Appendix 4E

The Reject Shop Limited

(ABN 33 006 122 676)

Consolidated preliminary final report

For the 52 week financial period ended 28 June 2015
Compared to the 52 week financial period ended 29 June 2014

Results for announcement to the market

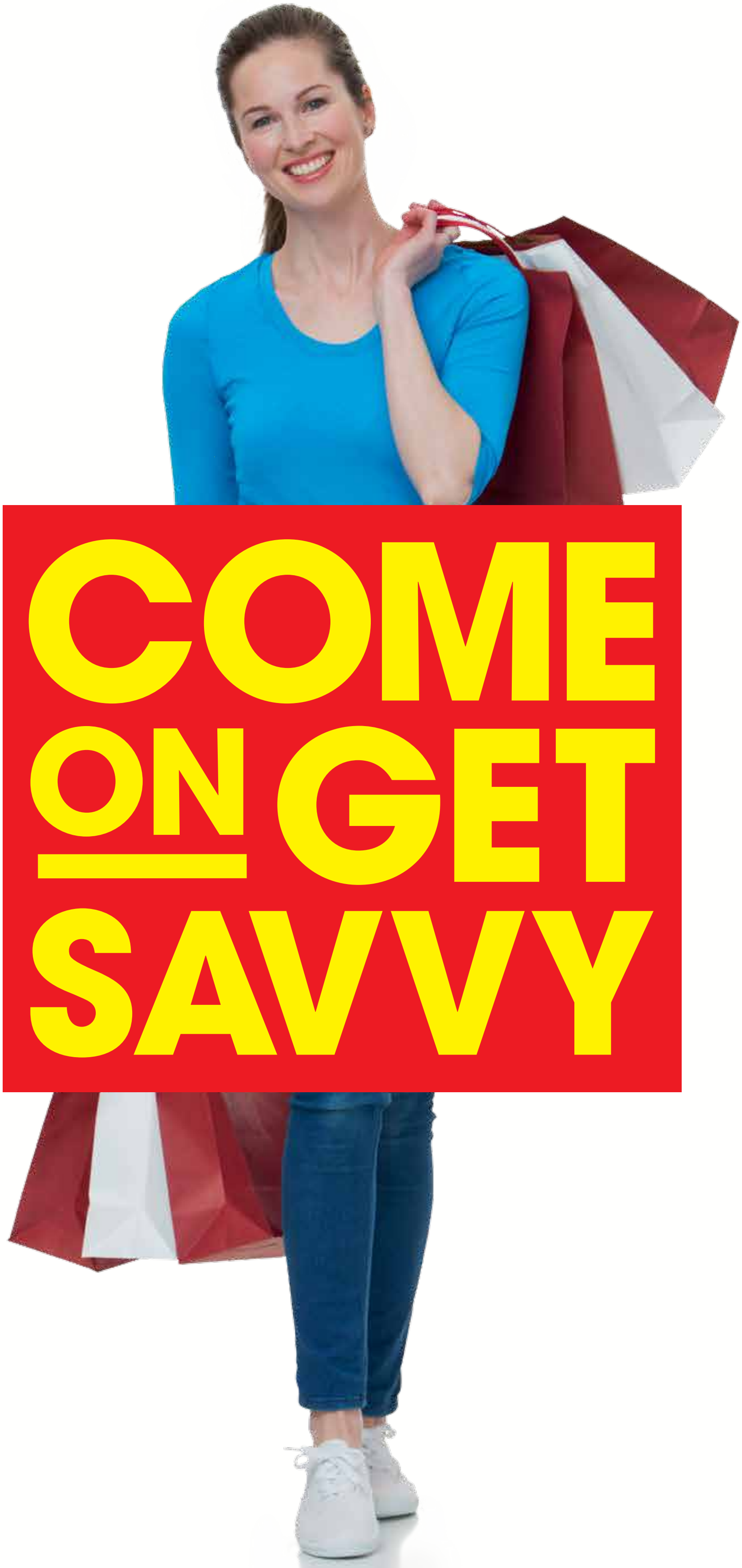
				$A'000
Sales revenue from continuing operations	up	6.4%	to	756,800
Profit from continuing operations after tax attributable to members	down	1.9%	to	14,239
Net profit for the period attributable to members	down	1.9%	to	14,239

Dividends	Amount per share	Franked amount per share
Interim dividend (paid 13 April 2015)	16.5 cents	100%
Final dividend	13.5 cents	100%

Record date for determining entitlements to final dividend	25 September 2015
Dividend payment date	12 October 2015

Commentary on the Company's trading results is included in the media release and on pages 18 to 20 of the annual report enclosed.

THE REJECT SHOP



COME ON GET SAVVY

ANNUAL REPORT 2014-15

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Notice Of Annual General Meeting
3.30pm Wednesday 14 October 2015
Crowne Plaza, Bridge Room No. 2
1-5 Spencer Street
Melbourne, Vic 3000

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, Kengsington VIC 3031. The financial statements are presented in Australian currency and were authorised for issue by the directors on 19 August 2015. The company has the power to amend and re-issue these financial statements.

KEY OPERATIONAL INDICATORS

Sales up 6.4% to $756.8M

333 stores FY15

21 new stores in 2015

Over 6,000 team members

Over 60 million transactions annually

CHAIRMAN'S REPORT

Dear Shareholder

After the disappointing start to the 2014-2015 financial year which was embodied in the financial report for the first-half; I am pleased to report that the second half has achieved the financial outcomes that were projected.

The annual results, resulting in a Net Profit after Tax of $14.2m, and an Operating Cash Flow of $46.9m, confirm that we are now capable of leveraging the significant investment of the past three years. The accelerated new store roll-out program of 2012 through December 2014, together with the expanded Distribution Centre capability, give us the base from which to continue a steady organic-growth model.

The Company's balance sheet is strong, with modest gearing. The solid operating cash-flow enables us to continue a steady expansion of our store network as sensible economic opportunities are identified. This cash flow also enables us to continue a total annual dividend payout for the year of 30.0 cents per share, including the final dividend of 13.5 cents per share. Although the lower first-half result contributed to the slightly lower annual profit when compared to the prior year, the Board consider that payment of the same dividend as 2014 is appropriate.

In the ten years since the initial listing on the ASX, your company has grown to over 330 stores, serviced by three distribution centres. Much of the expansion through 2014 had been completed with a stable Executive Group supported by an ever-growing number of team members, throughout those activities and our Store Support Centre. The Board expressly thank all those executives and team-members who contributed to the rapid physical growth of the company since listing.

We have embarked on the next phase of consolidating growth, under the direction of our recently appointed Chief Executive and Managing Director, Ross Sudano, and his team. The appointment of Ross, and his appointment of new members to his Executive team, is to ensure that we have the appropriate retail skills and capabilities to support the execution and delivery of strategy in this next phase of your company's development. Notwithstanding the chang to the Executive team, our charter and our core values remain steadfast.

Ross and his team remain committed to our retailing goals, undertaken in a manner which ensures the safety and wellbeing of our people, and our customers. The year was free of major health and safety incidents and we are all committed to an objective of injury free operations.

The expanding number of stores across the country enables us to have contact with many communities. The establishment of the Reject Shop Foundation, garnering funds to assist with the provision of support to children in need, has been resoundingly supported by our customers, and by our staff. The Board thank all involved for their generous engagement.

The Board acknowledges the continuing support of shareholders, and particularly those that supported the Capital raising in 2013. That additional capital has allowed the aggressive growth phase to be initiated in a sensible economic manner, and to provide a sound platform from which Ross and his team can continue. We believe that the Management Team, and our 6,500 employees, are continuing to improve the delivery of our offer to our customers, and will deliver improved value and returns to our shareholders.

William J Stevens
Chairman

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S REPORT

The Reject Shop is a good business with a great future. We remain committed to the continued development of our business model so that it delivers a clear and distinctive value offer to our customers, provides an appropriate level of return to our shareholders and our finance providers for their capital support; and is a safe, rewarding and engaging business to work in, for all our team members.

We have been developing a clear strategy to maximise the strengths of the TRS business model for long term growth that leverages off the assets that have been put in place over time. Specifically, an extensive store network providing convenience of access to our customers, supported from a distribution network and supply chain, a hardworking and highly enthusiastic work force, and a very loyal base of customers whose needs we serve - on over 60 million occasions every year.

We operate in the discount variety segment of the market, a segment that continues to gain relevance with consumers every day but remains highly competitive. To succeed in this market we need to be totally focussed on our customers. We need to have a very clear purpose that is both distinctive and defendable, and we need to deliver on our purpose every day in order to meet the needs of our customers.

We have spent time gaining extensive customer insights and are taking actions based on these learnings. We have narrowed our focus to meet the needs of four key customer segments, and are using these insights to validate our customer promise, and to develop our thinking on our in store shopping experience.

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

"To enable and inspire more people to do more with less".

This comes to life for our customers via a promise to;

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

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

When we are delivering on our promise our customers are receiving more for their money, they are finding unexpected bargains in our stores and we are making their shopping fun and exciting – giving people a sense of being Savvy!

We are clear on where we are going and how this meets the needs of our customers. We have made progress in the second half of FY2015 and have clarity in our view of what needs to be worked on to underpin the delivery of our customer promise; continue improving financial performance over the coming years. We are not there, but we have made significant changes to our business in the last 12 months.

We have in place a leadership team capable of accepting the challenges of delivering on our customer promise. They all have extensive retail background and experience, and are working through the opportunities in each of their areas to reshape our business for the benefit of our customers and shareholders.

During the 2H of FY15 we were able to stabilize and then grow our comparable sales, a significant change to the 1H of FY15. We were able to achieve this by refocusing on the delivery of great value on everyday products that has been the cornerstone of our TRS offer over time. Getting this right for customers is critical in extending their trust, increasing foot traffic in our stores, and generating additional transactions and sales growth. Our challenge is to maintain this momentum and build on it by providing new and interesting products to our customers whilst in our stores. This continues to be an area of focus for us, and is critical in meeting our customers' expectations.

During the 2H of FY15 we altered our customer communication mix to TV, to communicate our customer promise broadly; with catalogues to support key selling events. This change in mix has contributed to strong growth in customer's intentions to shop at The Reject Shop, an improved understanding of the quality of products we sell, and increased transactions in stores.

At the same time we have been developing a data base of Savvy Shoppers to enable us to communicate directly on a regular basis. We now have over 200,000 Savvy Shoppers on our data base and with more than 166,000 supporters on social media we have the capacity to talk directly to a significant number of our customers. Whilst this is a great change in a short time, we see huge opportunity to continue to grow our Savvy Shopper data base, and to improve our customer communications, and its mix, as a result.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S REPORT

We have a strong supply chain network. It has the ability to service an expanding number of stores across the country, with a range of metropolitan, country and regional offers, to existing and new customers. During the year we have been working on removing some of the complexity from our business with a view to reducing our stock holdings and improving the speed with which we are able to get product on display in our stores. By year end, we have been able to reduce our average stock holdings per store despite a significant decline in the Australian dollar. At the same time, we have made some system improvements to the way we allocate stock to stores. There is still significant work to be done on our supply chain to leverage identified opportunities over the coming three years.

