Appendix 4E

The Reject Shop Limited

(ABN 33 006 122 676)

Consolidated preliminary final report

For the 52 week financial period ended 27 June 2021
Compared to the 52 week financial period ended 28 June 2020

Results for announcement to the market

				$A'000
Sales revenue from continuing operations	down	(5.1%)	to	778,688
Profit from continuing operations after tax attributable to shareholders of The Reject Shop	up	642.8%	to	8,319
Net profit for the period attributable to shareholders of The Reject Shop	up	642.8%	to	8,319

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 FY21 result announcement and FY21 results presentation, as well as in the annual report enclosed.

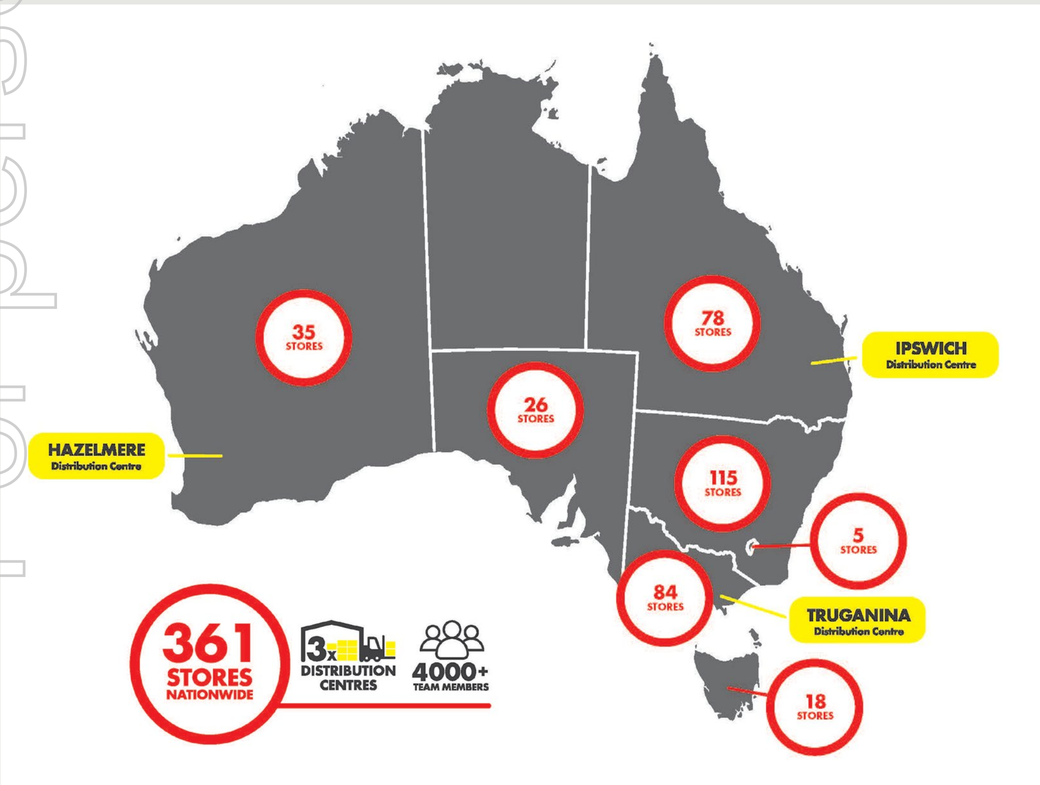
THE REJECT SHOP

Annual Report

2020- 2021

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 361 convenient store locations across Australia.



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Notice Of Annual General Meeting:
10.00am, 20 October 2021

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 2021. The Company has the power to amend and re-issue these financial statements.


EVERY DA
THE REJECT SHO
YOU CAN RE-USE ME
COVID-19

Chairman's Review

"Progress is being made in turning around The Reject Shop in an uncertain and volatile operating environment."

The FY21 financial year saw further progress 'fixing' The Reject Shop under the leadership of our Chief Executive Officer, Andre Reich, together with the contribution of all of our team members.

The Company delivered sales of $778.7 million. The Company again traded strongly through the Christmas period, navigated through the disruption caused by the COVID-19 pandemic and managed the unexpected elevated international shipping costs while maintaining a customer-centric approach.

Earnings before interest and tax ("EBIT") of $18.6 million and net profit after tax ("NPAT") of $8.3 million showed further improvement on the prior year and underscores the stabilisation of the Company in recent times.

The Company's balance sheet is strong with $73.0 million in cash at year end with no drawn debt.

In the coming year, I hope to report further progress as the Company begins to transition into the 'reset' and 'grow' phases of the turnaround strategy.

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 continued support and encouragement throughout the year.

Yours sincerely,

Steven Fisher
Non-executive Chairman

CEO's Review

"I would like to again acknowledge the hard work and dedication demonstrated by our store teams who continue to provide a safe and clean shopping environment for our customers during the COVID-19 pandemic and lockdowns in particular."

Turnaround progressing well

Our objective in FY21 was to progress through the 'fix' phase of the business turnaround while improving profitability through cost reduction. This objective was achieved through further business simplification and operational efficiency.

During FY21, I am pleased to report that The Reject Shop has reduced the cost of doing business by approximately $27 million (or $23 million on a pre-AASB 16 basis), which is a significant achievement and exceeded stated targets for FY21.

The Reject Shop turnaround is progressing as expected despite operating in a very uncertain and challenging macro environment.

COVID-19

The COVID-19 pandemic has adversely impacted all Australians in one way or another. In the midst of uncertainty and complexity, The Reject Shop has simply focused on living out its purpose, which is centred on helping all Australians save money. Our purpose has assisted us well, especially as we responded to rolling and, at times, extended lockdowns throughout the country. During the year, our team has stepped up and served our customers in a way that continues to encourage and inspire me. I am deeply thankful for their efforts on the frontline of the COVID-19 pandemic. The dedication of our team to go above and beyond continues to be our competitive advantage.

COVID-19 has had a significant impact on customer behaviour. In general, and consistent with other retailers, customer shopping behaviour

has tended to shift towards less frequent shopping visits with increased basket size. In addition, stores in large shopping centres and CBD locations have seen a significant reduction in footfall with comparable store transactions down approximately 19% on FY19.[i]

In response to these changes, we continue to refine our merchandise offer to consistently deliver great value on products that customers need and want. We continue to improve our selection of known national brands from leading local and overseas manufacturers, supported by private brands offering even greater value. Our prices and range width continues to reduce as we realise cost savings achieved by buying at scale from our suppliers and passing those savings onto our customers through lower prices.

Operations

During FY21, I managed to travel to a number of our 361 stores, which enabled me to spend time with our committed and passionate team members and customers. These interactions are often inspirational with our purpose well understood and our role within the community recognised and appreciated. 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 even more of our team members are given promotion opportunities, particularly for store manager roles.

We believe that a strong focus on efficiency and scale will support our expansion into many more

(i) FY19 has been used to enable a comparison with pre-COVID-19 trading conditions given the second half of the prior corresponding period (2H20) included the benefit from COVID-19 related panic buying suburban and rural locations across Australia, allowing us to help more Australians save every day.

During FY21, The Reject Shop incurred higher than anticipated and unbudgeted international supply chain costs as a result of international shipping rates being significantly higher than historical levels. In response, we have been focused on optimising all aspects of our supply chain to ensure that products move as quickly as possible from suppliers to customers. There is further work to be done to continue to manage these elevated costs.

Looking forward

As I have said previously, we believe the discount variety sector presents a significant opportunity for growth over the medium to long term. As Australia's largest discount variety retailer, and with our strong balance sheet, The Reject Shop is well positioned to navigate the uncertain trading environment, though there is further work to do to reset and grow.

I would like to thank the Board for their continued support throughout FY21 and for sharing their experience, encouragement and governance.

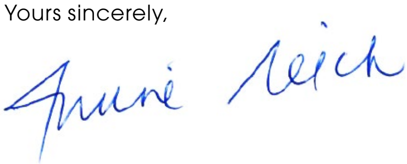
With great thanks and respect, I recognise our more than 4,000 committed and passionate team members in our stores, distribution centres and the Store Support Centre. Their determination and commitment to making a positive contribution to The Reject Shop is greatly appreciated.

To our suppliers and business partners who continue to support our purpose and who are by our side every day – thank you for your partnership. We look forward to continuing to develop our partnership.

To our customers, we recommit to making continual improvements to satisfy your shopping needs and bring some fun to your shopping 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 determined to transform The Reject Shop and deliver sustainable growth.

Yours sincerely,



Andre Reich
Chief Executive Officer

Board of Directors

Steven Fisher

Non-Executive Chairman

Bachelor of Accounting, Chartered Accountant (South Africa)

Steven Fisher 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.

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

- Breville Group Limited (director since 2004) [#]
- Laybuy Group Holdings Limited (director since 2020) [#]

David Grant

Non-Executive Director

Bachelor of Commerce, Chartered Accountant (Australia & New Zealand) and Graduate of the Australian Institute of Company Directors

David Grant 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 three other publicly listed entities and is the chair of the audit and risk committee of all 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 Lightfoot 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 Perkins 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.

Margaret Zabel
Non-Executive Director

Bachelor of Mathematics, Masters of Business Administration and Graduate of the Australian Institute of Company Directors

Margaret Zabel is a specialist in customer centred business transformation, brand strategy, innovation, digital communications, customer experience and change leadership. Margaret has more than 20 years of senior executive experience working across major companies and brands in fast moving consumer goods, food, technology and communications industries including multinationals, ASX 100 companies and not-for-profits.

