

Appendix 4D

The Reject Shop Limited

(ABN 33 006 122 676)

Consolidated preliminary final report

For the 26 week financial period ended 27 December 2020
Compared to the 26 week financial period ended 29 December 2019

Results for announcement to the market

\$A'000

\$A00

Sales revenue from continuing operations	down	(0.3%)	to	434,336
Profit from continuing operations after tax attributable to members	up	79.3%	to	17,043
Net profit for the period attributable to members	up	79.3%	to	17,043
Dividends	Amount per share		Franked amount per share	
Interim dividend	nil		n/a	
Record date for determining entitlements to the dividend	n/a			
Dividend payment date	n/a			

Commentary on the consolidated entity's trading results is included in the announcement dated 17 February 2021 and shareholder presentation for the 26 week period ended 27 December 2020.

DIRECTORS' REPORT

Your directors present their report on the Company and its controlled entities for the 26 week period ended 27 December 2020.

Directors

The following persons were directors of The Reject Shop Limited during the whole of the half year and up to the date of this report unless otherwise stated:

Steven Fisher
Michele Teague (retired 21 October 2020)
Selina Lightfoot
David Grant
Nicholas (Nick) Perkins

Review of operations

A review of the operations and results of the Company and its controlled entities are contained in Company's ASX and media release for the period accompanying this report.

The half year ended 27 December 2020, incorporated 26 weeks trading.

Seasonality

The first half of the consolidated entity's year traditionally produces a profit result significantly higher than the second half. This is due to the significant sales increase during the peak trading period of November and December.

Dividends

There have been no dividends paid during the period. The consolidated entity has not declared an interim dividend to be paid.

The consolidated entity's dividend reinvestment plan is not currently active.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

DIRECTORS' REPORT (cont'd)

Rounding of amounts to nearest thousand dollars

The consolidated entity is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the directors.



Steven Fisher
Chairman

17 February 2021

Auditor's Independence Declaration

As lead auditor for the review of The Reject Shop Limited for the 26 week period ended 27 December 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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



Sam Loble
Partner
PricewaterhouseCoopers

Melbourne
17 February 2021

**Consolidated Statement of Comprehensive Income
For the Half Year Ended 27 December 2020**

	Notes	Half Year Ended 2020 26 weeks \$'000	2019 26 weeks \$'000
Revenue from continuing operations			
Sales revenue		434,336	435,710
Other income		40	2
		<u>434,376</u>	<u>435,712</u>
Cost of sales		251,463	249,120
Store expenses		135,280	146,225
Administrative expenses		19,900	22,800
		<u>406,643</u>	<u>418,145</u>
Finance costs	3	3,368	4,208
Profit before income tax		<u>24,365</u>	<u>13,359</u>
Income tax expense	4	7,322	3,853
Profit for the half year		<u>17,043</u>	<u>9,506</u>
Other comprehensive income			
<i>Items that may be re-classified to profit or loss</i>			
Changes in the fair value of cash flow hedges		(12,374)	(3,760)
Income tax relating to components of other comprehensive income		3,712	1,128
Other comprehensive (loss) for the half year, net of tax		<u>(8,662)</u>	<u>(2,632)</u>
Total Comprehensive Income for the Half Year Attributable to Members of The Reject Shop Limited		<u><u>8,381</u></u>	<u><u>6,874</u></u>
Earnings per share		Cents	Cents
Basic earnings per share	11	44.6	32.9
Diluted earnings per share	11	43.9	32.6

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

**Consolidated Balance Sheet
As at 27 December 2020**

	Notes	27 December 2020 \$'000	28 June 2020 \$'000
Current Assets			
Cash		107,642	92,489
Inventories		89,894	70,850
Other current assets	5	7,992	6,629
Total Current Assets		205,528	169,968
Non Current Assets			
Property, plant and equipment	6	49,633	51,277
Right-of-use assets		169,171	172,698
Deferred tax assets		30,679	28,171
Total Non Current Assets		249,483	252,146
Total Assets		455,011	422,114
Current Liabilities			
Payables	7	54,187	45,042
Lease liabilities		84,659	83,557
Tax liabilities		4,160	4,295
Provisions	8	16,135	11,795
Derivative financial instruments		21,753	9,382
Other current liabilities		13,601	11,411
Total Current Liabilities		194,495	165,482
Non Current Liabilities			
Lease liabilities		104,548	110,165
Provisions	9	3,817	3,404
Total Non Current Liabilities		108,365	113,569
Total Liabilities		302,860	279,051
Net Assets		152,151	143,063
Equity			
Contributed equity	10	70,326	70,326
Reserves		(9,195)	(1,240)
Retained profits		91,020	73,977
Total Equity		152,151	143,063