Our property portfolio continues to be a major focus. We are focussed on providing convenient access to our customers, while ensuring that returns from each store are sensible for our shareholders. We have being reviewing existing leases and where we haven't been able to achieve rents which are economically sustainable, we have exited the store. This has resulted in 9 store closures during FY15. At the same time we have been building our pipeline of new store opportunities to sustain our key strength of convenience for our expanding customer base, and seeking replacement locations to service our loyal customers from those stores which we have closed. During the FY15 we opened 21 new stores.

As a result of the feedback from customers, we have been working on rebasing our shopping experience and in early July we opened a new store format at Kellyville in Sydney. The Kellyville store introduces a number of changes to improve our customers shopping experience, and early customer feedback has been overwhelmingly positive. The new store format also has a reduced capital cost to open, and further opportunities to improve the store experience and reduce costs are also being developed.

Over the next twelve months we will continue to improve our offer to meet the needs of our key customer segments. The first wave of operational improvement is focussed on getting back to basics, and includes a clear focus on our customer, and being distinctive in the market. We will continue work on an efficient and effective supply chain. Work done to date has identified eight key projects that will assist in simplifying our supply chain; deliver our customer promise in store; and reduce our supply chain costs at the same time. These projects are currently being developed and will progressively roll out into our business. They will provide us with the launching pad for subsequent waves of improvement.

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

Ross Sudano
Managing Director
and Chief Executive Officer

THE REJECT SHOP FOUNDATION

The Reject Shop Foundation is a not-for-profit foundation committed to helping kids in need. Since its establishment in June 2014, The Reject Shop Foundation has donated in excess of $220,000 to our charity partner Good beginnings Australia.

This was achieved through the generous support of our customers and team members through the cash collection boxes available across the Company's entire store network and a voluntary work place giving program. The Company thanks its customers and staff for its support.

The Reject Shop Foundation renewed its partnership with Good Beginnings Australia in June 2015 and will continue to work with them for the remainder of the 2016 financial year.

The Reject Shop Foundation is administered by Charity Aid Foundation (CAF).

BOARD OF DIRECTORS

William (Bill) Stevens
FCA, MAICD
Non-Executive Chairman

Bill is a Fellow of the Institute of Chartered Accountants in Australia with an extensive career with KPMG (and Touche Ross) for 37 years. During his career with KPMG he was the client service partner for major clients including BHP Billiton, Santos, Pacific Dunlop/Ansell and Pacific Brands. More recently he was CEO of the Pacific Edge Group. He is also a director of International Healthcare Investments Ltd and a number of private company groups. Bill joined the Board in August 2008 and was appointed Chairman on 14 July 2010.

Kevin Elkington
LLB, B.Juris, FGIA
Non-Executive Director

Kevin has had a 29 year career as a corporate lawyer and company secretary in some of Australia's leading public companies including Coles Myer. Kevin currently provides legal services and corporate advice to several large commercial clients and is also a director of the Myer Stores Community Fund Ltd. He is also currently a member and regular lecturer with the Governance Institute of Australia in the area of corporate governance. Kevin joined the Board of The Reject Shop in February 2008.

Denis Westhorpe
Non-Executive Director

Denis has significant experience in senior executive retail roles including 14 years as an Executive Director of Target Australia Pty Ltd. During this time Denis occupied the roles of Store Operations Director, Buying Director and 2 years as Managing Director of Target Specialty Stores. Denis has previously been Chairman of Charles Parsons (Holdings) Pty Ltd where he was a Director for 8 years. Denis joined the Board of The Reject Shop Limited on 19 August 2010.

Melinda Conrad
MBA, FAICD
Non-Executive Director

Melinda has significant experience in business strategy and marketing to consumer facing organisations in a range of sectors including retail, FMCG, healthcare and government. In her career she was founder and CEO of a retail store chain, Conrads Warehouse. Melinda's professional qualifications include an MBA from the Harvard Business School. She is currently a Non- Executive Director of Oz Forex Group Limited, the Garvan Medical Research Institute Foundation and Australian Brandenburg Orchestra. Melinda was previously a Non-Executive Director of APN News and Media Limited and David Jones Limited. Melinda joined the Board of The Reject Shop Limited on 19 August 2011.

Ross Sudano
Managing Director and
Chief Executive Officer

Ross has 20 years experience in retail with a range of companies, including: Little World Beverages, Anaconda Adventure Stores, Foodland Associated Limited, Coles and BP Australia. Ross was CEO of ASX-listed Little World Beverages where he delivered impressive growth in both revenue and earnings while building a solid leadership team, successfully introducing adjoining brands, and implementing new merchandising systems. As Joint Chief Executive Officer of Anaconda Adventure Stores (a subsidiary of Spotlight Retail Group), Ross led the Company's rapid growth through a deep understanding of customer's needs and the ability to develop products to meet them. Ross also held senior management roles at Foodland Associated Limited (now IGA Distribution), including General Manager Group Buying & Marketing, and General Manager Franchising and Supply. Ross was appointed CEO of The Reject Shop in September 2014 and Managing Director on 19 November 2014.

THE MANAGEMENT TEAM

Darren Briggs BCom, CA, ACIS
Chief Financial Officer & Company Secretary

Darren spent over ten years working with Deloitte in Australia and the United States. Darren then spent the next thirteen years working in senior finance roles at large corporations, most recently ten years at Skilled Group Limited. Darren joined The Reject Shop and was appointed Company Secretary in May 2008 and was promoted to Chief Financial Officer in October 2009.

Ed Tollinton
Chief Information Officer

Ed has over 20 years international blue chip experience in conceiving, sourcing and implementing whole of business technology programs within large customer centric organisations, including periods with Hewlett Packard (UK, USA and Australia) and Coles Supermarkets.

Dani Aquilina MBus (LogMgt)
General Manager - Distribution

Dani has more than 14 years experience in retail including 8 years with K-Mart. Since joining The Reject Shop in 2007, Dani played a key role in the development of the Ipswich Distribution Centre and managing the National Logistics operation. Dani has a Masters of Business in Supply Chain and Logistics Management. Dani was appointed General Manager - Distribution in January 2013.

Allison Batten
General Manager – Planning

Allison has over 20 years of retail management experience encompassing discount department store, big box specialty and supermarkets. She joins The Reject Shop having worked for companies including Woolworths Limited, World 4 Kids and Target Australia. Allison has held senior leadership roles in merchandise buying, merchandise planning, international sourcing and design. She has previously directed major projects in organisational structure, organisational process improvement, system improvement, business turnaround and strategy. Allison joined The Reject Shop in June 2014 as General Manager Merchandise Planning, initially in a caretaker capacity as an independent consultant and was then formally appointed in April 2015.

Kelvin Chand
General Manager – Property

Kelvin has over 20 years experience in the Australian and New Zealand property market having worked for companies such as Westpac Properties, Telecom New Zealand and Ernst & Young as well running a successful property consulting business prior to joining GPC Asia Pacific (Repco) in 2011 as their GM, Property. During Kelvin's tenure at GPC Asia Pacific he managed a national retail property portfolio that comprises of 380 plus stores and 9 Distribution Centres.

Robert d'Andrea
General Manager – Human Resources

Robert has significant experience in Human Resources across a number of industry sectors including Retail, Supply Chain and Financial Services. Holding senior HR roles with Coles, Linfox and the National Australia Bank, Robert's background covers the full range of HR management disciplines as well as project and change management. Robert's experience includes working in major business turnarounds and change programs. Robert joined The Reject Shop in May 2015.

Colleen Grady
General Manager - Buying

Colleen has 20 years global professional experience including senior leadership positions at Woolworths in Australia and Tesco in the UK. Colleen's commercial experience includes setting the 5 year strategy for supermarkets and establishing new growth categories. Colleen holds an MBA from INSEAD and commenced her career in strategy consulting for Bain & Co (Australia and the USA) and Partners in Performance. Her experience in these roles include corporate turnarounds, change programmes and step change improvement. Colleen joined The Reject Shop in April 2015.

Mike Robertson
General Manager - Retail Operations

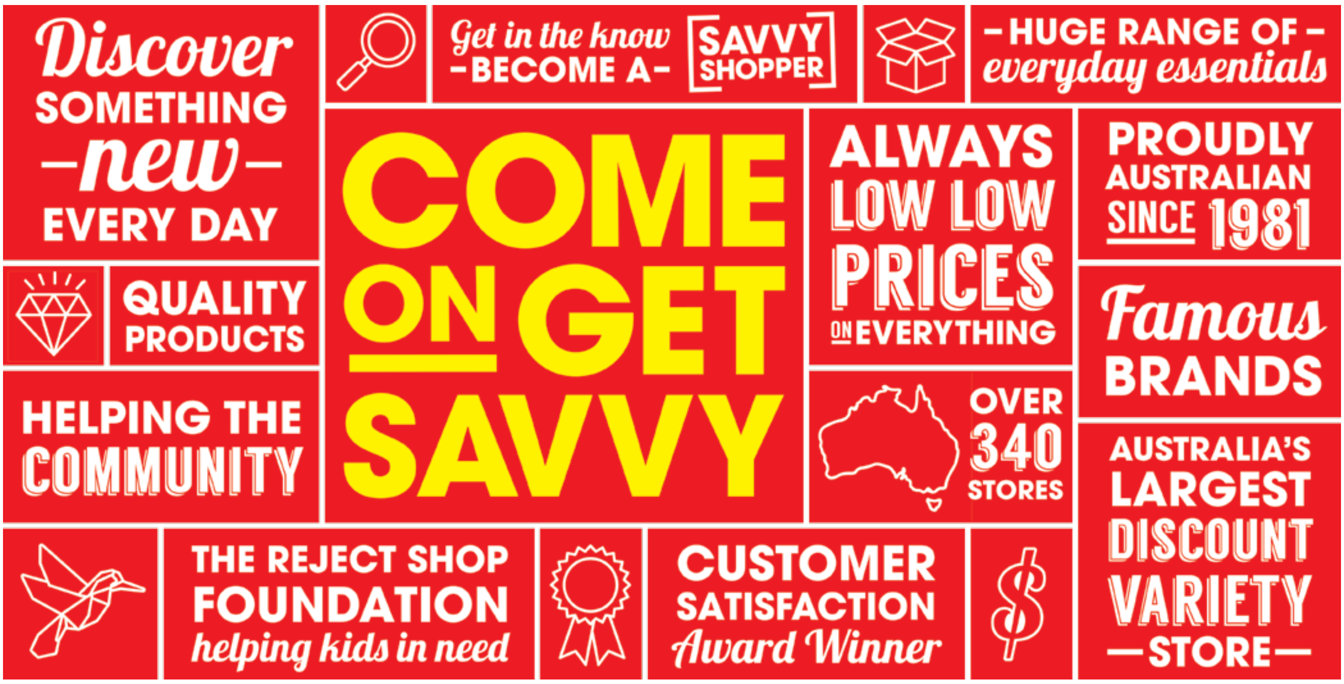
Mike has over 20 years retail experience in senior positions at companies including Specsavers, Bakers Delight, Coles Myer and Woolworths.Mike commenced with The Reject Shop as the General Manager Retail Operations in March 2014.