Margaret's executive experience includes National Marketing Director for Lion Nathan, Vice President of Marketing for McDonald's Australia and Chief Executive Officer of Advertising Council Australia (formerly known as The Communications Council). Margaret has also served as a non-executive board director for mental health charity R U OK? for 5 years and is currently a non-executive director on the board of Collective Wellness Group and Fairtrade AU/NZ.

Margaret joined the Board of The Reject Shop in June 2021.

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

- G8 Education Limited (director since 2017) #

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.

Clinton Cahn
Chief Financial Officer

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

Clinton has an extensive investment and finance background 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.

Clinton joined The Reject Shop in March 2020.

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.

Paul moved to Australia in November 2015 where he 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, People & Culture

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 Target Australia from 2016. During this time, Paul was part of the property leadership team that delivered major store network growth to assist with 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, Carl 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 General Manager of Transformation.

Carl joined The Reject Shop in February 2020.

PROUDLY SUPPORTING YOU FOR YOUR HOUSEHOLD ESSENTIALS.

Corporate Governance, Environmental and Social Statement

Corporate Governance

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 4th Edition, as outlined in the Corporate Governance Statement.

A summary of the Company's corporate governance framework and practices is outlined in the Corporate Governance Statement, which is available in the corporate governance section on the Company's website https://www.rejectshop.com.au/about/policies-and-charters.

Environmental and Social Statement

The Company recognises the importance of environmental and social issues and managing the risks associated with those issues. The Company wants to contribute to the community through adopting policies and processes that positively assist customers and the community.

Reducing Waste and Recycling

The Company has been focused on initiatives aimed at simplifying the ways of doing business. The simple to serve initiative consists of 'one touch' merchandising and 'pallet to place' for high volume products. In terms of 'one touch' merchandising, an increasing proportion of products are delivered to the Company in shelf-ready trays, which can be easily and quickly put on to shelves while also reducing the packaging requirements for such products. The use of pallets for high volume products further reduces the packaging requirements and simplifies the customer experience. Further reductions in the usage of plastic and cardboard are also being sought in the supply chain.

Since November 2013, the Company has positively responded to the phasing out of single-use plastic bags for customers. Since 2019, the Company estimates that it has supplied customers with approximately 14 million reusable plastic bags, which are made from at least 80% recycled material.

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.

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 inventory delivery and reducing packaging wastage are currently being reviewed.

The Company recognises that it is on a journey to continually improve its response to environmental and social issues, and this will be an ongoing focus.

Energy Efficiency Initiatives

The Company is also 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.

Since mid-2015, the Company has made a multi-million dollar investment into an energy saving project with a view to reducing our environmental footprint while reducing operating costs.

As of 27 June 2021, we have installed high-efficiency LED lighting and automated energy management systems into 319 stores. This equipment regulates lighting levels and run times. This energy reduction equipment now forms part of our standard fit-out and will be rolled out to all new stores in the future.

Modern Slavery

For many years, the Company has sourced products from a variety of locations nationally and internationally. Inherent in our practices has been the objective of sourcing product from suppliers which we believe support workplace safety and ensure appropriate employment conditions are in place (including fair pay).

The Company is committed to respecting human rights with that commitment outlined in our first modern slavery statement available at https://www.rejectshop.com.au/about/policies-and-charters

Directors' Report

The directors present their report on The Reject Shop Limited and its subsidiaries ("the Company") for the financial period ended 27 June 2021.

Directors

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

Steven Fisher

Non-Executive Director

Chairman of the Board, Member of the Audit and Risk Committee and Member of the People and Culture Committee.

David Grant

Non-Executive Director

Chairman of the Audit and Risk Committee and Member of the People and Culture Committee.

Selina Lightfoot

Non-Executive Director

Chair of the People and Culture Committee and Member of the Audit and Risk Committee.

Nicholas Perkins

Non-Executive Director

Member of the Audit and Risk Committee and Member of the People and Culture Committee.

Margaret Zabel (Appointed on 4 June 2021)

Non-Executive Director

Member of the Audit and Risk Committee and Member of the People and Culture Committee.

Michele Teague (Retired on 21 October 2020)

Non-Executive Director

Member of the Audit and Risk Committee and Member of the People and Culture Committee.

For the financial period ended 27 June 2021, the details of the experience and expertise of the current directors and the Company Secretary are outlined on pages 6 to 8 of this annual report.

Meetings of Directors

The number of meetings of the Board of Directors and Committees held during the period ended 27 June 2021, and the number of meetings attended by each director, were:

	Director meetings		**Audit & Risk Committee meetings**		**People & Culture Committee meetings**	
	A	B	A	B	A	B
S Fisher	15	15	5	5	3	3
S Lightfoot	15	15	5	5	3	3
D Grant	15	15	5	5	3	3
N Perkins	15	15	5	5	3	3
M Teague	4	5	2	2	1	1
M Zabel	1	1	1	1	1	1

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the period

Principal Activities

The principal activities of the Company 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 14 to 15.

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 August 2022 (previously August 2021). The limits for the banking facilities are as follows:

- working capital 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 2021, various State and Territory governments in Australia implemented new restrictions and lockdowns, which vary by State and Territory. While the future impact and duration of the COVID-19 pandemic (and any associated State and Territory government restrictions) on the Company is currently unknown, the pandemic may continue to 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 Company, the results of those operations, or the state of affairs of the Company in future financial periods.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the Group and the expected results of those operations in future financial periods are contained in the Operating and Financial Review on pages 14 to 15 of this annual report.

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

No dividends were paid to shareholders 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.

Indemnities and Insurance Premiums

The Company's Constitution provides that the Company may indemnify any current or former director, secretary, or officer of the Company against every liability incurred by the person in that capacity (except a liability for legal costs) and all legal costs incurred in defending or resisting (or otherwise in connection with) proceedings, whether civil or criminal or of an administrative or investigatory nature, in which the person becomes involved because of that capacity. The indemnity does not apply to the extent that the Company is forbidden by statute to indemnify the person or the indemnity would, if given, be made void by statute.

In addition, each director has entered into a deed of indemnity and access which provides for indemnity against liability as a director, except to the extent of indemnity under an insurance policy or where prohibited by statute. The deed also entitles the director to access Company documents and records, subject to undertakings as to confidentiality.

To the extent permitted by law, the Company has agreed to indemnify its auditors, PricewaterhouseCoopers ("PwC"), as part of the standard terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment with respect to such indemnity has been made to PwC during or since the financial year.

The Company has paid premiums for directors' and officers' liability insurance in respect of directors and officers of the Company as permitted by the *Corporations Act 2001*. During the financial period, the Company paid a premium of $497,297 to insure the directors and officers of the Company.

Options

No options were issued by the Company during or since the end of the financial year and no director or officer holds options over issued or unissued securities of the Company.

Details of the Performance Rights held by the Key Management Personnel are set out in the Remuneration Report.

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 Company's Australian and New Zealand Standard Industrial Classification (ANZSIC) is class 4110 (Supermarket and Grocery Stores).

The ongoing development of the merchandise product ranges to meet customer needs continues to be 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 ten new stores, relocated one store and closed three stores, resulting in a national store footprint totalling 361 stores by the end of the year.

Overview of Financial Performance

$ Amounts are $m / % are to Sales	FY21 Statutory	FY20 Statutory
Sales	778.7	820.6
Gross Profit[i]	41.2%	41.7%
Cost of doing business[i][ii]	24.7%	26.8%
EBITDA[i][ii]	**128.5**	**122.7**
Depreciation and Amortisation	(109.9)	(113.4)
EBIT[i][ii]	**18.6**	**9.3**
Net Interest Expense	(6.4)	(7.7)
Profit Before Tax	**12.1**	**1.6**
Income Tax Expense	(3.8)	(0.5)
Net Profit After Tax	**8.3**	**1.1**

(i) Non IFRS measure and unaudited

(ii) FY20 includes a prior period impairment charge of $0.7m

FY21 Performance

Sales in FY21 were $778.7 million, down 5.1% on the prior period. Comparable store sales were down 5.0% on the prior period.

Sales were impacted – both favourably and unfavourably – by various State Government restrictions and lockdowns relating to the COVID-19 pandemic.

Stores in large shopping centres and CBD locations saw a significant reduction in footfall and transactions.

Gross profit was $321.1 million with gross margin of 41.2%. During the period, the Company incurred higher than anticipated international supply chain costs as a result of international shipping rates being significantly higher than historical levels.

The cost of doing business ("CODB" consists of store and administrative expenses but excluding depreciation and amortisation) was $192.6 million, which represents a reduction of $27.2 million on the prior period. CODB as a percentage of sales was 24.7%. The significant cost savings are predominantly due to simplification and standardisation of in-store processes leading to labour savings as well as further administrative costs savings with the full year benefit of the April 2020 head office restructure being realised.

The Company generated EBIT of $18.6 million.

Statutory NPAT for FY21 was $8.3 million, which compares to $1.1 million in the prior period.

The Company did not receive any wage subsidies under the JobKeeper program during the period.

Outlook

COVID-19 continues to impact sales performance with July and August sales impacted by lockdowns in New South Wales, Victoria, Queensland, South Australia and Australian Capital Territory. Stores in CBD locations and large shopping centres continue to be negatively impacted by reduced footfall.