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

**Consolidated Statement of Changes in Equity
For the Half Year Ended 27 December 2020**

2020

	Contributed Equity \$'000	Capital Profits \$'000	Share Based Payments \$'000	Hedging Reserve \$'000	F/X Translation Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balances as at 28 June 2020	70,326	739	4,553	(6,566)	34	73,977	143,063
Profit for the period	-	-	-	-	-	17,043	17,043
Other comprehensive income	-	-	-	(8,662)	-	-	(8,662)
Foreign exchange translation	-	-	-	-	(24)	-	(24)
Transaction with owners in their capacity as owners:							
Dividends Paid	-	-	-	-	-	-	-
Share based remuneration	-	-	664	-	-	-	664
Tax credited/(debited) directly to equity	-	-	67	-	-	-	67
Balances as at 27 December 2020	70,326	739	5,284	(15,228)	10	91,020	152,151

2019

	Contributed Equity \$'000	Capital Profits \$'000	Share Based Payments \$'000	Hedging Reserve \$'000	F/X 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	-	-	-	-	-	9,506	9,506
Other comprehensive income	-	-	-	(2,632)	-	-	(2,632)
Foreign exchange translation	-	-	-	-	(2)	-	(2)
Transaction with owners in their capacity as owners:							
Dividends Paid	-	-	-	-	-	-	-
Share based remuneration	-	-	150	-	-	-	150
Tax credited/(debited) directly to equity	-	-	(59)	-	-	-	(59)
Balances as at 29 December 2019	46,247	739	4,095	(1,156)	(3)	82,363	132,285

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

Consolidated Statement of Cash Flows
For the Half Year Ended 27 December 2020

	Half Year Ended	
	2020	2019
	26 weeks	26 weeks
	\$'000	\$'000
Cash Flows from Operating Activities		
Receipts from customers (inclusive of goods and services tax)	477,770	479,281
Payments to suppliers and employees (inclusive of goods and services tax)	(396,593)	(377,424)
Interest received	40	2
Borrowing costs paid	(3,368)	(4,208)
Income tax (paid)/received	(6,211)	2,202
Net cash inflows from operating activities	71,638	99,853
Cash Flows from Investing Activities		
Payments for property, plant and equipment	(6,085)	(5,977)
Net cash outflows used in investing activities	(6,085)	(5,977)
Cash Flows from Financing Activities		
Proceeds from borrowings	-	124,699
Repayment of borrowings	-	(142,650)
Principal elements of lease payments	(50,400)	(48,798)
Net cash outflows used in financing activities	(50,400)	(66,749)
Net increase in cash held	15,153	27,127
Cash at the beginning of the half year	92,489	26,308
Cash at the end of the half year	107,642	53,435

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

Notes to the consolidated financial statements for the half-year ended 27 December 2020

Note 1: Basis of preparation of half-year report

This condensed consolidated interim financial report for the half year reporting period ended 27 December 2020 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 28 June 2020 and any public announcements made by The Reject Shop Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period unless otherwise noted below.

(a) New and amended standards adopted by the Consolidated entity

A number of new or amended standards became applicable for the current reporting period. The consolidated entity did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(b) Impact of standards issued but not yet applied by the Consolidated entity

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

Note 2: Critical accounting estimates and judgments

Critical accounting estimates and judgements are consistent with those presented in the Annual Report for the year ended 28 June 2020.

Notes to the consolidated financial statements for the
half-year ended 27 December 2020 (cont'd)

Half Year Ended	
2020	2019
26 weeks	26 weeks
\$'000	\$'000

Note 3: Expenses

Profit before income tax expense includes the following expenses:

Interest and finance charges paid/payable - borrowings	83	439
Interest and finance charges paid/payable - leases	3,285	3,769
	3,368	4,208

Depreciation of owned assets and amortisation expenses included in:

Cost of sales	737	1,848
Store expenses	6,336	6,584
Administrative expenses	645	1,167
	7,718	9,599

Depreciation of right-of-use assets expenses included in:

Cost of sales	2,939	3,193
Store expenses	44,907	46,350
Administrative expenses	471	468
	48,317	50,011

Impairment of store assets	-	872
Store asset write off	44	380
Employee benefits expense	84,288	91,139
New store opening costs (including refurbishments and deficits)	561	566

Note 4: Income Tax Expense

Income tax expense is recognised based on management's effective annual income tax rate expected for the full financial year. The effective annual tax rate for the year to 28 June 2020 was 31%, compared to 30% for the 26 week period ended 27 December 2020.

Notes to the consolidated financial statements for the
half-year ended 27 December 2020 (cont'd)

	27 December 2020	28 June 2020
	\$'000	\$'000
Note 5: Current Assets – Other		
Prepayment	2,676	1,765
Other current assets*	5,316	4,864
	<u>7,992</u>	<u>6,629</u>

(*) Other current assets include a deposit held of \$2,843,000 (FY2020: \$2,462,000) against certain open hedge contracts at 27 December 2020.