Allan Penrose
General Manager - Marketing

Allan has over 20 years retail marketing experience, having held senior marketing roles at Kmart, Target, Grey Advertising and George Patterson Y&R. Prior to joining The Reject Shop Allan spent 5 years at The Solomon Partnership where he developed a number of successful integrated brand campaigns for Coles Supermarkets. Allan joined The Reject Shop in August 2010.

OUR PROMISE

After extensive customer research, we have a focus for our business to deliver a unique shopping experience to our savvy customer. Our promise to them is "you'll always get more for your money through the fun and excitement of discovering a new bargain."



CORPORATE GOVERNANCE, ENVIRONMENTAL, SOCIAL STATEMENT AND FINANCIAL REPORT

For the Financial Period Ending 28 June 2015

CORPORATE GOVERNANCE, ENVIRONMENTAL AND SOCIAL STATEMENT

The Company and the Board have set and maintained high standards of corporate governance. The Company has complied with the Principles and Recommendations released by the ASX Corporate Governance Council in March 2014 and any subsequent amendments.

A summary of the Company's main corporate governance practices are outlined below and were in place for the entire period, unless otherwise stated. A full copy of the Company's corporate governance, environmental and social policies and charters can be found in the investors section of the Company's website at **www.rejectshop.com.au**.

The Board of Directors

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

Composition of the Board

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

- The Board must be comprised of at least 3 directors;
- The Board must be comprised of a majority of independent directors;
- The Chairman must be an independent director; and
- The Managing Director and the Chairman are separate roles and undertaken by separate people.

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

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

Materiality is assessed on both qualitative and quantitative bases.

The Managing Director position is not considered an independent director based on the above criteria. All current non-executive directors satisfy all criteria above and are considered independent directors.

The directors considered as independent are as follows:

William J Stevens

Kevin Elkington

Denis R Westhorpe

Melinda Conrad

All directors have entered into written contracts of employment.

Details of each directors' experience is contained on page 6 and 7, and their attendance at Board and Committee meetings is contained in the Directors' Report on page 16 in this annual report.

Responsibilities of the Board

The Board delegates responsibility for the day-to-day management of the Company to the Managing Director and senior management, however retains responsibility for:

- Establishing and reviewing the implementation of strategy;
- Monitoring senior management's performance and approving remuneration;
- Ensuring appropriate resources are available to achieve the Company's objectives; and
- Promoting best practice corporate governance, including overseeing the Company's risk management policies.

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

To assist in meeting its responsibilities the Board has established the Audit and Risk Committee and Remuneration Committee, each with their own separate charter and structure. Significant matters arising from these Committee meetings are tabled at the subsequent Board meeting. Having regard to the size of the Board, it has not been considered necessary to appoint a separate Nomination Committee at this time.

Board Skills and Experience Matrix

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

TRS - Board Skills and Experience Matrix (out of 5 directors)

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

Annual Performance Reviews

The Company conducted an annual performance evaluation of all directors in September 2014 with the current review scheduled for September 2015. Results of these reviews are announced at the Annual General Meeting each year.

Rotation of Directors

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

Audit and Risk Committee

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

Composition of the Audit and Risk Committee

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

Kevin J Elkington (Chairman)

William J Stevens

Denis R Westhorpe

Melinda Conrad

Role of the Audit and Risk Committee

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

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

Responsibilities of the Audit and Risk Committee

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

Role of the External Auditor

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

Risk Management and Assessment

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

Risk identification and management is a key focus of the General Management team. Accordingly, the General Management team have designed and implemented a risk management and internal control system to manage the Company's material risks, with a comprehensive analysis of the material risks being prepared for review by the Audit and Risk Committee at the end of each half.

In addition, the Company's Internal Audit and Loss Prevention, and Product Compliance functions provide ongoing assurance to the Board and management that established procedures and requirements are being met.

The Chief Executive Officer and the Chief Financial Officer have made the following certifications to the Board:

- The Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and are in accordance with relevant accounting standards; and
- The above statement is founded on a sound system of risk management and internal compliance and control, which implements the policies adopted by the Board, and ensures that the Company's risk management and internal compliance is operating efficiently and effectively in all material respects.

To enable these certifications to be made, all functional General Managers have provided similar certifications to the Chief Executive Officer and Chief Financial Officer.

CORPORATE GOVERNANCE, ENVIRONMENTAL AND SOCIAL STATEMENT continued

Continuous Disclosure Policy

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

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

Link Market Services (our Registrar) provide the ability to have these services provided electronically.

Annual and half year reports, media and analysts' presentations, press releases together with the broader continuous disclosure policy are available on the Company's website.

Code of Conduct

The Company has an established corporate code of conduct which forms the basis for a shared view of the Company, its mission and its ethical standards and code of conduct by senior management and employees. After approval by the Board this code has been adopted by all senior executives.

The Company has a Share Trading Policy which restricts the trading of securities by directors and employees to specified windows during the period, namely between 24 hours and 30 working days after announcement of the Company's half yearly results, and between 24 hours after the announcement of the Company's period-end result and 30 working days after the close of the Company's annual general meeting. In addition, with prior approval of the Chairman, a trading window may be opened for a period commencing 24 hours after and not exceeding 30 working days after any formal announcement to the Australian Stock Exchange.

Diversity Policy

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

The Company is committed to building a diverse workforce, with a particular focus on gender and gender equality, and to support this focus, the following ongoing objectives have been set:

- Communication of the Company's Gender Diversity Statement to internal and external stakeholders;
- Review the means by which the Company recruits, develops and retains females across the organisation;
- Continue to build from our current workplace flexibility options including job sharing and/or part-time employment;
- Conduct and report an annual gender audit to measure progress from baseline data and identify and review any specific areas of gender inequality; and
- Report to the Board on a twice yearly basis.

In accordance with this policy the following table represents the level of gender diversity within the Company and changes from the prior year.

	No of Employees – Female 28 June 2015	**No of Employees – Total 28 June 2015**	**% of Female**	No of Employees – Female 29 June 2014	No of Employees – Total 29 June 2014	% of Female
Board/Managing Director	**1**	**5**	**20.0%**	1	4	25.0%
Senior Executives	**3**	**9**	**33.3%**	2	9	22.2%
Middle Management	**11**	**32**	**34.4%**	15	40	37.5%
All Team Members	**3,643**	**5,806**	**62.7%**	3,470	5,783	60.0%

Senior Executives includes the General Management team reporting to the Managing Director (excludes Board & Managing Director). Middle Management includes Management reporting to the General Management team or equivalent (excludes Board & Senior Executives). All Team Members as included in the table above includes all employees of The Reject Shop with the exception of the Board.

On Friday 29 May 2015, The Reject Shop lodged its annual public report with the Workplace Gender Equality Agency. A copy of this report can be found on the Company's website at **www.rejectshop.com.au**.

Remuneration Committee

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

Composition of the Remuneration Committee

Under the Remuneration Charter, and consistent with the Corporate Governance Council recommendations, the Committee consists of at least three members, a majority of which must be non-executive directors, with the chairperson of the Committee being a non-executive director.

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

The Remuneration Committee currently comprises the following members:

Melinda Conrad (Chairman)

William J Stevens

Kevin J Elkington

Denis R Westhorpe

Role of the Remuneration Committee

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

- The remuneration and appointment of Senior Executives and Non-Executive Directors;
- Policies for remuneration and compensation programs of the Company; and
- All equity based compensation plans.

To adequately fulfil their role, the Remuneration Committee obtains and considers all relevant advice and information including industry trends in remuneration policy, market rates for the positions of Managing Director, other senior executives and non-executive directors, and movements in general wage rates.

Information regarding director and key management personnel remuneration is provided in the Directors' Report and on pages 58 to 61 of this annual report.

Environmental and Social Statement

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

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

Energy Efficiency Initiatives

Lighting

The Company has undertaken an extensive, nationwide review of its in-store electricity usage. This review encompassed lighting efficiency and seeks to control utilities in an effort to derive savings and significantly reduce waste and usage. Application of this review is expected in 1H16, coinciding with a number of stores whose lighting systems are coming to the end of their useful life.

The Company has evaluated its review in full consideration of government incentive schemes and will continue to take advantage of these benefits while driving efficiencies and controlling costs across its property portfolio.

Air Conditioning

An air-conditioning preventative maintenance programme across all relevant stores continues to implement a stringent maintenance regime to ensure equipment is running at optimum efficiency. The programme is run in conjunction with other electricity related initiatives which help identify stores requiring energy efficient plant and equipment. The Company continues to work with landlords to replace high energy plant and equipment for more efficient and environmentally friendly options.

Reducing Waste and Increasing Recycling

The Company continues to focus on waste reduction and improving its recycling efficiency. The Company has engaged with its waste management contractor on a store-wide basis in an active analysis of its waste. This analysis is a significant contributor to the expansion in waste stream diversion from landfill and the maximisation of recycling.

Sustainable Awareness and Fit-out

The Company continues to review more sustainable material options for use in building, fitting out and refurbishing our stores.

Establishment of The Reject Shop Charity Foundation

The Company has a core value of being a community-focused organisation and consistent with this value the Company launched The Reject Shop Foundation in June 2014. This is a not-for-profit foundation committed to helping children in need.

A comprehensive selection process was undertaken prior to the foundation's launch to identify a suitable charity that supports children in need. Good Beginnings Australia was selected as the foundation's national charity partner through to June 2016.

Cash collection boxes have been placed across the Company's entire store network to facilitate customer donations. A voluntary workplace giving program has also been implemented allowing team members to donate on a regular basis. The Company thanks its customers and its staff for their support.

The Reject Shop Foundation is administered by Charity Aid Foundation (CAF).

Local Community Support

The Company allocates funds from its annual modest budgets which are used to support local charities and sporting organisations, either by way of cash or gift card donations.

Ethical Sourcing Policy

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

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

Your directors present their report on the Company and its subsidiaries for the financial period ended 28 June 2015.

DIRECTORS' REPORT

Directors

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

William J Stevens
Non-executive Director
Chairman of the Board, Member of the Remuneration Committee and Member of the Audit and Risk Committee.

Ross Sudano
Executive Director
Managing Director and Chief Executive Officer

Kevin J Elkington
Non-executive Director
Chairman of the Audit and Risk Committee and Member of the Remuneration Committee.

Denis R Westhorpe
Non-executive Director
Member of the Audit and Risk Committee and Member of the Remuneration Committee.

Melinda Conrad
Non-executive Director
Chairman of the Remuneration Committee and Member of the Audit and Risk Committee.

Details of the experience and expertise of the directors and the Company Secretary are outlined on pages 6 to 8 of this annual report.

Retirement of Directors

In accordance with the Company's Constitution, WJ Stevens and M Conrad will retire as directors at the Annual General Meeting and being eligible, will offer themselves for re-election.

Meetings of Directors

The number of meetings of the Board of directors and Committees held during the period ended 28 June 2015 and the number of meetings attended by each director were:

Director	Director Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings	
	A	*B*	*A*	*B*	*A*	*B*
WJ Stevens	14	14	4	4	4	4
R Sudano	12	12	X	X	X	X
KJ Elkington	14	14	4	4	4	4
DR Westhorpe	14	14	4	4	4	4
M Conrad	14	14	4	4	4	4

A Number of meetings attended
B Number of meetings held during the time the director held office during the period
X Not a member of relevant Committee

Principal Activities

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

Operating and Financial Review

The Operating and Financial Review, forms part of this Directors' Report.