Ongoing challenges in the international supply chain are expected to result in shipping costs remaining elevated during FY22.

Management's focus in FY22 will be on generating comparable store sales growth in its existing network (subject to the ongoing disruption from COVID-19), opening new stores in neighbourhood and strip locations (both metro and country), and continuing to optimise costs across the business. Management will also focus on managing gross profit margin given the headwinds in the global supply chain, the cost of which is expected to be partially offset by improved foreign exchange rates.

Dividends

The Company did not declare any dividends during the period.

Financial Position and Capital Investment

The Company's balance sheet remains strong with a net cash position at 27 June 2021 of $73.0 million. This compares to a net cash position of $92.5 million at 28 June 2020 and $6.8 million at 30 June 2019. As at the balance date, and consistent with the position at 28 June 2020, the Company does not have any drawn debt.

The reduction in cash is primarily due to higher inventory, which closed at $99.8 million, up approximately $29 million from $70.9 million at 28 June 2020.

Store Network Plans

The Company will continue to restructure its store portfolio. Currently, the Company is targeting to open a further 20 new stores and to close at least five unprofitable or underperforming stores in FY22.

Overview of Retail Industry Trends and Supply Chain

The Australian retail sector continues to be in a state of flux with the COVID-19 pandemic creating uncertainty and volatility. 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 consumer confidence potentially weakening, traditional spending and shopping behaviour changing and supply chains remaining challenged. The Australian Government's four-phase plan out of the COVID-19 pandemic is centred on increasing vaccination rates which may then result in the easing of restrictions. Within this context, the Australian retail sector is likely to face headwinds on its path to recovery.

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 annual 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 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 in 2020 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 in 2020, 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.

As various State governments in Australia implement new restrictions and lockdowns, which vary by State, the Company reviews each public health order/directive to ensure that the Company may continue to trade. The Company has been able to trade through the majority of lockdowns although there is no guarantee that the Company will be able to continue to trade during any future lockdown.

Lockdowns tend to impact customer shopping behaviour, which generally sees customers shopping less frequently although customers tend to increase their basket size. In addition, stores in large shopping centres and CBD locations have seen a significant reduction in footfall with comparable store transactions down. As the COVID-19 pandemic continues to evolve, these trends may change which may impact the Company's financial performance.

In general, the Company was able to successfully operate through 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 recent outbreak of COVID-19 (Delta Variant) in 2021 has the potential to further impact the Company's operation. The international supply chain may be impacted as China and other countries deal with outbreaks of the Delta Variant, which may result in delays or cancellations of orders from international suppliers or manufacturers of products to be purchased by the Company. The closure of factories and ports has the potential to disrupt the flow of products. The Company continues to monitor the situation.

While the future impact and duration of the COVID-19 pandemic (and any associated State government restrictions and international supply chain impacts) on the Company is currently unknown, the pandemic may affect the Company's financial performance although, to date, the Company has managed this 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, inventory 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.

As indicated above, a key component of the Company's three-phase strategy concerns the ongoing development of the merchandise range to meet customer needs and respond to changes in consumer discretionary spending.

5. Financial performance and costs

The Company earns the majority of its EBIT and NPAT in the first six months of the 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 generally 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.

The Company and the ANZ Bank have agreed to extend the Company's existing banking facilities to August 2022 (previously August 2021). The limits for the banking facilities are as follows:

- working capital 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).

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 raw material costs and supply chain delays. Outbreaks of pandemics or diseases and, in particular, the outbreak of COVID-19, could potentially have a detrimental financial impact on the Company's business.

The Company remains focussed on risks relating to its international supply chain. In particular, outbreaks of COVID-19 in China and other countries may result in delays or cancellations of orders from international suppliers or manufacturers of products to be purchased by the Company. In FY21, the Company experienced unexpected elevated international shipping costs, which are expected to remain elevated during FY22. The Company continues to monitor the situation.

Other risks include modern slavery, political instability, increased security requirements for foreign goods, elevated 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.

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 Company 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 Company.

The Company 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 are 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, inventory located at the distribution centre could be damaged, or that access to the distribution centre could be restricted, meaning that such inventory is unable to be retrieved. This could have a material adverse effect on the Company's financial and operational performance.

The Company's property strategy is centred around: renegotiating expired leases to better reflect the current sales opportunity at each location, closing unprofitable stores (particularly in CBD locations and large shopping centres), opening new stores in neighbourhood and strip locations to replace closures, and building a pipeline of new stores to drive growth in the medium-term. New leasing and store development teams have been formed to support the execution of this strategy.

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.

11. Reliance on key personnel

The Company is reliant on retaining and attracting quality 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 personnel. 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 4,000 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 has appointed a capable Chief Executive Officer, Andre Reich, and leadership team to implement the Company's three-phase strategy. The Company continues to have success attracting and retaining quality team members to run its operations.

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 thousands of 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 inventory and asset write downs.

14. Occupational health and safety

The Company has over 4,000 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 360 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 system 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.

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's shares to decline.

There may be few or many potential buyers or sellers of the Company's 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.

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, the 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

Under section 300A of the *Corporations Act 2001* (Cth), listed companies must present a remuneration report to shareholders at every annual general meeting showing the Board's policies for determining the nature and amount of remuneration paid to Key Management Personnel (which includes any director) ("KMP"), the relationship between the policies and company performance, an explanation of performance hurdles and actual remuneration paid to KMP.

The remuneration report is set out in the following sections and includes remuneration information for the Company's non-executive directors and other KMP:

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 People and Culture 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 10.

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 the Company's 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 People and Culture Committee 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 executives is reviewed annually to ensure competitiveness with the market. There are no guaranteed base pay increases in the contracts of any of the executives. The Company has a formal process by which the performance of all executives is reviewed. An executive's pay is also reviewed on promotion.

Executive benefits made available may include car allowances and salary sacrifice superannuation arrangements.

Short-term cash rewards (STR)

For FY21, the STR for executives consisted of various performance hurdles, including safety related measures and Company financial performance through achieving budgeted EBIT as well as individual performance ratings. If these STR targets are achieved, cash payments of 22.5% to 40% of total fixed remuneration are made. The audited financial report remains the basis for measuring achievement against the financial performance targets.

For FY21, the People and Culture Committee has determined that no member of KMP will receive an STR due to the financial hurdle not being achieved.

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 FY21:

In FY21, the Company continued with its three-phase turnaround strategy, which necessitated the Company implementing new criteria for the long-term incentive scheme for a small number of team members, including the KMP (other than the non-executive directors).

The financial criteria upon which the performance rights are eligible to vest concern achieving earnings per share growth measured over a three-year period (i.e. in FY23). The audited financial report is the basis for measuring achievement against the financial performance target.

The People and Culture Committee, and the Board, retain the right to assess all aspects of the vesting conditions for future performance rights grants.

The number of performance rights issued is based on a specified percentage of each participant's total fixed remuneration (ranging from 22.5% to 100%) divided by the volume weighted average market price for the six month period at 30 June 2020. For financial reporting purposes, the value of each right granted at grant date is measured using a Black-Scholes option pricing model.

For FY22:

The People and Culture Committee is currently in the process of implementing a revised incentive scheme for a small number of team members, including KMP (other than the non-executive directors), in relation to FY22. 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 People and Culture Committee and Board expectations during the turnaround;
- 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.

B – Details of remuneration

Directors' fees

The current aggregate limit for directors' fees is $950,000 per annum (p.a.) with a base fee payable (including superannuation) to the Chairman of $206,205 p.a. (FY2020: $206,205) and to a non-executive director of $120,438 p.a. (FY2020: $120,438). The Chairman's remuneration is inclusive of Committee fees while non-executive directors who take on additional responsibilities receive additional fees (Chair of Audit and Risk Committee: $6,180 (FY2020: $6,180); and Chair of People and Culture Committee: $5,150 (FY2020: $5,150)).

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 12 of the Directors' report, were the KMP with the responsibility and authority for planning, directing and controlling the activities of the Company during the financial period:

A Reich
– Chief Executive Officer

C Cahn
– Chief Financial Officer (appointed a member of the KMP on 29 June 2020)

D Aquilina
– Chief Operating Officer (ceased to be a member of the KMP on 20 May 2021 and then left the Company on 1 July 2021)

These persons were employed by the Company and were KMP for the entire period ended 27 June 2021 unless otherwise stated.

Details of the remuneration of the directors and other KMP of the Company, including related parties, for the current and prior financial periods are set out in the following tables:

2021	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	OTHER BENEFITS	SHARE-BASED BENEFITS			
Name	Cash salary and fees $	Cash rewards $	Non-monetary benefits $	Super-annuation $	Other $	Performance rights $	Other $	Total $	Proportion of annualised remuneration as performance related %
Non-executive Directors									
S Fisher (i)	224,289	-	-	13,416	-	-	-	237,705	-
D Grant	118,202	-	-	8,226	-	-	-	126,428	-
S Lightfoot	114,408	-	-	10,872	-	-	-	125,280	-
N Perkins	119,775	-	-	-	-	-	-	119,775	-
M Teague (ii)	33,656	-	-	3,197	-	-	-	36,853	-
M Zabel (iii)	7,572	-	-	719	-	-	-	8,291	-
Total Non-Executive Directors	**617,902**	**-**	**-**	**36,430**	**-**	**-**	**-**	**654,332**	**-**
Other Key Management Personnel									
D Aquilina (iv)	503,146	-	-	21,694	125,826	34,461	-	685,127	5.0%
C Cahn (v)	378,266	-	-	21,694	-	316,526	-	716,486	44.2%
A Reich	778,306	-	-	21,694	-	488,114	-	1,288,114	37.9%
Total Other Key Management Personnel	**1,659,718**	**-**	**-**	**65,082**	**125,826**	**839,101**	**-**	**2,689,727**	**-**
Total	**2,277,620**	**-**	**-**	**101,512**	**125,826**	**839,101**	**-**	**3,344,059**	**-**

(i) S Fisher's fees consist of a base fee ($192,789) plus additional remuneration of $31,500 on account of additional responsibilities due to the equity raise in 2H20 and contribution to developing the three-phase turnaround strategy.

