date of the last stock count. The provision is calculated by applying an estimated shrink loss percentage to the sales since the date of the last stock count to period-end, on a store-by-store basis. This was a key audit matter because of: • the financial significance of the inventory balance and therefore the potential effect of the shrinkage provision on the consolidated statement of comprehensive income and the consolidated balance sheet • the subjective nature of the provision calculation due to judgement involved in estimating the shrink loss percentage to apply to sales.	Our audit procedures over the provision for shrinkage included, amongst others: • obtaining an understanding of how the Group determines the shrinkage provision • comparing the shrink loss percentage applied against historical data on the Group's shrinkage result • attending stock counts for a selection of store locations and developed an understanding of the Group's process for reviewing stock count results for other stores • comparing the shrink loss percentage applied against the results of the stock counts completed prior to the financial period end.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the 52 week period ended 28 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

pwc

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 26 to 36 of the directors' report for the period 1 July 2019 to 28 June 2020.

In our opinion, the remuneration report of The Reject Shop Limited for the period 1 July 2019 to 28 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Sam Lobley
Partner

Melbourne
19 August 2020

Shareholders' Information

As at 7 August 2020

The shareholder information set out below was applicable as at 7 August 2020.

(a) The distribution of shareholding was as follows:

Size of Shareholding	Shareholders
1 - 1,000	3,203
1,001 - 5,000	1,338
5,001 - 10,000	220
10,001 - 100,000	155
100,001 and over	27

(b) 474 shareholders hold less than a marketable parcel of shares, being a market value of less than $500

(c) Substantial shareholders based on notifications to the Company were:

Shareholder	Number	% Held
Allensford Pty Ltd	7,253,018	18.97%
Gragher Retail Securities Pty Ltd	5,149,432	13.49%
Bennelong Australian Equity Partners Ltd	4,495,662	11.78%
Wilson Asset Management Group	2,040,343	5.34%

(d) The fully paid issued capital of the Company consisted of 38,226,622 shares held by 4,943 shareholders.

Each share entitles the holder to one vote.

(e) Unquoted Equity Securities

	Number on Issue	Number of holders
Reject Shop Performance Rights Plan	**665,600**	**4**

(f) Twenty largest shareholders

Shareholder	Number	% Held
Allensford Pty Ltd	7,253,018	18.97
HSBC Custody Nominees (Australia) Limited	6,492,035	16.98
Grahger Retail Securities Pty Ltd	4,000,000	10.46
National Nominees Limited	2,258,220	5.91
Citicorp Nominees Pty Limited	1,616,832	4.23
J P Morgan Nominees Australia Pty Limited	960,276	2.51
Little Blue Porsche Pty Ltd	600,000	1.57
Mr Andre Peter Reich	536,842	1.40
Brispot Nominees Pty Ltd	479,298	1.25
Neweconomy Com Au Nominees Pty Limited	471,742	1.23
CS Fourth Nominees Pty Limited	441,180	1.15
National Nominees Limited	315,060	0.82
GCS Narooma Pty Ltd	300,000	0.78
NCH Pty Ltd	273,966	0.72
UBS Nominees Pty Ltd	261,417	0.68
Wyong Rugby League Club Ltd	255,000	0.67
BFA Super Pty Ltd	198,828	0.52
Barloo Investments Pty Ltd	196,616	0.51
BNP Paribas Nominees Pty Ltd	188,974	0.49
BNP Paribas Noms Pty Ltd	155,279	0.41

The twenty members holding the largest number of shares together held a total of 71.3% of the issued capital.

(g) Restricted Shares

There are no restricted shares on issue.

Corporate Directory

THE REJECT SHOP LIMITED
ABN 33 006 122 676
AND SUBSIDIARIES

Directors
Steven Fisher
Non-Executive Chairman

Michele Teague
Non-Executive Director

Selina Lightfoot
Non-Executive Director

David Grant
Non-Executive Director

Nicholas Perkins
Non-Executive Director

Company Secretary
Michael Freier (BA, BCom, LLB, LLM, MA (Theol) & Grad Dip Leg Prac)

Principal Registered Office
245 Racecourse Road
Kensington, Victoria 3031
Phone: (03) 9371 5555

Share Registry
Link Market Services Ltd
Tower 4, 727 Collins St
Melbourne, Victoria 3008

Auditors
PricewaterhouseCoopers
2 Riverside Quay
Southbank, Victoria 3006

Stock Exchange Listing
The Reject Shop Limited shares are listed on
the Australian Securities Exchange (ASX code: TRS)

Website
www.rejectshop.com.au

THE REJECT SHOP

www.therejectshop.com.au