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

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

Likely Developments and Expected Results of Operations

Likely developments in the operations of the consolidated entity and the expected results of those operations in future financial periods are contained in the Operating and Financial Review on pages 18 to 21 of this annual report.

Environmental Regulation

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

Dividends – The Reject Shop Limited

Dividends paid to members during the financial period were:

A final ordinary dividend for the financial year ended 29 June 2014 of 8.5 cents per share totalling $2,450,904 was paid on 13 October 2014.

An interim ordinary dividend for the financial period ended 28 June 2015 of 16.5 cents per share totalling $4,759,367 was paid on 13 April 2015.

Since the end of the financial period the directors have declared the payment of a final ordinary dividend of 13.5 cents per share. Dividends are fully franked at a tax rate of 30% and will be paid on 12 October 2015.

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

Insurance of Officers

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

During the financial period, the Company paid a premium of $43,750 to insure the directors and officers of the Company.

Proceedings on Behalf of the Company

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

Rounding of Amounts

The Company is a kind referred to in Class Order 98/100, 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.

DIRECTORS' REPORT continued

Operating and Financial Review

Overview of Operations

The company operates in the discount variety retail sector in Australia, a segment of the market that continues to gain relevance with consumers.

The company's strategy is focussed on building on the core strengths of the business that have been put in place over time to maximise the leverage of the existing assets to provide an appropriate level of return for all stakeholders.
The four major goals that the company is measuring itself on are;

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

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

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

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

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

The second element of our focus on customers is developing our capability to communicate both in and out of store, key messages. We are focussed on developing a mix of media for out of store communication that is a blend of traditional media such as TV and catalogues as well as an increasing focus and reliance on the development and use of a data base of loyal customers. In store we are focussed on communicating a sense of urgency, discovery and regular convenience to our customers. Whilst we have made progress during the second half of the year, there remains much to do during the new financial year.

We are also working on improving the in store experience for our customers to enhance their shopping experience. We have made some early changes to the way we present our stores with early positive feedback from customers. These changes have been incorporated in the opening of an updated store format that provides a different shopping experience for our customers at Kellyville in Sydney. The Kellyville store provides a store format from which we will continue to innovate and build on with a focus on enhancing our customer experiences.

The delivery of these customer focussed initiatives is all dependent on an efficient and effective supply chain. We see our supply chain as a major opportunity to reshape our cost of doing business, but we will need to alter our current methods of operating to unlock value. There are options to improve efficiencies in our current operations that we are currently working on. Opportunities such as freight optimisation, efficient processing of stock as needed driving overall efficiencies in operation are all currently being worked on. The impact of these early changes has resulted in a reduction of average stock per store within the business at the end of the financial year, despite the significant decline in the Australian dollar.

Secondly, there is an opportunity to change the way we do business by:

a) Optimizing our sourcing and freight consolidation network to increase reliability and generate total supply chain efficiencies,

b) Introduce a flow through stock movement process, focus on just in time stock movement

   - Consolidate offsite infrastructure

   - Shift to a cross dock based freight network

c) Increase onshore productivity and capability via the use of technology,

d) Introduce source to shelf mindset – push cost and effort upstream

All these initiatives have the capacity to improve efficiency and reduce our overall supply chain costs whilst reducing our stock holding which are critical to delivering on our customer promise. These opportunities form the basis of strategic initiatives that when delivered will improve our supply chain efficiency and our CODB. These initiatives will progressively roll-out and will provide us the launch pad for subsequent waves of improvement.

Property is 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 provide access to new customers on a normalized rate of between 10 and 15 new store openings per annum. We will continue to focus on capturing improved lease terms and or store locations for the company to ensure we are well positioned to meet the needs of our customers into the future. The company expects to relocate a number of stores where we are currently paying rent above what our business model can afford, where an alternative site is not available and or the store profitability is at risk we will consider closing these stores.

The company opened 21 new stores during the year, whilst also relocating 2 stores and closing another 9 stores, resulting in a National store footprint totalling 333 stores by the end of the year.

Within our stores we believe there is an opportunity to improve productivity and efficiency, with the majority of improvements to come from an investment in people and capability and standardised operating processes. Work has begun on the development of a capability plan for our people to support the changes to our delivery of our customer offer in store and to underpin the successful implementation of many of the planned changes to the business.

Overview of Financial Performance

$ Amounts are in '000's / %'s are to Sales	FY15	FY14
Sales	756,800	711,534
Gross profit (i)	44.5%	44.3%
Cost of doing business (i)	39.1%	38.7%
EBITDA	40,800	39,913
Depreciation and amortisation	19,127	17,949
EBIT	21,673	21,964
Net interest expense	1,475	1,283
Profit before tax	20,198	20,681
Income tax expense	5,959	6,173
Net profit after tax	14,239	14,508
Reconciliation of EBIT		
EBIT as reported	21,673	21,964
Excl. New store & refurbishment costs	2,199	4,767
Excl. Store relay costs (ii)	1,577	–
Excl. Onerous lease provision	845	745
Excl. Store asset impairments	1,291	961
Excl. Asset write-offs on store closure	1,214	711
Adjusted EBIT	28,799	29,148

(i) Non IFRS measure
(ii) Unaudited

Comparability of FY2015 and FY2014 Financial Results

The comparability of the underlying financial results between the periods is made more challenging as a result of:

Significant costs associated with opening a record 46 new stores in FY2014 when compared to a more normalised opening program of 21 new stores in FY2015;

- The entire store network being relayed in the early months of FY2015 at a significant non-recurring cost;
- Accounting entries made as a result of underperforming stores; and
- The write-off of the written down value of assets located at stores either relocated or closed during both years.

During FY2014, the Company made the decision to invest more into departments with a greater potential to grow profitable sales over the coming years as well as move away from less profitable departments seen to have limited scope to grow. As part of this initiative, the Company undertook a relay of its entire store network in the early months of FY2015 at a non-recurring cost of $1.58 million, deemed necessary in order to accommodate the changes in the merchandise to its customers in-store.

The Company has approximately eight stores within its portfolio that are significantly underperforming and as a consequence the carrying value of the assets within such stores have become impaired and hence an impairment charge of $1.29m (FY14: $0.96m) was booked in the accounts . In addition, some of these stores were deemed to have onerous lease arrangements in place, with the accounting standards requiring a charge of $0.85m (FY14: $0.75m).

The Company has closed a total of nine stores in FY2015, has relocated two stores within the year and is scheduled to close and relocate another three stores early in FY2016. Non-relocatable assets within such stores have been written off, resulting in a charge of $1.2m (FY14: $0.7m).

After adjusting both years for the above mentioned the Company believes underlying Earnings before Interest & Tax (EBIT) decreased by 1.2%, as shown in the reconciliation in the above table.

Sales Performance

Overall sales increased in FY2015 by 6.4% against the prior year. This reflects the sales from both new stores opened during FY2014 and FY2015. Comparable stores sales growth for the year was negative 0.8% (First half: negative 3.3%; Second half: positive 2.3%).

Gross Margin

Gross margin, as a percentage of sales, was up 0.2% to sales on the prior year. This was considered a relatively satisfactory result given the challenge created by a significant decline in the Australian Dollar in FY2015 and the opening of a third Distribution Centre at the commencement of the period.

Cost of Doing Business (CODB)

CODB (excluding depreciation and amortisation) as a percent to sales, rose by 0.4% of sales, primarily due to the increased cost of a changed advertising mix (TV, catalogues, social media), which included a National Brand Campaign launched before Christmas 2014.

Store Wages (incl. on-costs) reduced slightly as a percent to sales which was primarily the reflection of:

- improved budgeting and rostering at stores based on sales; and
- improved claims management processes over recent years which has seen reduced workers compensation premium rates across most states.

Occupancy costs increased slightly as a percent to sales being the net effect of:

- the negative impact of charges associated with the underperforming stores and stores closed or relocated during the year.

Direct new store opening and refurbishment costs totalled $2.2m for twenty-one new store openings in FY2015 (FY2014 $4.8m for 46 new stores), whilst the cost of relaying stores in FY2015 totalled $1.57m (FY14: Nil).

Depreciation and amortisation, as a percentage of sales, remained flat, as increases in Distribution Centre and Stores depreciation were offset by savings in depreciation of Store Support Centre assets.

DIRECTORS' REPORT continued

Earnings

The Company has a reported EBIT of $21.7m, down 1.3% on the prior year. Whilst the business incurred a number of costs in both years that are not expected to continue at similar levels in future years, even adjusting for such items, the business recorded a similar decline in EBIT of approximately 1.2%.

The pleasing aspect of this result was the improvement in the second half EBIT, which at $2.7m represented a $5.4m increase on the prior corresponding period.

Dividends

Total dividends declared for the financial period to 28 June 2015 year of 30.0 cents per share (FY14: 30.0 cents per share) representing a payout ratio of 60% of the full year earnings per share. An interim ordinary dividend of 16.5 cents per share has been paid and a final dividend of 13.5 cents per share will be paid on 12 October 2015. All dividends are fully franked.

The Board intends to maintain a minimum dividend payout ratio of 60% of Net Profit after Tax. Consideration of the appropriate payout ratio is assessed each half based on the underlying profitability and financial needs of the business going forward.

Financial Position and Capital Investment

The Company's Net Debt decreased significantly with a Net Cash position at year-end of $5.3m (Net Debt: $17.4m in FY14), which reflects an improvement in stock flow and order planning during FY2015.

The Company is currently operating with considerable headroom within its existing debt covenants. Net interest expense increased by $0.2m on FY2014 which reflects the working capital requirements of a business significantly expanded by new store growth over recent years.

Investments for Future Growth

The Company has a long stated aim to operate 400 stores nationally. Historically, it has invested early to support planned growth with distribution and IT capacity in place to support 400 stores and an organisational structure in place to support an ever increasing business.

The Company will continue to increase its store portfolio and anticipates by the end of FY2016 to have approximately 340 stores open and trading.

The substantial store rollout program in recent years has presented an opportunity to solidify the Company's standing in the Discount Variety market Nationally in Australia but also provides much needed capacity to drive the business forward.

The Company believes the substantial commitment in funds and resources in recent years to the new stores provides a strong ability to:

- Leverage off existing operational infrastructure; and
- Capitalise on a rebound in consumer spending, which has there are signs of at present.

During the year the Company's new satellite Distribution Centre in Hazelmere, Western Australia commenced full operations as expected and is currently servicing that state's existing 25 stores and more importantly will provide the opportunity for further growth in the region to locations that were previously inaccessible due to restrictive freight costs.

In addition to the investment in the new stores and Distribution Centres, the Company continues to invest in areas of strategic importance to support future growth, namely:

- Enhancing its merchandise planning processes and systems;
- Investing in marketing initiatives as well as its social media and digital platforms to support brand awareness; and
- Reviewing its overseas sourcing practices to improve visibility in supply and flow to its Distribution centres.

The Company can also advise it is assessing its options of how to upgrade its Distribution capability in Melbourne in light of its DC lease expiry in early calendar 2017. A definitive update of the outcome will be available for shareholders when the Company's holds its Annual General Meeting in October 2016.