(ii) M Teague retired as a Director on 21 October 2020.

(iii) M Zabel was appointed as a Director on 4 June 2021.

(iv) D Aquilina ceased to be a KMP on 20 May 2021. D Aquilina left the company on 1 July 2021. During FY21, D Aquilina was paid out annual leave entitlements of $38,714, which are excluded from the table above. On her departure, D Aquilina was paid $189,962 of annual leave and long service leave entitlements in cash, plus superannuation of $5,892, which are excluded from the table above. In addition, on her departure, D Aquilina was paid $125,826 in lieu of a three-month notice period, which is included in 'other benefits' above.

(v) C Cahn became a KMP on 29 June 2020.

2020	SHORT-TERM BENEFITS			POST EMPLOY-MENT BENEFITS	OTHER BENEFITS	SHARE-BASED BENEFITS			
Name	Cash salary and fees $	Cash Rewards $	Non-monetary benefits $	Super-annuation $	Other $	Perform-ance Rights $	Other $	Total $	Proportion of Annualised Remuneration as performance related %
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	16.0%
D Aquilina (vi)	542,765	168,390	-	21,003	-	117,621	-	849,779	13.8%
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.

For remuneration report purposes, the amount reported as "Share-based Benefits" is the accounting expense under AASB 2 (referred to in AASB 2 as "Share-based Payments").

The fair value of Share-based Benefits is determined using a Black Scholes model and will generally be different to the volume weighted average market price, 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 the 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 KMP are on employment terms consistent with the remuneration framework outlined in this report.

In addition, all executive KMP 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

As outlined in the Annual Report 2019-2020 (page 27), the Board granted performance rights in September 2019 with no financial criteria as a one-off allocation to certain KMP in order to retain their services for at least a one to two year period. D Aquilina received 100,000 performance rights in two tranches as part of that allocation. The first tranche (50,000 performance rights) vested on 1 September 2020, and the second tranche (50,000 performance rights) vested on 2 July 2021 at the Board's discretion. The following information has been prepared as at 27 June 2021 (i.e. the last day of the financial period).

The number of performance rights over shares in the Company granted to KMP during the current financial period, together with prior period grants which vested during the period (unless otherwise stated), is set out below:

2021	Grant date	Number of rights granted	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
Key Management Personnel							
D Aquilina (i)	1 Sep 2019	50,000	31 Aug 2020	31 Aug 2021	$1.83	91,627	50,000
D Aquilina (i)(ii)	1 Sep 2019	50,000	31 Aug 2021	31 Aug 2022	$1.74	87,001	-
D Aquilina (iii)	30 Sep 2020	25,100	31 Aug 2023	31 Aug 2025	$6.17	154,760	-
A Reich	30 Sep 2020	84,950	31 Aug 2023	31 Aug 2025	$6.17	523,780	-
A Reich	30 Sep 2020	42,475	31 Aug 2024	31 Aug 2026	$6.17	261,890	-
A Reich	30 Sep 2020	42,475	31 Aug 2025	31 Aug 2027	$6.17	261,890	-
C Cahn (iv)	30 Sep 2020	63,700	31 Aug 2023	31 Aug 2025	$6.17	392,758	-
Total		**358,700**				**$1,773,706**	**50,000**

(i) D Aquilina ceased to be a KMP on 20 May 2021. D Aquilina left the company on 1 July 2021.
(ii) Performance rights vested on 2 July 2021, subsequent to the period end, are included in the above table.
(iii) Performance rights lapsed because D Aquilina will not meet the service criteria.
(iv) C Cahn became a KMP on 29 June 2020.

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 unless otherwise determined by the Board. 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 KMP under each grant of performance rights is $Nil.

Subsequent to period end there has been no grant of performance rights to KMP.

On 2 July 2021 (subsequent to the period end), the Company vested 50,000 performance rights to D Aquilina, which were exercised on 2 July 2021.

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 KMP 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 on a specified vesting date 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							
2021	Paid %	Forfeited %	Date Granted	Vested #	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 Aquilina (i)(ii)	-	100%	FY21	-	-	25,100	100%	FY24	-	-
			FY20	50,000	32%	58,700	37%	FY21-23	50,000	87,001
			FY19	-	-	28,000	100%	FY22	-	-
C Cahn (iii)	-	100%	FY21	-	-	-	-	FY24	63,700	392,758
			FY20	-	-	-	-	FY23	150,000	606,758
A Reich	-	100%	FY21	-	-	-	-	FY24-26	169,900	1,047,360
			FY20	-	-	-	-	FY23-25	300,000	553,914

(i) D Aquilina ceased to be a KMP on 20 May 2021. D Aquilina left the company on 1 July 2021.

(ii) 50,000 performance rights vested to D Aquilina on 2 July 2021, subsequent to the period end, which are included in the above table.

(iii) C Cahn became a KMP on 29 June 2020.

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 KMP of the Company, including related parties, are set out below:

2021	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 Aquilina (i)	186,700	25,100	(50,000)	(111,800)	50,000
C Cahn (ii)	150,000	63,700	-	-	213,700
A Reich	300,000	169,900	-	-	469,900
Total	**636,700**	**258,700**	**(50,000)**	**(111,800)**	**733,600**

(i) D Aquilina ceased to be a KMP on 20 May 2021. D Aquilina left the company on 1 July 2021. 50,000 performance rights vested on 2 July 2021, subsequent to the period end, which are included in her balance at the end of the period in the table above.

(ii) C Cahn became a KMP on 29 June 2020.

On 2 July 2021 (subsequent to the period end), the Company vested 50,000 performance rights to D Aquilina, which were exercised on 2 July 2021. The fair value of the performance rights at the grant date on 1 September 2019 was $87,001. Otherwise there have been no performance rights granted or vested to KMP 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 KMP of the Company, including related parties, is set out below:

2021	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				
S Fisher	99,039	-	-	99,039
D Grant	-	-	7,000	7,000
S Lightfoot	12,875	-	7,500	20,375
N Perkins	7,799	-	21,352	29,151
M Teague (i)	1,500	-	(1,500)	-
M Zabel (ii)	-	-	-	-
Key Management Personnel				
D Aquilina (iii)	9,000	50,000	(59,000)	-
C Cahn (iv)	-	-	-	-
A Reich	536,842	-	-	536,842
Total	**667,055**	**50,000**	**(24,648)**	**692,407**

(i) M Teague retired as a Director on 21 October 2020.

(ii) M Zabel was appointed as a Director on 4 June 2021.

(iii) D Aquilina ceased to be a KMP on 20 May 2021. D Aquilina left the company on 1 July 2021.

(iv) C Cahn became a KMP on 29 June 2020.

Loans to, or other transactions with, Key Management Personnel

No loans were made to or from directors of the Company or to or from other KMP of the Company, including related parties unless otherwise disclosed (see page 61 of this annual report), or are outstanding as of 27 June 2021 (FY2020 - $Nil).

No other transactions were undertaken with directors or other KMP, including related parties, during the period (FY2020 - $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
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	(67.8%)	$0.10
FY2020	$1.1m	3.6	$1.83	$7.46	307.7%	-
FY2021	$8.3m	21.7	$7.46	$5.37	(28.0%)	-

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

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 2019	16 Oct 2023	1 Jul 2022	2.07	-	21,675	-
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	150,000
30 Sep 2020	31 Aug 2025	31 Aug 2023	6.17	-	338,950	148,650
30 Sep 2020	31 Aug 2026	31 Aug 2024	6.17	-	42,475	42,475
30 Sep 2020	31 Aug 2027	31 Aug 2025	6.17	-	42,475	42,475
Total					**895,575**	**683,600**

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 2 July 2021 (subsequent to the period end), the Company vested 50,000 performance rights to D Aquilina, which were exercised on 2 July 2021.

Remuneration of Auditors

During the period, the following fees for services were paid or payable to PricewaterhouseCoopers Australia and its related parties as the auditor:

	2021 $	2020 $
Audit and Assurance Related Services		
Audit and review work	**355,000**	425,720
Other assurance services	**42,788**	43,615
	397,788	469,335
Tax Compliance and Consulting Services		
Tax compliance	**67,500**	44,136
Tax consulting advice	**35,000**	37,500
	102,500	81,636
Total remuneration	**500,288**	550,971

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 30 of this annual report.