	27 December 2020	28 June 2020
	\$'000	\$'000
Note 6: Non-Current Assets – Property, Plant and Equipment		
Leasehold improvements		
At cost	84,430	84,539
Less accumulated depreciation and impairment	(69,804)	(66,422)
	<u>14,626</u>	<u>18,117</u>
Plant and equipment		
At cost	164,112	158,931
Less accumulated depreciation and impairment	(129,105)	(125,771)
	<u>35,007</u>	<u>33,160</u>
Total property, plant and equipment	<u>49,633</u>	<u>51,277</u>

	27 December 2020	28 June 2020
	\$'000	\$'000
Note 7: Current Liabilities – Payables		
Unsecured liabilities		
Trade payables	50,292	39,125
Payroll tax and other statutory liabilities	3,895	5,917
	<u>54,187</u>	<u>45,042</u>

Notes to the consolidated financial statements for the half-year ended 27 December 2020 (cont'd)

	27 December 2020 \$'000	28 June 2020 \$'000
Note 8: Current Liabilities – Provisions		
Employee entitlements	14,069	11,795
Provision for onerous contracts*	2,066	-
	<u>16,135</u>	<u>11,795</u>

(*) Total hand sanitiser provisions have increased by \$3,584,000 from \$524,000 at 28 June 2020 to \$4,108,000 at 27 December 2020. The hand sanitiser provision is split between onerous contracts \$2,066,000 (FY2020: \$nil) and inventories \$2,042,000 (FY2020: \$524,000).

	27 December 2020 \$'000	28 June 2020 \$'000
Note 9: Non-Current Liabilities – Provisions		
Provision for make good	816	526
Employee entitlements	3,001	2,878
	<u>3,817</u>	<u>3,404</u>

Note 10: Equity – Contributed Equity

Movements in ordinary share capital:

Date	Details	No. of shares	Issue Price per share \$	Contributed Equity \$'000
30 June 2019	Balance	28,908,148	-	46,247
29 December 2019	Balance	28,908,148	-	46,247
27 March 2020	Issue of ordinary shares net of transaction costs*	9,268,474	\$2.70	24,079
28 June 2020	Balance	38,176,622	-	70,326
17 July 2020	Exercise of performance rights	50,000	-	-
1 September 2020	Exercise of performance rights	50,000	-	-
27 December 2020	Balance	38,276,622	-	70,326

(*) On 27 March 2020, the consolidated entity 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 consolidated entity does not have a limited amount of authorised capital.

Notes to the consolidated financial statements for the half-year ended 27 December 2020 (cont'd)

	Half Year Ended	
	2020	2019
	26 weeks	26 weeks
	Cents	Cents
Note 11: Earnings per share		
Basic earnings per share	44.6	32.9
Diluted earnings per share	43.9	32.6
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	38,253,125	28,908,148
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	38,804,249	29,169,292

	27 December 2020 Cents	28 June 2020 Cents
Note 12: Net Tangible Assets		
Net tangible asset backing per ordinary share*	397.5	374.7

(*) The net tangible asset backing per ordinary share includes right-of-use assets.

	Half Year Ended	
	2020	2019
	26 weeks	26 weeks
	\$'000	\$'000
Note 13: Dividends		
No fully franked final dividend paid (2019: \$nil)	-	-

Note 14: Segment Information

The Reject Shop operates within the one reportable segment (retailing of discount variety merchandise). Total revenues of \$434,336,000 all relate to the sale of discount variety merchandise in the consolidated entity's country of domicile (Australia), in this single reportable segment. The consolidated entity is not reliant on any single customer.

Notes to the consolidated financial statements for the half-year ended 27 December 2020 (cont'd)

Note 15: Dividend Reinvestment Plan

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

Note 16: Capital Commitments

The consolidated entity has contractually committed to approximately \$586,529 (FY2020: \$4,225,036) in capital expenditure at the end of the reporting period.

Note 17: Matters Subsequent to the End of the Half Year

No matters or circumstance has arisen since the end of the half year that has significantly affected the consolidated entity's operations, results or state of affairs, or may do so in future years.

Note 18: Fair Value Measurements

The directors consider the cash flow hedges to be Level 2 financial instruments because, unlike Level 1 financial instruments, their measurement is derived from inputs other than quoted prices that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices). There have been no transfers between levels 1, 2 and 3 for recurring fair value measurements during the half-year. The cash flow hedges fair values have been obtained from third party valuations derived from forward exchange rates at the balance sheet date.

The fair value of the cash flow hedges at 27 December 2020 was a liability of \$21,753,000 (FY2020: liability of \$9,382,000).

At 27 December 2020 the consolidated entity has a deposit of \$2,843,000 against certain open hedge contracts (28 June 2020: \$2,462,000). This deposit is included within Other Current Assets.

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

Note 19: Related party transactions

During the half year the consolidated entity transacted with a related party of Kin Group to purchase goods. Transactions totalled \$594,688. All transactions were on commercial terms and on an arms-length basis.

There were no other related party transactions, other than those with key management personnel in the normal course of business, during the 26 week period ended 27 December 2020.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 14 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 27 December 2020 and of its performance, as represented by the results of its operations and its cash flows, for the 26 week period ended on that date; and
- (b) there are reasonable grounds to believe that The Reject Shop Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Steven Fisher
Chairman

17 February 2021

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

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of The Reject Shop Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 27 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 26 week period ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of The Reject Shop Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 27 December 2020 and of its performance for the 26 week period ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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 & 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 27 December 2020 and of its performance for the 26 week period ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



PricewaterhouseCoopers



Sam Lobley
Partner

Melbourne
17 February 2021