Overview of retail industry trends

The Discount Variety sector remains a competitive market, with many regionally based chains as well as single owner-operator businesses. The sector has undergone significant change over the past few years. A major competitor left the sector in FY2014 and this enabled the Company to secure additional new stores in an accelerated timeline.

Price competition continues to be a challenge, particularly with the larger National supermarket chains and some of the larger National Discount Department stores often engaging in direct competition with the Company on certain product offerings. Notwithstanding, the Company remains determined to be a leader on providing everyday low prices on its core merchandise offerings.

Overall the retail environment remains highly competitive albeit slightly more positive than it was approximately 12 months ago. In a regional sense there has been a change over the last 12-18 months, with the previously buoyant West Australian stores battling to maintain the growth levels experienced during the resources boom. Alternatively, things have improved across the more competitive and heavily populated Eastern Seaboard, which is positive given that is where the business has the majority of its store base.

Outlook

Underlying Trading

The Company has had a relatively buoyant start to FY2016, with the positive comparable store sales trends experienced in the fourth quarter of FY2015 continuing at similar levels during the first seven weeks.

This increased level of foot traffic in stores has had a positive effect on sales within a number of the Company's general variety departments, which has had a positive effect on Gross Margins, as has the fact that we have had a far colder winter, resulting in vastly improved sales in winter merchandise and hence reduced markdowns.

In addition, the Company has commenced a number of initiatives designed to reduce its cost of doing business. Whilst some of these will take some time to fully materialise, some of those that are more advanced, such as the approach to occupancy costs, are starting to show up in the trading results early in FY2016.

The continuing sharp decline in the Australian Dollar continues to be a challenge, though the company remains confident that its current hedge book which extends out well over six months will put it in a reasonable position during FY2016.

Overall, the Company is pleased to report its early trading results are well in front of the prior year, though the challenge clearly remains to continue such momentum, particularly through the most important peak pre- Christmas trading period.

The Company remains steadfast in its stated aim to improving its profitability each reported half and given the buoyant start to this year, is confident of reporting an improved level of profit for the first half of FY2016 compared to the prior corresponding period.

Changes to the Store Portfolio

The Company will continue with its stated intention of having a more moderated new store rollout strategy and as such has identified and secured opening dates for approximately six new stores in the first half of FY2016, and is working towards securing a handful of other sites. In addition, the Company will be relocating another three stores early in FY2016 either because of redevelopments or because nearby sites have been secured at more commercial rent levels.

The Company continues to work with landlords to try and negotiate more commercial rental outcomes and will continue to consider exiting stores where suitable terms cannot be reached. Wherever possible, where the business has taken the decision to close a store, it will look to relocate to a store nearby, in order to ensure its diverse geographic customer base is not disappointed.

Business Risks

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

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

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

- Competition – The Company operates a retail model where price and value are critical to the customers it serves. The Company closely monitors price and quality against a range of retailers to ensure it maintains its competitive stance.
- 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.
- Increased Cost of Doing Business – The Company has established Enterprise Agreements for its store and distribution centre staff and also have lease agreements for both stores and DC's – all of which have inbuilt annual cost escalations. 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.
- Property Portfolio Management – The Company's stores are leased and therefore subject to negotiation at the end of each lease term. The Company actively manages its portfolio against established financial and operational criteria which must be met for both new and existing stores. There is no guarantee any store will be renewed at the end of each lease on terms acceptable to the Company, however the potential impact of a single store closure is mitigated by the number of stores the Company now operates. The Company has demonstrated during FY2015 that it is prepared to either close or relocate a store that it believes it cannot operate at an acceptable level of commercial return.
- Exchange Rate – The Company relies significantly on imported products (either directly purchased by the Company or indirectly through local or overseas wholesalers) and as a result the cost of product and retail sales price can be subject to movements in Exchange Rates. The Company mitigates against movements in exchange rates through the use of forward cover.
- Product Liability Exposure – The Company purchases and sells over 7,000 different products on an annual basis, all of which must be fit for purpose and in compliance with Australian Consumer Legislation.The Company has a National Product Compliance function that has the responsibility of ensuring all products sold by the Company adhere to legal requirements. The Company is subject to an external review of its Compliance function by an independent Compliance firm on an annual basis, with any recommendations noted and implemented as soon as possible. In addition, the Company's legal advisors run an annual update session at which changes to relevant Consumer law are discussed.
- Occupational Health & Safety (OH&S) – The Company has over 6,000 employees across its stores and distribution centre network, as well as its customers who visit its stores nationwide. The Company has a National OH&S function, supported by OH&S representatives in appropriate geographic locations including in all Distribution Centres to oversee the application of OH&S policies and Worksafe procedures across the Company. The Company's focussed attention on returning injured workers back to the workplace more quickly has resulted in reduced levels of workers compensation premium during FY2015.

DIRECTORS' REPORT continued

Remuneration Report

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

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

B – Details of remuneration

C – Service agreements

D – Share-based compensation

E – Additional information

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

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

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

Directors' fees

The current aggregate limit for directors' fees is $600,000 per annum with a base fee payable (including superannuation) to the Chairman of $190,551 p.a. (FY2014: $185,000) and to a non-executive director currently $111,241 p.a. (FY2014: $108,000). The Chairman's remuneration is inclusive of Committee fees while non-executive directors who take on additional responsibilities receive additional fees (Chairman of Audit and Risk Committee $6,000 (FY2014: $6,000), Chairman of Remuneration Committee $5,000 (FY2014: $5,000)). The Managing Director does not receive directors' fees.

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

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

Officers and executive salaries

The executive salary and reward framework has four components:

- Base pay and benefits;
- Cash incentives;
- Long-term incentives via participation in the Company's Performance Rights Plan; and
- Other remuneration such as superannuation payments.

The combination of these comprises the executive's total remuneration.

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

Base pay and benefits

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

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

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

Short term cash incentives (STI)

The Remuneration Committee, has since 2012, adopted an approach whereby budgeted EBIT achievement would account for 60% of the STI benefit and individual key performance indicators, set annually, would account for 40% of the STI available.

However, effective from FY2015 onwards, the Remuneration Committee, in consultation with the Managing Director and his Executive team, has determined that no incentives would be payable unless budgeted EBIT is achieved. In the event of achieving this EBIT budget, key management personnel would receive 90% of the STI on offer, whilst an additional 10% of the STI would be earned based on the achievement of improved safety metrics across the year.

Short term cash incentives payable upon achievement of all criteria would result in additional payments of between 22% - 30% of base salary. The audited financial report remains the basis for measuring achievement against the financial performance targets. Additionally, elements of the short term remuneration are assessed against individual and collective key performance.

Further cash incentives may also be paid at the discretion of the Remuneration Committee to individual executives as recognition of exceptional achievement in any given period.

The Remuneration Committee has determined that no short-term incentives will be payable to Key Management Personnel in FY2015 on the basis that budgeted EBIT for FY2015 was not achieved.

Long Term Incentive Plans

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 senior employees. These performance rights involve the payment of a $1.00 exercise price per exercise on a particular day, regardless of the number of rights exercised on that day. The rights are therefore treated as options, however, in the annual report they are referred to as performance rights. The Board had chosen Earnings per Share (EPS) as the appropriate financial performance target for the periods up to 18 October 2012.

Since that date, the Board has drawn on the results of an independent review as well as exercised their discretion to alter the criteria under which the performance rights would vest.

A summary of these performance criteria and the relevant weightings by tranche of performance rights is displayed in the table below:

		Split between criteria	
Date tranche granted	**Vesting period**	**Financial**	**Non-financial**
FY2015	3yrs	100%	0%
FY2014	3yrs	60%	40%
FY2013	4yrs	60%	40%
FY2012	4yrs	60%	40%

The financial criteria, which will carry a 60% – 100% weighting toward the performance rights vesting, consists of the following hurdles over a three year period:

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

The non-financial criteria, consists of a number of improvements in operational aspects considered critical to the long-term development of the business. These non-financial criteria include:

- Improved OH&S performance (Lost Time Injury Rate);
- Staff and customer satisfaction measures; and
- Brand development measures.

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

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

Performance rights, which are an entitlement to a share, have traditionally vested four years after grant date, representing a three year earnings period over which the established financial and non-financial criteria (if applicable) are measured, and an additional one year service period the employee must satisfy prior to vesting of the shares.

However, effective from the rights issues in October 2013, vesting of shares will now occur over the three year period over which the established financial and non-financial criteria (if applicable) are measured. Rights participants will no longer have to serve the additional twelve month service period before such rights are able to vest.

In respect of the performance rights tranche granted in FY2012 and due to vest 1st July 2015, the Remuneration Committee has determined in July 2015 that an amount equivalent to 25% of the performance rights available at 'Target Performance' be issued to the remaining participants on the basis that a number of elements of the non-financial criteria were achieved. This saw an issue of 4,975 shares, 2,050 of which were issued to Key Management Personnel.

Use of Remuneration Consultants

No remuneration consultants were engaged during 2015 period.

B – Details of remuneration

The following persons along with the directors, as detailed on page 16 of the Directors' report, were the key management personnel with the authority and responsibility for planning, directing and controlling the activities of the Company and consolidated entity, directly or indirectly, during the financial period.

Ed Tollinton
Chief Information Officer
(Appointed on 23 March 2015)

Darren J O'Connor
Chief Information Officer
(Resigned on 27 March 2015)

Darren R Briggs
Chief Financial Officer and
Company Secretary

Colleen Grady
General Manager, Merchandise Buying
(Appointed on 20 April 2015)

Michael J Shields
General Manager, Merchandise Buying
(Resigned on 7 November 2014)

Kelvin Chand
General Manager, Property
(Appointed on 5 January 2015)

Phillip Nutbean
General Manager, Property
(Resigned on 13 October 2014)

Geoff W Pearce
General Manager, Business Transformation
(Resigned on 1 July 2015)

Robert d'Andrea
General Manager, Human Resources
(Appointed on 27 April 2015)

Josie Pileio
General Manager, Human Resources
(Resigned on 30 January 2015)

Danielle Aquilina
General Manager, Distribution

Allan J Penrose
General Manager, Marketing

Allison Batten
General Manager, Merchandise Planning
(Appointed on 20 April 2015)

Michael Robertson
General Manager, Retail Operations

All of the above persons were employed by The Reject Shop Limited and were key management personnel for the entire period ended 28 June 2015 and the period ended 29 June 2014 unless otherwise stated.