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

Steve Fisher

Chairman

19 August 2021

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of The Reject Shop Limited for the 52 week period ended 27 June 2021, 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 2021

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Consolidated Statement of Comprehensive Income

For the 52 week period ended 27 June 2021

	Note	2021 $'000	2020 $'000
Revenue from continuing operations			
Sales revenue	2	**778,688**	820,645
Other income	2	**63**	17
		778,751	820,662
Expenses			
Cost of sales		**464,212**	487,713
Store expenses		**259,388**	275,846
Administrative expenses		**36,536**	47,042
Impairment expenses	3	**-**	727
		760,136	811,328
Finance costs	3	**6,477**	7,708
Profit before income tax		**12,138**	1,626
Income tax expense	4	**3,819**	506
Profit for the period attributable to shareholders of The Reject Shop		**8,319**	1,120
Other comprehensive income			
Items that may be re-classified to profit or loss			
Changes in the fair value of cash flow hedges		**5,579**	(11,489)
Income tax relating to components of other comprehensive income		**(1,674)**	3,447
Other comprehensive income / (loss) for the period, net of tax		**3,905**	(8,042)
Total comprehensive income / (loss) attributable to shareholders of The Reject Shop		**12,224**	(6,922)

Earnings per share		**Cents**	Cents
Basic earnings per share	26	**21.7**	3.6
Diluted earnings per share	26	**21.4**	3.5

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 27 June 2021

	Note	2021 $'000	2020 $'000
Current Assets			
Cash and cash equivalents	5	**73,046**	92,489
Inventories	6	**99,834**	70,850
Tax receivables		**1,315**	-
Other assets	7	**3,231**	6,629
Total Current Assets		**177,426**	169,968
Non Current Assets			
Property, plant and equipment	8	**47,342**	51,277
Right-of-use assets	9	**148,574**	172,698
Deferred tax assets	10	**27,701**	28,171
Total Non Current Assets		**223,617**	252,146
Total Assets		**401,043**	422,114
Current Liabilities			
Trade and other payables	11	**46,677**	45,042
Lease liabilities	9	**77,303**	83,557
Tax liabilities		**-**	4,295
Provisions	13	**10,766**	11,795
Derivative financial instruments	21	**3,802**	9,382
Other liabilities	14	**12,029**	11,411
Total Current Liabilities		**150,577**	165,482
Non Current Liabilities			
Lease liabilities	9	**89,823**	110,165
Provisions	13	**3,912**	3,404
Total Non Current Liabilities		**93,735**	113,569
Total Liabilities		**244,312**	279,051
Net Assets		**156,731**	143,063
Equity			
Contributed equity	15	**70,326**	70,326
Reserves	16	**4,109**	(1,240)
Retained profits	17	**82,296**	73,977
Total Equity		**156,731**	143,063

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 27 June 2021

2021	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 28 June 2020	**70,326**	**739**	**4,553**	**(6,566)**	**34**	**73,977**	**143,063**
Profit for the period	-	-	-	-	-	**8,319**	**8,319**
Other comprehensive income	-	-	-	**3,905**	-	-	**3,905**
Foreign exchange translation	-	-	-	-	**(22)**	-	**(22)**
Transaction with owners in their capacity as owners:							
Share based remuneration	-	-	**1,224**	-	-	-	**1,224**
Tax credited/(debited) directly to equity	-	-	**242**	-	-	-	**242**
Balances as at 27 June 2021	**70,326**	**739**	**6,019**	**(2,661)**	**12**	**82,296**	**156,731**

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**

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 27 June 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**856,557**	902,710
Payments to suppliers and employees (inclusive of goods and services tax)		**(752,633)**	(729,841)
Interest received		**63**	17
Borrowing costs and facilities fees paid	3	**(129)**	(567)
Interest on lease liabilities	3	**(6,348)**	(7,141)
Income tax (paid) / received		**(10,415)**	2,202
Net cash inflows from operating activities	20	**87,095**	167,380
Cash flows from investing activities			
Payments for property, plant and equipment		**(10,777)**	(10,681)
Net cash outflows used in investing activities		**(10,777)**	(10,681)
Cash flows from financing activities			
Proceeds from borrowings		**-**	134,000
Repayment of borrowings		**-**	(153,500)
Principal elements of lease payments		**(95,761)**	(95,097)
Proceeds from issue of shares		**-**	25,000
Share issue costs		**-**	(921)
Net cash outflows used in financing activities		**(95,761)**	(90,518)
Net (decrease) / increase in cash held		**(19,443)**	66,181
Cash at the beginning of the financial period		**92,489**	26,308
Cash at the end of the financial period		**73,046**	92,489

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

Note 1: Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the Financial Statements 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 (the Group). All information presented within these Financial Statements relates to the Group, unless otherwise noted.

(a) Basis of Preparation

The general purpose Financial Statements have 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 Statements, the Directors have considered the ongoing impact of the COVID-19 pandemic on the Group as well as the general economic and business conditions in which the Group operates. During the period, the Group traded through State Government imposed lockdowns associated with the COVID-19 pandemic with minimal forced store closures. However, trading activity was challenging, particularly in CBD locations and large shopping centres, which continue to trade well below pre-COVID-19 levels. In addition, the Group has incurred materially increased supply chain costs, predominantly due to higher international shipping costs.

The Group did not require any wage subsidies under the Federal Government's JobKeeper Program during the period.

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.

At period end, the Group had cash reserves of $73,046,000 (FY2020: $92,489,000) and no drawn debt. Subsequent to period end, the Group extended its banking facilities with the ANZ Bank from August 2021 to August 2022, which provides further certainty in relation to debt funding. For details on the Group's banking arrangements see Notes 12 and 20.

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 Group will continue as a going concern and have prepared the Financial Statements on that basis.

Compliance with IFRS

Additionally, the Financial Statements of the Group also comply 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 professional 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 Financial Statements incorporate all the assets and liabilities of the subsidiaries of The Reject Shop Limited as at 27 June 2021 and the results of the subsidiaries for the period. As previously indicated, The Reject Shop Limited and its subsidiaries are referred to in the Financial Statements as the Group.

Subsidiaries are all entities (including structured 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 and is domiciled in Australia.

The Reject Shop Limited has a 100% owned operating subsidiary, TRS Sourcing Co. Limited, which is domiciled in Hong Kong. This subsidiary last provided procurement services to the Group in 2019. The Group is currently working through a process to wind up TRS Sourcing Co. Limited.

(ii) Employee Share Trust

The Reject Shop Limited has formed a trust to administer the Group'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 Group has only one operating business segment. Refer to Note 29 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 Group 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 weighted average basis and include an appropriate proportion of freight inwards, logistics, discounts, supplier rebates and foreign exchange.

Storage, administrative overheads, selling and abnormal costs are expensed in the period when they are incurred.

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 historical cost less any accumulated depreciation and impairment. 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. Lease agreements are typically made for fixed periods of tenure usually two to five years but the arrangements may have an option for a further term as described below. Lease terms are negotiated on 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.

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 landlord incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group 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 landlord 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 those leases with a term of 12 months or less.

(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 on the Balance Sheet if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) 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, including relevant hurdles;
- the amounts to be paid are determined before the time of completion of the Financial Statement; 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.

(iv) 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 Group revises its estimates of the number of Performance Rights that are expected to vest, net of any Performance Rights that have been forfeited or lapsed throughout the period. The employee benefit expense recognised each period takes into account the most recent estimate.

(i) Cash and cash equivalents

For presentation of statement of cash flows, cash and cash equivalents 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

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 Group designates derivatives as hedges of the cash flows of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction, the Group documents the relationship between the hedging instrument and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group 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 hedges

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.

(l) Foreign Currency Translation

(i) Functional and presentation currency
Items included in the Financial Statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The Financial Statements are presented in Australian dollars, which is the Group's primary 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 effective hedges.

(m) Trade and Other Payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30-60 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 and 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 the financial period, 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 a Group controlled 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, equitable or constructive obligation arises, usually on a lease being agreed. 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 with 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 on 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 Investments Commission, relating to the "rounding off" of amounts in the directors' and Financial Statements. 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 27 June 2021 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 361 stores (FY2020: 354) and store assets, including the right-of-use asset, which represents one of the largest amounts on the Balance Sheet.

The assessment of impairment on store assets is a critical judgement. 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.

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 relating to forecast future cash flows and discount rates. The assumptions on future cash flows have been developed based on past performance and reasonable expectations in relation to the future. The discount rate has been determined using market information relevant to the industry in which the Group operates.

The impairment assessments could be sensitive to the judgements made in the impairment test and the assumptions outlined above. Changes to these assumptions could result in a different outcome. Refer to Note 8 for details.

(ii) 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 option for a further term, or vacate the premises at lease expiry. An option for a further term is only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For leases of distribution centres and 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); and
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Group's policy is not to exercise its option for a further term, unless there is a site-specific and commercial rationale for doing so.

The lease term is reassessed if an option for a further term 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.

(iii) 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's 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 certain inventory on hand at period end. The specific write-down amount depends, in part, on the age of the inventory and incorporates information on known loss-making products.

(iv) 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.

Other than the matters outlined above, there are no other accounting estimates or judgements within these accounts which have a significant effect on the amounts recognised in the Financial Statements.

(ab) New accounting standards and interpretations

The Group has noted the IFRIC decision on cloud computing arrangements accounting and the interpretation has no material impact on the Group. There are no new standards that are not yet effective that would be expected to have a material impact on the Group in the current or future reporting periods.

Note 2: Revenue from Continuing Operations and Other Income	2021 $'000	2020 $'000
Revenue from continuing operations		
Sales of goods	**778,688**	820,645
Interest	**63**	17
	778,751	820,662

Note 3: Expenses	2021 $'000	2020 $'000
Profit before income tax expense includes the following expenses:		
Finance Costs:		
Interest and finance charges paid/payable for borrowings costs and facilities fees	**129**	567
Interest and finance charges paid/payable for lease liabilities	**6,348**	7,141
	6,477	7,708
Depreciation of Property, plant and equipment included in:		
Cost of sales	**739**	3,302
Store expenses	**12,285**	12,817
Administrative expenses	**684**	2,366
	13,708	18,485
Depreciation of Right- of- use assets expenses included in:		
Cost of sales	**5,849**	6,214
Store expenses	**89,483**	87,761
Administrative expenses	**880**	891
	96,212	94,866
Impairment of Store Cash Generating Unit assets – Property, plant and equipment and Right-of-use assets	**-**	727
Store exit costs(i)	**1,452**	1,080
Employee benefits expense	**153,842**	170,801
Store opening and relocation costs	**533**	409

(i) Included within store exit costs are assets written off and provisions for future store closures.

Note 4: Income tax expense

	2021 $'000	2020 $'000
(a) Income tax expense		
Current tax	**4,608**	4,790
Deferred tax	**(967)**	(4,284)
Adjustments for current tax of prior periods	**178**	-
	3,819	506
Deferred income tax expense included in income tax expense comprises:		
(Increase) / decrease in net deferred tax assets	**(967)**	(4,284)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	**12,138**	1,626
Tax at the Australian tax rate of 30% (2020 – 30%)	**3,641**	488
Tax effect of amounts which are not deductible in calculating taxable income:		
Other	**-**	18
Adjustments for current tax of prior periods	**178**	-
Income tax expense	**3,819**	506
(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	**242**	244
(d) Income tax relating to items of other comprehensive income		
Cash flow hedges	**(1,674)**	3,447

Note 5: Current Assets – Cash and cash equivalents

	2021 $'000	2020 $'000
Cash on hand	**1,595**	1,546
Cash at bank	**71,451**	90,943
	73,046	92,489

Note 6: Current Assets – Inventories

	2021 $'000	2020 $'000
Inventory at cost	**96,011**	65,345
Inventory at net realisable value	**3,823**	5,505
	99,834	70,850

Inventories recognised as an expense during the period ended 27 June 2021 amounted to $399,452,000 (FY2020: $415,868,000). These were included in the cost of sales. Write-downs of inventories to net realisable value amounted to $3,138,000 (FY2020: $6,147,000). These were recognised as an expense during the period and included in cost of sales.

Note 7: Current Assets – Other assets

	2021 $'000	2020 $'000
Prepayments	**1,793**	1,765
Other assets	**1,438**	4,864
	3,231	6,629

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

	2021 $'000	2020 $'000
Leasehold improvements		
At cost	**86,317**	84,539
Less accumulated depreciation and impairment	**(72,422)**	(66,422)
Net book amount	**13,895**	18,117
Plant and equipment		
At cost	**166,174**	158,931
Less accumulated depreciation and impairment	**(132,727)**	(125,771)
Net book amount	**33,447**	33,160
Total Property, plant and equipment	**47,342**	51,277

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:

	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Balances as at 28 June 2020	**18,117**	**33,160**	**51,277**
Additions at cost	**2,550**	**8,227**	**10,777**
Assets written off	**(84)**	**(920)**	**(1,004)**
Depreciation expense	**(6,688)**	**(7,020)**	**(13,708)**
Balances as at 27 June 2021	**13,895**	**33,447**	**47,342**

	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Balances as at 30 June 2019	24,140	36,835	60,975
Additions at cost	2,246	9,330	11,576
Assets written off	(730)	(1,332)	(2,062)
Impairment	(265)	(462)	(727)
Depreciation expense	(7,274)	(11,211)	(18,485)
Balances as at 28 June 2020	18,117	33,160	51,277

During the period, there was no impairment recognised by the Group (FY2020 : $727,000).

Impairment testing of Property, plant and equipment (PP&E) and Right-of-use assets

The Group assesses property, plant and equipment 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 performed the review for indicators of 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 indicators 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 Directors.

For testing of the distribution centre 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"). The Group determined there were no indicators of impairment at the Corporate CGU level.

In performing the review for indicators of impairment, the Group considered the known ongoing impact of the COVID-19 pandemic on the Group (further information is included in Note 1(a)) as well as the general economic and business conditions in which the Group operates. Other than unknown impacts of the COVID-19 pandemic, the Group determined that no reasonable possible change in the key assumptions used in the impairment indicator assessment would result in an impairment charge at the reporting date.

Note 9: Leases

	2021 $'000	2020 $'000
Right-of-use assets		
Property	**148,341**	172,533
Vehicles	**233**	165
	148,574	172,698
Lease Liabilities		
Current	**77,303**	83,557
Non-current	**89,823**	110,165
	167,126	193,722
Interest expense (included in finance costs)	**6,348**	7,141

Additions to the right-of-use assets during the period ended 27 June 2021 were $68,728,000 (FY2020: $42,962,000).

Expenses relating to short term leases of $3,232,000 (FY2020: $3,299,000) are included in cost of goods sold and administrative expenses.

The total cash outflow for leases during the year (excluding leases in holdover) was $101,603,000 (FY2020: $101,886,000).

The Group assesses these 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.

Note 10: Non-Current Assets – Deferred tax assets

	2021 $,000	2020 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Employee benefits	**7,749**	5,151
Leases	**5,566**	6,307
Inventories	**961**	771
Derivative financial instruments	**1,140**	2,814
Property, plant and equipment	**11,156**	13,093
Other provisions and accruals	**1,100**	1,608
Employee share trust	**626**	438
Sundry items	**170**	3
	28,468	30,185
Set-off of deferred tax liabilities of Group pursuant to set-off provisions:		
Property, plant and equipment	**-**	(1,804)
Receivables	**(21)**	(27)
Other current assets	**(746)**	(183)
Net deferred tax assets	**27,701**	28,171
Movements:		
Carrying amount at beginning of period	**28,171**	20,196
Credited to profit or loss and direct to equity	**1,204**	4,528
(Charged) / credited to other comprehensive income	**(1,674)**	3,447
Carrying amount at end of period	**27,701**	28,171

Note 11: Current Liabilities – Trade and other payables

	2021 $'000	2020 $'000
Trade payables	**36,555**	34,833
Payroll tax and other statutory liabilities	**4,846**	5,917
Sundry payables	**5,276**	4,292
	46,677	45,042

Note 12: Current Liabilities – Borrowings

The Group has banking facilities with ANZ Bank. These facilities include an interchangeable facility with a limit of $10 million while the limit for the seasonal facility is $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.

The Group has fully complied with all of its banking covenants at 27 June 2021.

In August 2021, subsequent to period-end, the Group agreed to extend its existing banking facilities with ANZ Bank from 31 August 2021 to 28 August 2022.

All secured liabilities listed within Notes 12 and 20, 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.

Note 13: Liabilities – Provisions	2021 Current $'000	2021 Non Current $'000	2021 Total $'000	2020 Current $'000	2020 Non Current $'000	2020 Total $'000
Provision for make good	**-**	**1,107**	**1,107**	-	526	526
Employment entitlements	**10,766**	**2,805**	**13,571**	11,795	2,878	14,673
	10,766	**3,912**	**14,678**	11,795	3,404	15,199

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 annual 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.

	2021 $'000	2020 $'000
Leave obligations expected to be settled after 12 months	**5,923**	5,996

Note 14: Current Liabilities – Other liabilities	2021 $'000	2020 $'000
Accrued expenses	**11,542**	9,519
Deferred income	**487**	1,892
	12,029	11,411

Note 15: Contributed Equity

Movements in ordinary share capital:

Date	Details	Number of issued shares	Issue price per share $	Contributed Equity $'000
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**
17 July 2020	Exercise of performance rights	50,000	-	-
1 September 2020	Exercise of performance rights	50,000	-	-
27 June 2021	**Balance**	**38,276,622**	**-**	**70,326**

(i) On 27 March 2020, the Group completed a 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 $25,025,000 or $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 16: Equity – Reserves

	2021 $'000	2020 $'000
Capital profits reserve	**739**	739
Share based payments reserve(i)	**6,019**	4,553
Hedging reserve – cash flow hedges(ii)	**(2,661)**	(6,566)
Foreign currency translation reserve(iii)	**12**	34
	4,109	(1,240)
Movements:		
Share based payments reserve(i)		
Balance at beginning of period	**4,553**	4,004
Performance Rights expense	**1,224**	305
Deferred tax – share based payments	**242**	244
	6,019	4,553
Hedging reserve – cash flow hedges(ii)		
Balance at beginning of period	**(6,566)**	1,476
Transfer to inventory	**6,566**	(1,476)
Revaluation of cash flow hedges	**(2,661)**	(6,566)
	(2,661)	(6,566)
Foreign currency translation reserve(iii)		
Balance at beginning of period	**34**	(1)
Currency translation differences	**(22)**	35
	12	34

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

(ii) 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 21. Amounts accumulated in equity are included in the cost of the hedged item when the forecast purchase that is hedged takes place.

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

Note 17: Equity – Retained Profits

	2021 $'000	2020 $'000
Retained profits at the beginning of the financial period	**73,977**	72,857
Net profit attributable to the shareholders of the Group	**8,319**	1,120
Retained profits at the end of financial period	**82,296**	73,977

Note 18: Capital Commitments

The Group has capital commitments totalling $4,252,000 (FY2020: $4,225,000) all payable within one year.