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

2015			SHORT-TERM BENEFITS	POST-EMPLOYMENT BENEFITS		OTHER BENEFITS	SHARE-BASED PAYMENTS			
Name	Cash salary and fees $	Cash Incentive $	Non-monetary benefits $	Super-annuation $	Retirement Benefits $	Other $	Performance Rights $	Other $	Total $	Proportion of Annualised Remuneration as performance related %
Non-executive Directors										
WJ Stevens	174,019	–	–	16,532	–	–	–	–	190,551	–
DR Westhorpe (i)	151,878	–	–	14,428	–	–	–	–	166,306	–
KJ Elkington	107,233	–	–	10,187	–	–	–	–	117,420	–
M Conrad	106,292	–	–	10,098	–	–	–	–	116,390	–
Total Non-executive Directors	**539,422**	**–**	**–**	**51,245**	**–**	**–**	**–**	**–**	**590,667**	**–**
Executive Directors										
R Sudano (ii)	507,400	–	11,381	15,653	–	–	85,270	–	619,704	13.8
Total Executive Directors	**1,046,822**	**–**	**11,381**	**66,898**	**–**	**–**	**85,270**	**–**	**1,210,371**	
Other Key Management Personnel										
M Robertson	341,717	–	25,703	18,784	–	–	33,670	–	419,874	8.0
DR Briggs	280,370	–	466	18,784	–	–	8,179	–	307,799	2.7
D Aquilina	218,734	–	3,065	18,784	–	–	19,179	–	259,762	7.4
AJ Penrose	205,453	–	6,124	18,784	–	–	6,858	–	237,219	2.9
GW Pearce (xii)	230,105	–	–	18,784	–	–	(43,154)	–	205,735	–
DJ O'Connor (iii)	228,211	–	2,775	14,088	–	–	(67,857)	–	177,217	–
K Chand (iv)	138,965	–	–	9,392	–	–	–	–	148,357	–
J Pileio (v)	141,054	–	2,481	10,957	–	–	(29,145)	–	125,347	–
MJ Shields (vi)	136,070	–	1,505	7,827	–	96,488	(50,878)	–	191,012	–
E Tollinton (vii)	69,910	–	–	5,202	–	–	–	–	75,112	–
C Grady (viii)	65,109	–	–	3,781	–	80,505	–	10,000	159,395	6.3
A Batten (ix)	64,252	–	–	3,781	–	–	32,474	–	100,507	10.1
R d'Andrea (x)	49,170	–	–	3,131	–	–	–	–	52,301	–
P Nutbean (xi)	66,330	–	16,905	7,827	–	58,263	(48,944)	–	100,381	–
Total Other Key Management Personnel	**2,235,450**	**–**	**59,024**	**159,906**	**–**	**235,256**	**(139,618)**	**10,000**	**2,560,018**	
Total	**3,282,272**	**–**	**70,455**	**226,804**	**–**	**235,256**	**(54,348)**	**10,000**	**3,770,389**	

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

(i) DR Westhorpe took on additional duties as the Chief Executive Officer from 30 June 2014 to 11 September 2014 and was paid an amount of $50,288 for this which is included in his cash salary and fees above.

(ii) R Sudano was appointed Chief Executive Officer on 11 September 2014.

(iii) DJ O'Connor was Chief Information Officer until his resignation on 27 March 2015. As a result, DJ O'Connor was paid in cash $35,566 of annual leave entitlements and $60,871 of long service leave entitlements which are excluded from the above table.

(iv) K Chand was appointed General Manager, Property on 5 January 2015.

(v) J Pileio was General Manager, Human Resources until her resignation on 30 January 2015. As a result, J Pileio was paid in cash $20,151 of annual leave entitlements which are excluded from the table above.

(vi) MJ Shields was General Manager, Merchandise Buying until 7 November 2014. As a result, MJ Shields was paid in cash $53,782 of annual leave entitlements which are excluded from the table above and $96,488 in lieu of a three month notice period which is included in 'other benefits' above.

(vii) E Tollinton was appointed Chief Information Officer on 23 March 2015.

(viii) C Grady was appointed General Manager, Merchandise Buying on 20 April 2015. The Company has agreed to pay C Grady a LTI to the value of $90,000, payable in either shares or cash (at the discretion of the Company) over a three year period. As a result, $10,000 has been included in the above table. C Grady also received a $65,000 sign on bonus and a $15,505 relocation allowance which is included in the above table.

(ix) A Batten was appointed General Manager, Merchandise Planning on 20 April 2015. Prior to this appointment, A Batten was employed as a contractor. Amounts shown above include all remuneration received from 20 April 2015.

(x) R d'Andrea was appointed General Manager, Human Resources on 27 April 2015.

(xi) P Nutbean was General Manager, Property until 13 October 2014. As a result, P Nutbean was paid in cash $14,306 of annual leave entitlements, $52,210 of long service leave entitlements which are excluded from the table above and $58,263 in lieu of a three month notice period which is included in 'other benefits' above.

(xii) G Pearce was General Manager, Business Transformation until 1 July 2015.

2014	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS		SHARE-BASED PAYMENTS			
Name	Cash salary and fees $	Cash Incentive $	Non-monetary benefits $	Super-annuation $	Retirement Benefits $	Performance Rights $	Proportion of Remuneration as equity related %	Total $	Proportion of Remuneration as performance related %
Non-executive Directors									
WJ Stevens	169,337	–	–	15,663	–	–	–	185,000	–
KJ Elkington	104,348	–	–	9,652	–	–	–	114,000	–
M Conrad	103,432	–	–	9,568	–	–	–	113,000	–
DR Westhorpe	98,857	–	–	9,143	–	–	–	108,000	–
Total Non-executive Directors	**475,974**	**–**	**–**	**44,026**	**–**	**–**	**–**	**520,000**	**–**
Executive Directors									
CJ Bryce (i)	619,738	–	10,555	17,776	–	(534,612)	–	113,457	–
Total Executive Directors	**619,738**	**–**	**10,555**	**17,776**	**–**	**(534,612)**	**–**	**113,457**	**–**
Other Key Management Personnel									
MJ Shields	375,169	–	6,100	17,776	–	29,006	6.8%	428,051	6.8%
DJ O'Connor	298,940	–	2,216	17,776	–	36,284	10.2%	355,216	10.2%
DR Briggs	272,665	–	1,091	17,776	–	33,603	10.3%	325,135	10.3%
P Nutbean	226,724	–	32,059	17,776	–	25,963	8.6%	302,522	8.6%
GW Pearce	232,473	–	–	17,776	–	23,459	8.6%	273,708	8.6%
J Pileio	235,224	–	3,074	17,776	–	16,417	6.0%	272,491	6.0%
D Aquilina	217,869	–	2,615	17,511	–	15,637	6.2%	253,632	6.2%
AJ Penrose	197,214	–	5,530	17,776	–	23,855	9.8%	244,375	9.8%
S Blakeney (ii)	254,037	–	5,577	17,776	–	(38,532)	–	238,858	–
M Robertson (iv)	117,131	–	–	6,267	–	–	–	123,398	–
RJ Frawley (iii)	165,789	–	4,035	3,305	–	(55,265)	–	117,864	–
Total Other Key Management Personnel	**2,593,235**	**–**	**62,297**	**169,291**	**–**	**110,427**		**2,935,250**	
Total	**3,688,947**	**–**	**72,852**	**231,093**	**–**	**(424,185)**		**3,568,707**	

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

(i) CJ Bryce was CEO until his resignation on 27 June 2014. As a result, CJ Bryce's was paid in cash $50,577 of annual leave entitlements and $117,984 of long service leave entitlements which are excluded from the above table.

(ii) S Blakeney was General Manager, Planning until his resignation on 27 June 2014. As a result, S Blakeney's was paid in cash $6,841 of annual leave entitlements and $48,118 of long service leave entitlements which are excluded from the above table.

(iii) RJ Frawley was General Manager, Retail Operations until his resignation on 6 September 2013. As a result, RJ Frawley's was paid in cash $57,900 of annual leave entitlements and $95,085 in lieu of three month notice period paid out upon his resignation which is included in his cash salary and fees above.

(iv) M Robertson was appointed General Manager, Retail Operations on 24 February 2014.

For Remuneration report purposes, the amount reported as "Share Based Payments" represents the expenses recognised under the following basis:

- The percentage of the fair value of the Performance Rights granted in a particular year for each of the years in the vesting period to the extent that such Performance Rights remain available for vesting; less
- Any value previously reflected as remuneration in regard to Performance Rights, where those Performance Rights have lapsed or have been forfeited and will not vest with the employee.

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

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

DIRECTORS' REPORT continued

C - Service agreements

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

In addition, all key management personnel have service agreements which provide that a period of notice of 3 months is required by the Company or the senior executive to terminate employment.

D – Share-based compensation

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

2015	Grant date	Number of rights granted during the period	Date exercisable	Expiry date	Total fair value of performance at grant date	Number of performance rights granted in prior periods vested during the period
Executive Directors						
R Sudano	13 Oct 2014	42,800	1 Jul 2017	13 Oct 2018	322,712	–
CJ Bryce (i)	–	–	–	–	–	4,800
Other Key Management Personnel						
M Robertson	13 Oct 2014	16,900	1 Jul 2017	13 Oct 2018	127,426	–
DR Briggs	13 Oct 2014	13,900	1 Jul 2017	13 Oct 2018	104,806	1,700
D Aquilina	13 Oct 2014	10,600	1 Jul 2017	13 Oct 2018	79,924	–
AJ Penrose	13 Oct 2014	10,100	1 Jul 2017	13 Oct 2018	76,154	1,200
GW Pearce	13 Oct 2014	11,400	1 Jul 2017	13 Oct 2018	85,956	900
DJ O'Connor	13 Oct 2014	15,300	1 Jul 2017	13 Oct 2018	115,362	1,700
K Chand	–	–	–	–	–	–
J Pileio	13 Oct 2014	12,000	1 Jul 2017	13 Oct 2018	90,480	–
MJ Shields	13 Oct 2014	19,100	1 Jul 2017	13 Oct 2018	144,014	–
E Tollinton	–	–	–	–	–	–
C Grady	–	–	–	–	–	–
A Batten	20 Apr 2015	16,300	1 Jul 2017	13 Oct 2018	122,902	–
R d'Andrea	–	–	–	–	–	–
P Nutbean	13 Oct 2014	11,600	1 Jul 2017	13 Oct 2018	87,464	1,100
S Blakeney	–	–	–	–	–	900
Total	**–**	**180,000**	**–**	**–**	**1,357,200**	**12,300**

The fair value of performance rights granted on 13 October 2014 (grant date) with an expiry date of 13 October 2018 was $7.54.

(i) CJ Bryce was CEO until his resignation on 27 June 2014. As a result, CJ Bryce's performance rights vested during the 2015 financial year.

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

Subsequent to period end there has been no grant of performance rights to key management personnel, however, 2,050 performance rights granted to key management personnel in prior years vested subsequent to period end, of which 2,050 have been exercised.

These performance rights were vested on the basis that a number elements of the non-financial criteria relevant to that tranche were achieved. The remaining performance rights issued in that tranche to key management personnel were forfeited.