Note 19: Contingent Liabilities

As at 27 June 2021, the Group has no contingent liabilities (FY2020: $Nil).

Note 20: Consolidated Statement of Cash Flow Information

	2021 $'000	2020 $'000
Reconciliation of Cash Flow from operating activities with profit after income tax from ordinary activities:		
Profit from ordinary activities after income tax	**8,319**	1,120
Non cash items in profit from ordinary activities		
Depreciation – Property, plant and equipment	**13,708**	18,485
Depreciation – Right-of-use assets	**96,212**	94,866
Impairment of assets	**-**	727
Assets written off	**1,004**	594
Non-cash share-based payments expense	**1,224**	305
Tax credited directly to equity	**242**	244
Changes in assets and liabilities		
Decrease / (increase) in other assets	**3,398**	(4,384)
(Increase) / decrease in inventories	**(28,984)**	39,941
(Increase) / decrease in right-of-use assets net of lease liabilities	**(2,472)**	21,024
Decrease / (increase) in deferred tax assets	**470**	(7,974)
(Decrease) / increase in trade and other payables, provisions and other liabilities	**(416)**	(4,559)
(Decrease) / increase in tax liabilities	**(5,610)**	6,991
Net cash provided by operations	**87,095**	167,380

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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:

	2021		2020	
	Limit	Utilised	Limit	Utilised
	$'000	$'000	$'000	$'000
Interchangeable Facility(i)	**10,000**	**-**	10,000	-
Seasonal facility(ii)	**-**	**-**	-	-
Other Facilities(iii)	**550**	**441**	550	460
Total Facilities	**10,550**	**441**	10,550	460

(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 available to the Group from October to December 2020. The Group is required to deposit $5,000,0000 with ANZ Bank when the seasonal facility is drawn. The facility was unutilised during the period (FY2020: utilised).

(iii) Other facilities include an ANZ Bank indemnity guarantee of $550,000 of which $441,000 (FY2020: $460,000) was utilised in relation to property leases at 27 June 2021.

Note 21: Financial Instruments and Financial Risk Management

	2021	2020
Derivative Financial Instruments	**$'000**	**$'000**
Current liabilities		
Forward foreign exchange contracts – cash flow hedges	**3,802**	9,382

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

				Average Exchange Rate	
		2021	2020	2021	2020
Sell	**Buy**	**$'000**	**$'000**	**$**	**$**
Australian Dollars	United States Dollars	**116,427**	240,695	**0.74**	0.66
Australian Dollars	Euros	**-**	1,028	**-**	0.58

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 $3,802,000 (FY2020: liability of $9,382,000).

During the period, $6,567,000 (FY2020: $1,475,000) was transferred from equity and included in inventory and a net gain of $Nil (FY2020: net $Nil) was transferred to the Consolidated Statement of Comprehensive Income.

Exposure to Foreign Currency Risk

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

	2021 USD $'000	2020 USD $'000
Cash at bank	**19**	3,302
Trade and other payables	**6,060**	5,747

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:

Sensitivity Analysis – foreign exchange AUD/USD

	2021 $'000	2020 $'000
For every 1c increase in AUD:USD rate, total exposures decrease by:		
Income Statement	**103**	51
Equity	**(1,465)**	(3,221)
For every 1c decrease in AUD:USD rate, total exposures (increase) by:		
Income Statement	**(106)**	(52)
Equity	**1,504**	3,246

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:

2021	Weighted Average Effective Interest Rate(i)	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 and cash equivalents	**0.08%**	**67,970**	**-**	**-**	**5,076**	**73,046**
Receivables and other debtors	**-**	**-**	**-**	**-**	**-**	**-**
Total Financial Assets	**-**	**67,970**	**-**	**-**	**5,076**	**73,046**
Financial Liabilities						
Bank loans and overdrafts	**-**	**-**	**-**	**-**	**-**	**-**
Trade, sundry and other creditors	**-**	**-**	**-**	**-**	**56,823**	**56,823**
Lease liabilities	**-**	**-**	**-**	**-**	**167,126**	**167,126**
Total Financial Liabilities	**-**	**-**	**-**	**-**	**223,949**	**223,949**

(i) There were no borrowings throughout the period.

2020	Weighted Average Effective Interest Rate(i)	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 and cash equivalents	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

Applying a sensitivity of 50 basis points to the Group's period end interest rate results in an immaterial impact on post tax profit and 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 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 it 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.

The gearing ratio at period end was as follows:

	2021 **$'000**	**2020** **$'000**
Net debt/ (cash and cash equivalents)	**(73,046)**	(92,489)
Total equity	**156,731**	143,063
Net debt to equity ratio(i)	**0%**	0%

(i) The Group has no 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 to quarterly, with periodic, and an annual forecast, to ensure funding facilities are sufficient to service the business.

The tables below analyse the Group's financial liabilities as well as 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.

27 June 2021	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)	**113,363**	**36,043**	**43,522**	**45,253**	**1,385**	**239,566**	**234,040**
Variable rates	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Fixed rate	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total non-derivatives	**113,363**	**36,043**	**43,522**	**45,253**	**1,385**	**239,566**	**234,040**
Derivatives							
Net settled	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Gross settled							
- (inflow)	**(81,662)**	**(23,675)**	**-**	**-**	**-**	**(105,337)**	**-**
- outflow	**85,964**	**23,175**	**-**	**-**	**-**	**109,139**	**-**
Total derivatives	**4,302**	**(500)**	**-**	**-**	**-**	**3,802**	**3,802**

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

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 Group's assets and liabilities measured and recognised at fair value.

	2021 $'000 Level 2	2020 $'000 Level 2
Derivatives used for hedging	**(3,802)**	(9,382)

	Borrowings due within 1 year $'000
Balance at 30 June 2019	(19,500)
Cash flows	19,500
Foreign exchange adjustments	-
Balance at 28 June 2020	-
Cash flows	-
Foreign exchange adjustments	-
Balance at 27 June 2021	**-**

Note 22: Key Management Personnel (KMP) Disclosures

Non-Executive Directors

Steven Fisher (Chairman)

David Grant

Selina Lightfoot

Nicholas Perkins

Michele Teague (retired as a Director on 21 October 2020)

Margaret Zabel (appointed as a Director on 4 June 2021)

All of the above persons were directors of The Reject Shop Limited for the entire period ended 27 June 2021, 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
Dani Aquilina	–	Chief Operating Officer(i)
Clinton Cahn	–	Chief Financial Officer

(i) Dani Aquilina ceased to be a KMP on 20 May 2021 and left the Group on 1 July 2021.

All of the above persons were employed by The Reject Shop Limited and were key management personnel for the entire period ended 27 June 2021 unless otherwise stated.

Remuneration of Directors and Key Management Personnel

	2021	**2020**
	$	**$**
Short-term cash rewards	**-**	168,390
Short-term employee benefits	**2,277,620**	1,888,215
Post-employment benefits	**101,512**	96,641
Termination benefits	**125,826**	115,427
Share-based payments	**839,101**	253,282
	3,344,059	2,521,955

Dani Aquilina ceased to be a KMP on 20 May 2021 and left the Group on 1 July 2021. During the period, Ms Aquilina was paid out annual leave entitlements of $38,714, which are excluded from the table above. On her departure, Ms Aquilina was paid $189,962 of annual leave and long service leave entitlements in cash, plus superannuation of $5,892, which are excluded from the table above. In addition, on her departure, Ms Aquilina was paid $125,826 in lieu of a three-month notice period, which is included in 'termination benefits' above.

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

Note 23: Share-based payments

Performance Rights Plan (PRP)

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

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

2021 **Date of Grant**	**Expiry Date**	**Date Exercisable**	**Fair Value at Grant Date**	**Balance At Start of Period**	**Granted During Period**	**Exercised During The Period**	**Lapsed, forfeited or cancelled The Period during**	**Balance at End of The Period**	**Vested and Exercisable At The End of Period**
18 Oct 2018	17 Oct 2022	1 Jul 2021	1.84	28,000	-	-	(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	-	(25,000)	-	50,000[i]	-
18 Oct 2019	16 Oct 2023	1 Jul 2022	2.07	87,600	-	-	(65,925)	21,675	-
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	-	-	-	150,000	-
30 Sep 2020	31 Aug 2025	31 Aug 2023	6.17	-	364,050	-	(25,100)	338,950	-
30 Sep 2020	31 Aug 2026	31 Aug 2024	6.17	-	42,475	-	-	42,475	-
30 Sep 2020	31 Aug 2027	31 Aug 2025	6.17	-	42,475	-	-	42,475	-
Total				**715,600**	**449,000**	**(100,000)**	**(119,025)**	**945,575**	**-**

(i) 50,000 performance rights vested on 2 July 2021, subsequent to the period end.

2020 **Date of Grant**	**Expiry Date**	**Date Exercisable**	**Fair Value at Grant Date**	**Balance At Start of Period**	**Granted During Period**	**Exercised During The Period**	**Lapsed, forfeited or cancelled The Period during**	**Balance at End of The Period**	**Vested and Exercisable 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	-
27 Mar 2020	28 Mar 2025	27 Mar 2023	4.05	-	150,000	-	-	150,000	-
Total				240,500	768,000	-	(292,900)	715,600	-

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

Date of new grants	1 Sep 2019	18 Oct 2019	13 Jan 2020	27 Mar 2020	30 Sep 2020
Exercise price	-	-	-	-	-
Share price at grant date	1.93	2.33	2.19 (i)	4.35	6.17
Expected dividend yield	5.2%	4.3%	4.6%	2.3%	1.5%
Risk free rate	3.0%	3.0%	3.0%	3.0%	2.0%

(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.

Subsequent to period end, the Directors have not granted any further performance rights under the PRP.

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

	2021 $	2020 $
Performance rights granted	**1,224,197**	305,338

Note 24: Remuneration of auditors

During the period, the following fees for services were paid or payable to PricewaterhouseCoopers Australia and its related parties as the auditor:

	2021 $	2020 $
Audit and Assurance Related Services		
Audit and review work	**355,000**	425,720
Other assurance services	**42,788**	43,615
	397,788	469,335
Tax Compliance and Consulting Services		
Tax compliance	**67,500**	44,136
Tax consulting advice	**35,000**	37,500
	102,500	81,636
Total remuneration	**500,288**	550,971

Note 25: Dividends

	2021 $'000	2020 $'000
Dividend declared subsequent to the period end	-	-
Balance of franking account at period end(i)	**60,575**	55,724

(i) 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%.

Dividends recognised during the reporting period:

There were no dividends paid to members during the financial period (FY2020: $Nil).

Note 26: Earnings per share

	2021 Cents	2020 Cents
Basic earnings per share	**21.7**	3.6
Diluted earnings per share	**21.4**	3.5
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**38,264,841**	31,276,192
Adjustments for dilutive portion of performance rights	**657,142**	372,952
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**38,921,983**	31,649,144

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 23.

Note 27: Net Tangible Assets

	2021 Cents	2020 Cents
Net tangible asset backing per ordinary share(i)	**409.5**	374.7

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

Note 28: Parent Entity Financial Information

	Parent Entity	
	2021 $'000	2020 $'000
(a) Summary financial information		
The individual financial statements for the parent entity show the following aggregate amounts:		
Balance Sheet		
Current assets	**178,073**	156,947
Total assets	**401,690**	409,056
Current liabilities	**153,702**	154,427
Total liabilities	**246,328**	267,468
Shareholders' equity		
Issued capital	**70,326**	70,326
Reserves	**4,292**	(1,122)
Retained earnings	**80,744**	72,384
	155,362	141,588
Profit for the financial period	**8,321**	963
Total Comprehensive Profit / (Loss) for the financial period	**12,226**	(7,079)

(b) Guarantees entered into by the parent entity

Carrying amount included in current liabilities	**-**	-

Refer to Notes 18 and 19 for disclosures concerning capital commitments and contingent liabilities for the parent entity.

Note 29: Segment information

The Group operates within one reportable segment (retailing of discount variety merchandise). Total revenues of $778,688,000 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 30: 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.

	Parent Entity	
	2021	2020
	$'000	$'000
Fees paid to TRS Sourcing Co. Limited	-	1,717

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 (FY2020: Nil).

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

Note 31: Matters Subsequent to the End of the Financial Period

In August 2021, the Group agreed to extend its existing banking facilities with ANZ Bank from 31 August 2021 to 28 August 2022. See Note 12 for further information.

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 32: Related Party Transactions

During the period, the Group transacted with related parties of Kin Group Pty Ltd to purchase goods. Transactions totalled $861,197 (FY2020 : $9,415). 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 period ended 27 June 2021.

Directors' Declaration

In the Directors' opinion:

(a) The Financial Statements and notes set out on pages 31 to 61 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 Group's financial position as at 27 June 2021 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 2021

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

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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 27 June 2021 and of its financial performance for the 52 week period ended 27 June 2021

(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 27 June 2021
- the consolidated balance sheet as at 27 June 2021
- the consolidated statement of changes in equity for the 52 week period ended 27 June 2021
- the consolidated statement of cash flows for the 52 week period ended 27 June 2021
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- 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 & 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	*Audit scope*
• For the purpose of our audit we used overall Group materiality of $0.6 million, which represents approximately 5% of the Group's profit before income 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 before income tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• 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 variety 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 ○ 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 value of store assets, including right of use assets *(Refer to note 8 and note 9)* The Group offers a wide range of discount merchandise through its network of more than 360 stores. Store assets represent one of the largest assets on the consolidated balance sheet. Given the challenging retailing conditions in the Australian retail industry and the impact of the COVID-19 pandemic, there is 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 calculating the recoverable amount of each store and comparing it to the store's carrying amount. This is achieved by preparing models with estimates of future cash flows discounted to their present value ("the model"). This was a key audit matter because of: • the financial significance of the store assets to the consolidated balance sheet • the subjective factors involved in the Group assessing impairment, in particular, estimating future cash flows over the forecast period.	We performed the following procedures, amongst others: • evaluated the Group's assessment of the determination of cash generating units • assessed the appropriateness of the models by comparing them to the requirements of the Australian Accounting Standards • tested the mathematical accuracy of the models and compared key data to Board approved budgets • assessed the appropriateness of selected assumptions used to estimate the future cash flows and considering the ongoing impact of COVID-19 • considered 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 • engaged internal experts to assess the appropriateness of the discount rate used in the models • evaluated the appropriateness of the disclosures made in the financial statements against the requirements of Australian Accounting Standards.

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Key audit matter	*How our audit addressed the key audit matter*
Inventory provision - net realisable value (NRV) *(Refer to note 1(aa)(iii))* A provision was recognised as at 27 June 2021 in the financial report to provide for inventory expected to be sold below cost. The Group undertakes a process to identify 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 as at 27 June 2021 and therefore the potential impact 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 expected selling price of inventory.	We performed the following procedures, amongst others: • developed an understanding of how the Group determines the NRV provision • considered the potential impact of the COVID-19 pandemic on the Group's estimate of the NRV provision • evaluated the appropriateness of significant assumptions used to develop the provision for NRV in the context of Australian Accounting Standards, by having regard to: ○ aggregate inventory sold below cost during the financial period ○ aggregate inventory in excess of future sales quantities ○ aggregate 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)(iv))* The Group recognised a provision against inventory as at 27 June 2021 for the estimated loss related to shrinkage. Shrinkage is 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 the end of the financial period.	We performed the following procedures, amongst others: • obtained an understanding of how the Group determines the shrinkage provision • attended stock counts for a selection of stores and developed an understanding of

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Key audit matter	*How our audit addressed the key audit matter*
This was a key audit matter because of: • the financial significance of the inventory balance as at 27 June 2021 and therefore the potential impact of the provision for shrinkage 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 shrink loss percentage to apply to sales.	the Group's process for reviewing stock count results for other stores • compared the shrink loss percentage applied against the results of the stock counts completed prior to the end of the financial period and the historical data on the Group's shrinkage result.

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 27 June 2021, 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.

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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.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 21 to 28 of the directors' report for the 52 week period ended 27 June 2021.

In our opinion, the remuneration report of The Reject Shop Limited for the 52 week period ended 27 June 2021 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 2021

Shareholders' Information

As at 5 August 2021

The shareholder information set out below was applicable as at 5 August 2021.

(a) The distribution of shareholding was as follows:

Size of Shareholding	Shareholders
1 - 1,000	3,590
1,001 - 5,000	1,365
5,001 - 10,000	236
10,001 - 100,000	185
100,001 and over	20

(b) 670 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	7,651,495	19.96%
Bennelong Australian Equity Partners Ltd	5,340,815	13.94%
Wilson Asset Management Group	3,456,359	9.02%
Castle Point Funds Management	2,378,079	6.20%

(d) The fully paid issued capital of the Company consisted of 38,326,622 shares held by 5,396 shareholders.

Each share entitles the holder to one vote.

(e) Unquoted Equity Securities

	Number on Issue	Number of holders
Performance Rights issued under The Reject Shop Performance Rights Plan	**895,575**	**8**

(f) Twenty largest shareholders

Shareholder	Number	% Held
Citicorp Nominees Pty Ltd	10,379,267	27.08
Allensford Pty Ltd	7,273,018	18.98
National Nominees Limited	4,153,712	10.84
J P Morgan Nominees Australia Pty Limited	792,580	2.07
HSBC Custody Nominees (Australia) Limited	705,109	1.84
SCJ Pty Ltd	600,000	1.57
BNP Paribas Noms(NZ) Ltd	452,548	1.18
Andre Reich	406,540	1.06
Dorothy Productions Pty Ltd	400,000	1.04
Bennamon Pty Ltd	378,477	0.99
Bond Street Custodians Limited	350,000	0.91
NCH Pty Ltd	273,966	0.71
Wyong Rugby League Club Ltd	255,000	0.67
Mike Fegelson	157,700	0.41
BNP Paribas Nominees Pty Ltd	151,860	0.40
Andre Reich & Veronica Angelidis-Reich	130,302	0.34
Kgari Investments Pty Ltd	123,600	0.32
Dani Aquilina	109,000	0.28
BNP Paribas Nominees Pty Ltd & Hub24 Custodial Services Ltd	105,772	0.28
Sarah Acton	100,207	0.26

The twenty members holding the largest number of shares together held a total of 71.23% 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

Selina Lightfoot
Non-Executive Director

David Grant
Non-Executive Director

Nicholas Perkins
Non-Executive Director

Margaret Zabel
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

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

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