Shares Issued to Directors and Other Key Management Personnel on Exercise of Performance Rights

The number of shares issued to Executive Directors and other key management personnel on exercise of performance rights during the current and prior financial period are outlined in the following tables:

2015	Type	Date granted	Date vested and exercised	No of shares issued	Exercise price
Executive Directors					
R Sudano (ii)	–	–	–	–	–
CJ Bryce	Rights	20 Oct 2010	1 Jul 2014	4,800	–
Other Key Management Personnel					
M Robertson	–	–	–	–	–
DR Briggs	Rights	15 Sep 2010	1 Jul 2014	1,700	–
D Aquilina	–	–	–	–	–
AJ Penrose	Rights	15 Sep 2010	1 Jul 2014	1,200	–
GW Pearce	Rights	15 Sep 2010	1 Jul 2014	900	–
DJ O'Connor	Rights	15 Sep 2010	1 Jul 2014	1,700	–
K Chand	–	–	–	–	–
J Pileio	–	–	–	–	–
MJ Shields	–	–	–	–	–
E Tollinton	–	–	–	–	–
C Grady	–	–	–	–	–
A Batten	–	–	–	–	–
R d'Andrea	–	–	–	–	–
P Nutbean	Rights	15 Sep 2010	1 Jul 2014	1,100	–
S Blakeney	Rights	15 Sep 2010	1 Jul 2014	900	–
Total				**12,300**	**–**

No shares were issued to non-executive directors as a result of an exercise of performance rights in the current or prior period.

DIRECTORS' REPORT continued

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

	CASH INCENTIVE		PERFORMANCE RIGHTS						
Name	**Paid %**	**Forfeited %**	**Date granted**	**Vested %**	**No.**	**Forfeited# %**	**Financial periods in which rights may vest**	**Maximum total number of rights yet to vest**	**Maximum total value of grants yet to vest $**
Executive Directors									
R Sudano	0	100	FY2015	0	0	0	FY2018	42,800	322,712
Key Management Personnel									
M Robertson	0	100	FY2015	0	0	0	FY2018	16,900	127,426
DR Briggs	0	100	FY2015	0	0	0	FY2018	13,900	104,806
			FY2014	0	5,300	75	FY2017	1,800	30,395
			FY2013	0	10,500	88	FY2017	1,500	18,359
			FY2012	0	8,575	88	FY2016	1,225	10,922
MJ Shields	0	100	FY2015	0	19,100	100	FY2018	–	–
			FY2014	0	9,800	100	FY2017	–	–
			FY2013	0	16,400	100	FY2017	–	–
P Nutbean	0	100	FY2014	0	5,900	100	FY2017	–	–
			FY2013	0	10,000	100	FY2017	–	–
			FY2012	0	6,800	100	FY2016	–	–
GW Pearce	0	100	FY2015	0	11,400	100	FY2018	–	–
			FY2014	0	5,900	100	FY2017	–	–
			FY2013	0	9,900	100	FY2017	–	–
			FY2012	0	2,600	100	FY2016	–	–
J Pileio	0	100	FY2015	0	12,000	100	FY2018	–	–
			FY2014	0	5,500	100	FY2017	–	–
			FY2013	0	9,500	100	FY2017	–	–
D Aquilina	0	100	FY2015	0	0	0	FY2018	10,600	79,924
			FY2014	0	3,500	75	FY2017	1,200	20,263
			FY2013	0	5,250	88	FY2017	750	10,528
AJ Penrose	0	100	FY2015	0	0	0	FY2018	10,100	76,154
			FY2014	0	3,900	75	FY2017	1,300	21,952
			FY2013	0	8,100	88	FY2017	1,025	12,545
			FY2012	0	5,775	88	FY2016	825	7,356
A Batten	0	100	FY2015	0	0	0	FY2018	16,300	122,902

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

Performance Rights Holdings

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

2015	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
Directors					
WJ Stevens	–	–	–	–	–
KJ Elkington	–	–	–	–	–
DR Westhorpe	–	–	–	–	–
M Conrad	–	–	–	–	–
Executive Director					
R Sudano	–	42,800	–	–	42,800
CJ Bryce	4,800	–	(4,800)	–	–
Other key management personnel					
M Robertson	–	16,900	–	–	16,900
DR Briggs	30,600	13,900	(1,700)	(24,375)	18,425
D Aquilina	10,700	10,600	–	(8,750)	12,550
AJ Penrose	21,100	10,100	(1,200)	(16,750)	13,250
GW Pearce (i)	19,400	11,400	(900)	(29,900)	–
DJ O'Connor (i)	32,700	15,300	(1,700)	(46,300)	–
K Chand	–	–	–	–	–
J Pileio (i)	15,000	12,000	–	(27,000)	–
MJ Shields (i)	26,200	19,100	–	(45,300)	–
E Tollinton	–	–	–	–	–
C Grady	–	–	–	–	–
A Batten	–	16,300	–	–	16,300
R d'Andrea	–	–	–	–	–
S Blakeney	900	–	(900)		–
P Nutbean (i)	23,800	11,600	(1,100)	(34,300)	–
Total	**185,200**	**180,000**	**(12,300)**	**(232,675)**	**120,225**

(i) DJ O'Connor, J Pileio, MJ Shields and P Nutbean resigned during the year and all non-vested performance rights, were lapsed prior to June 2015. G Pearce gave notice of his resignation prior to 28 June 2015 and hence all his non-vested performance rights were lapsed prior to June 2015.

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

Subsequent to period end there have been no performance rights granted to key management personnel. However, since year end, 4,975 performance rights vested, of which 4,975 have been exercised; 2,050 of these performance rights related to key management personnel.

Share Holdings

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

2015	Balance at the start of the period	Received during the period on the exercise of performance rights	Other changes during the period	Balance at end of the period
Non-executive Directors				
WJ Stevens	3,500	–	–	3,500
KJ Elkington	4,615	–	1,385	6,000
DR Westhorpe	–	–	3,000	3,000
M Conrad	–	–	–	–
Executive Director				
R Sudano	–	–	–	–
Key management personnel				
M Robertson	–	–	–	–
DR Briggs	–	1,700	(1,700)	–
D Aquilina	–	–	–	–
AJ Penrose	666	1,200	(666)	1,200
GW Pearce	2,137	900	–	3,037
DJ O'Connor (i)	–	1,700	(1,700)	–
K Chand	–	–	–	–
J Pileio (i)	270	–	(270)	–
MJ Shields	–	–	–	–
E Tollinton	–	–	–	–
C Grady	–	–	–	–
A Batten	–	–	–	–
R d'Andrea	–	–	–	–
S Blakeney (i)	–	900	(900)	–
P Nutbean (i)	2,260	1,100	(3,360)	–
Total	**13,448**	**7,500**	**(4,211)**	**16,737**

(i) DJ O'Connor, J Pileio, S Blakeney and P Nutbean's share holdings have been shown as nil at the end of the period as they are no longer key management personnel of the Company.

2014	Balance at the start of the period	Received during the period on the exercise of performance rights	Other changes during the period	Balance at end of the period
Non-executive Directors				
WJ Stevens	3,350	–	150	3,500
KJ Elkington	3,615	–	1,000	4,615
DR Westhorpe	–	–	–	–
M Conrad	–	–	–	–
Executive Director				
CJ Bryce (i)	123,112	2,500	(125,612)	–
Other key management personnel				
MJ Shields	–	–	–	–
DJ O'Connor	–	2,050	(2,050)	–
DR Briggs	–	1,100	(1,100)	–
P Nutbean	3,810	1,450	(3,000)	2,260
GW Pearce	1,287	850	–	2,137
J Pileio	–	–	270	270
D Aquilina	–	–	–	–
AJ Penrose	666	–	–	666
S Blakeney (i)	–	900	(900)	–
M Robertson	–	–	–	–
RJ Frawley	11,925	–	(11,925)	–
Total	**147,765**	**8,850**	**(143,167)**	**13,448**

(i) CJ Bryce, RJ Frawley and S Blakeney's share holdings have been shown as nil at the end of the period as they are no longer key management personnel of the Company.

Loans to or other transactions with Key Management Personnel

No loans were made to or from directors of The Reject Shop Limited or to or from other key management personnel of the consolidated entity, including related parties or are outstanding as of 28 June 2015 (FY2014 – $Nil).

No other transactions were undertaken with directors or other key management personnel, including related parties during the period (FY2014 – $Nil).

Company Performance

The Managing Director and other key management personnel have an at risk component of their remuneration based on a number of performance rights criteria including the Company's overall financial performance and shareholder returns. Refer to the performance rights plan on page 22 for the performance rights criteria.

The following table outlines the Company's earnings and share performance since its listing on 1 June 2004:

Period	NPAT	NPAT Growth	EPS cents per share	EPS Growth	Share price at start of period	Share price at end of period	Share price growth	Ordinary & special dividends paid or declared per share
FY2005	$6.5m	21.4%	26.7	16.2%	$2.00	$2.99	49.5%	$0.17
FY2006(i)	$9.1m	38.7%	35.9	34.5%	$2.99	$5.95	99.0%	$0.31
FY2007	$12.3m	35.8%	48.1	34.0%	$5.95	$12.80	115.1%	$0.31
FY2008(ii)	$16.7m	35.6%	64.9	34.9%	$12.80	$9.37	(26.8)%	$0.48
FY2009	$19.0m	13.9%	73.6	13.4%	$9.37	$11.62	24.0%	$0.55
FY2010	$23.4m	22.9%	90.0	22.3%	$11.62	$16.42	41.3%	$0.67
FY2011	$16.2m	(30.8%)	62.1	(31.0%)	$16.42	$11.66	(29.0%)	$0.31
FY2012(ii)(iii)	$21.9m	35.6%	84.1	35.4%	$11.66	$9.15	(21.5%)	$0.42
FY2013	$19.5m	(11.0%)	73.4	(12.7%)	$9.15	$17.19	87.9%	$0.37
FY2014	$14.5m	(25.4%)	50.3	(31.5%)	$17.19	$8.82	(48.7%)	$0.30
FY2015	$14.2m	(1.9%)	49.4	(1.8%)	$8.82	$5.40	(38.8%)	$0.30

(i) In FY2006 a special dividend of 7.5 cents was also paid.
(ii) 53 week period.
(iii) In FY2012 a special dividend of 8.5 cents was also paid.

A detailed review of performance and operations can be found in the Operating and Financial review on pages 18 to 21 of this annual report.

DIRECTORS' REPORT continued

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 2012	18 Oct 2017	1 Jul 2016	12.24	-	5,975	2,525
10 Jan 2013	10 Jan 2018	1 Jul 2016	14.04	-	750	750
17 Oct 2013	17 Oct 2017	1 Jul 2016	16.89	-	8,050	4,300
13 Oct 2014	13 Oct 2018	1 Jul 2017	7.54	-	110,600	110,600

*Nominal exercise price of $1.00 is payable each exercise.

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

The following shares of the Company were issued during the period ended 28 June 2015 and to the date of this report on the exercise of options and performance rights:

Date granted	Vesting Date	Issue price of shares	Total number of shares issued	Number of shares issued to key management personnel
18 October 2011	1 Jul 2015	-	4,975	2,050
20 October 2010	1 Jul 2014	-	4,800	4,800
15 September 2010	1 Jul 2014	-	13,600	7,500
Total		**-**	**23,375**	14,350

No amounts are unpaid on any of these shares.

Remuneration of Auditors

	CONSOLIDATED ENTITY	
	2015 $	2014 $
During the period the following fees for services were paid or payable to PricewaterhouseCoopers and its related parties as the auditor:		-
Audit and Accounting Related Services		
Audit and review work	286,206	240,000
	286,206	240,000
Tax Compliance and Consulting Services		
Tax compliance	42,500	28,500
Tax consulting advice	35,500	66,600
	78,000	95,100
Other Services		
Other assurance services	20,406	19,402
Total Remuneration	**384,612**	**354,502**

DIRECTORS' REPORT continued

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 compromises 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 34 of this annual report.

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

WJ Stevens
Chairman

Ross Sudano
Managing Director
and Chief Executive Officer

19 August 2015

AUDITORS INDEPENDENCE DECLARATION

pwc

Auditor's Independence Declaration

As lead auditor for the audit of The Reject Shop Limited for the year ended 28 June 2015, 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

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

Daniel Rosenberg
Partner
PricewaterhouseCoopers

Melbourne
19 August 2015

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 Week Period Ended 28 June 2015

	Note	CONSOLIDATED ENTITY 2015 $'000	2014 $'000
Revenues from continuing operations			
Sales revenue	2a	**756,800**	711,534
Other revenue	2a	**57**	38
		756,857	711,572
Expenses			
Cost of sales		**422,922**	398,534
Store expenses		**273,111**	252,722
Administrative expenses		**39,094**	38,314
		735,127	689,570
Finance costs	3	**1,532**	1,321
Profit before income tax		**20,198**	20,681
Income tax expense	4	**5,959**	6,173
Profit for the period attributable to shareholders of The Reject Shop Limited		**14,239**	14,508
Other comprehensive income			
Items that may be reclassified to Profit or Loss			
Changes in the fair value of cash flow hedges		**10,627**	(12,047)
Income tax relating to components of other comprehensive income		**(3,188)**	3,614
Other comprehensive income for the period, net of tax		**7,439**	(8,433)
Total comprehensive income attributable to shareholders of The Reject Shop Limited		**21,678**	6,075
Earnings per Share		**Cents**	Cents
Basic earnings per share	29	**49.4**	50.3
Diluted earnings per share	29	**49.2**	49.9

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

CONSOLIDATED BALANCE SHEET

As at 28 June 2015

	Note	CONSOLIDATED ENTITY 2015 $'000	2014 $'000
CURRENT ASSETS			
Cash	5	**17,326**	7,675
Receivables	6	**-**	682
Inventories	7	**100,240**	100,860
Derivative Financial Instruments	24	**5,433**	-
Other	8	**1,477**	2,714
TOTAL CURRENT ASSETS		**124,476**	111,931
NON CURRENT ASSETS			
Property, Plant And Equipment	9	**94,132**	98,738
Deferred Tax Assets	10	**9,700**	11,307
TOTAL NON CURRENT ASSETS		**103,832**	110,045
TOTAL ASSETS		**228,308**	221,976
CURRENT LIABILITIES			
Payables	11	**43,004**	36,897
Borrowings	12	**-**	13,103
Tax Liabilities		**1,534**	697
Provisions	13	**12,768**	14,284
Derivative Financial Instruments	24	**-**	5,194
Other	14	**10,631**	9,559
TOTAL CURRENT LIABILITIES		**67,937**	79,734
NON CURRENT LIABILITIES			
Borrowings	15	**12,000**	12,000
Provisions	16	**12,915**	9,020
Other	17	**783**	950
TOTAL NON CURRENT LIABILITIES		**25,698**	21,970
TOTAL LIABILITIES		**93,635**	101,704
NET ASSETS		**134,673**	120,272
EQUITY			
Contributed Equity	18	**46,247**	46,247
Reserves	19	**8,180**	808
Retained Profits	20	**80,246**	73,217
TOTAL EQUITY		**134,673**	120,272

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 52 Week Period Ended 28 June 2015

2015	Contributed Equity $'000	Capital Profits $'000	Share based payments $'000	Hedging Reserve $'000	Retained Earnings $'000	Total $'000
	CONSOLIDATED ENTITY					
Balance as at 29 June 2014	**46,247**	**739**	**3,705**	**(3,636)**	**73,217**	**120,272**
Profit for the period	–	–	–	–	14,239	14,239
Other comprehensive income	–	–	–	7,439	–	7,439
Transaction with owners in their capacity as owners:						
Cost of capital raising	–	–	–	–	–	–
Dividends Paid	–	–	–	–	(7,210)	(7,210)
Share based remuneration	–	–	(189)	–	–	(189)
Current tax – (debited) directly to equity	–	–	122	–	–	122
Balances as at 28 June 2015	**46,247**	**739**	**3,638**	**3,803**	**80,246**	**134,673**

2014	Contributed Equity $'000	Capital Profits $'000	Share based payments $'000	Hedging Reserve $'000	Retained Earnings $'000	Total $'000
	CONSOLIDATED ENTITY					
Balance as at 30 June 2013	**46,277**	**739**	**4,600**	**4,797**	**68,654**	**125,067**
Profit for the period	-	-	-	-	14,508	14,508
Other comprehensive income	-	-	-	(8,433)	-	(8,433)
Transaction with owners in their capacity as owners:						
Cost of capital raising	(30)	-	-	-	-	(30)
Dividends Paid	-	-	-	-	(9,945)	(9,945)
Share based remuneration	-	-	(553)	-	-	(553)
Current tax – (debited) directly to equity	-	-	(342)	-	-	(342)
Balances as at 29 June 2014	**46,247**	**739**	**3,705**	**(3,636)**	**73,217**	**120,272**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 52 Week Period Ended 28 June 2015

	Note	CONSOLIDATED ENTITY	
		2015 $'000	2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of goods and services tax)		**831,083**	781,429
Payments to suppliers and employees (inclusive of goods and services tax)		**(776,276)**	(745,569)
Insurance claims received		**-**	619
Interest received		**57**	38
Interest		**(1,545)**	(1,295)
Income tax paid		**(6,467)**	(10,902)
Net cash inflow from operating activities	23	**46,852**	24,320
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**231**	11
Payments for property, plant and equipment		**(17,119)**	(31,669)
Net cash outflow from investing activities		**(16,888)**	(31,658)
CASH FLOW FROM FINANCING ACTIVITIES			
Costs associated with share issue		**-**	(30)
Proceeds from borrowings		**141,000**	250,200
Repayment of borrowings		**(154,000)**	(232,200)
Dividends paid	20	**(7,210)**	(9,945)
Net cash inflow/ (outflow) from financing activities		**(20,210)**	8,025
Net increase in cash held		**9,754**	687
Cash at the beginning of the financial period		**7,572**	6,885
Cash at the end of the period	23	**17,326**	7,572

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

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Summary of significant accounting policies

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

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The Reject Shop Limited is a for-profit entity for the purpose of preparing financial statements.

Compliance with IFRS

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

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Critical accounting estimates

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

(b) Principles of Consolidations

(i) Subsidiaries

The consolidated financial statements incorporate all the assets and liabilities of the subsidiary of The Reject Shop Limited as at 29 June 2014 and the results of the subsidiary for the period. The Reject Shop Limited and its subsidiary are referred to in this financial report as the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the 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.

(ii) Employee Share Trust

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

(c) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the senior management personnel. The Reject Shop Limited has only one operating business segment. Refer to note 32 for information.

(d) Income Tax

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

(e) Inventories

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

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

(f) Property, Plant and Equipment

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

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

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

(g) Leases

Leases of property, plant and equipment where the consolidated entity has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in long term borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the lease term and the asset's useful life.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Leases containing fixed escalation clauses require the escalation amounts to be determined on lease inception and expensed evenly over the lease term, generally between 3 and 8 years.

Lease incentives received under operating leases are recognised in the balance sheet as deferred income and are recognised as a reduction of expenses over the initial term of the lease.

Onerous Contracts

If an entity has a contract that is onerous, the present onerous obligation under the contract shall be recognised and measured as a provision.

AASB 137 defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The amount of the liability shall be recognised as the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. It should be based on the excess of the cash flows for the unavoidable costs in meeting the obligations under the lease over the unrecognised estimated future economic benefits from the lease.

The charge of $845,000 in this years accounts relates to eight stores.

(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 and annual leave are not expected to be settled wholly within the 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 bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

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

(iii) Superannuation

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

(iv) Bonus plans

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

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

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

(v) Equity-based compensation benefits

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

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

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

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

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

(i) Cash

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

(j) Revenue Recognition

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

(k) Derivatives

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

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

Cash flow hedge

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

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

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

(l) Foreign Currency Translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the income statement.

(m) Trade and Other Payables

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

NOTES TO THE FINANCIAL STATEMENTS continued

(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

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

(p) Dividends

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

(q) Borrowings

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

(r) Contributed Equity

Ordinary shares are classified as equity.

(s) Earnings per Share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during 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 an asset, in which case they are capitalised and amortised over the useful life which is generally three years.

(u) Restoration Costs

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

(v) Store Opening Costs

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

(w) Training Subsidies

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

(x) Cost of Sales

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

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

(y) Goods and Services Tax (GST)

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

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

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

(z) Rounding of Amounts

The Company is a kind referred to in Class Order 98/100, issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the directors' and financial reports. Amounts in these reports have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(aa) Critical Accounting Estimates and Judgements

For the 28 June 2015 reporting period certain accounting estimates and judgements were made in relation to outstanding insurance claims and provisioning for shrinkage expense.

(i) Provisioning for shrinkage expense

The Company provides for shrinkage expense for the period since a store last completed a stock take. Management estimates this provision based on the actual stock take results recorded during the period. The assumptions made in relation to the current period are consistent with those in the prior year. Factors that could impact the estimated provision include the length of the time period since a store last completed a stock take or an improvement in the actual stocktake results ultimately recognised. As at 28 June 2015 this particular provision had a carrying amount of $6,011,970 (FY2014 - $4,234,808).

(ii) Impairment

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' 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 Company has defined each individual store as a cash generating unit 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.

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

Impairment assessments are sensitive to the judgements made in the impairment test and assumptions outlined above. Changes to these assumptions could result in a different outcome or impairment of assets for other cash generating units in the future. Refer to Note 9 for details.

(iii) Onerous lease provisions

Onerous lease provisions have been recognised for the excess of the unavoidable cost, being the least of the cost to fulfil the contract and compensation or penalties for early exit, over the economic benefits expected to be received. The Company uses a discounted cash flow model to determine the estimated future economic benefits. For some leases the estimated exit costs could be dependent on the outcome of negotiations.

(iv) Net realisable value of inventory

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

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

(ab) New and amended standards adopted by the group

The Reject Shop Limited has applied the following standards and amendments for first time for their annual reporting period commencing 1 July 2014:

- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting
- Interpretation 21 Accounting for levies
- AASB 2014-1 Amendments to Australian Accounting Standards

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 28 June 2015 reporting period and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below:

Title of standard	Nature of change	Impact	Mandatory application date
AASB 9 *Financial Instruments*	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.	There is no expected impact on The Reject Shop Limited's accounting for financial assets and liabilities. The new hedging rules align hedge accounting more closely with The Reject Shop Limited's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.	Must be applied for financial years commencing on or after 1 January 2018 The Reject Shop Limited does not plan to early adopt any parts of AASB 9
AASB 15 *Revenue from Contracts with Customers*	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 July 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.	Management is not expecting the new rules to have a material impact on The Reject Shop as revenue from the sale of goods is recognised at the point of sale.	Mandatory for financial years commencing on or after 1 January 2017. Expected date of adoption by the group: 1 July 2017.

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

Note 2: Revenue from Continuing Operations and Other Income

	CONSOLIDATED ENTITY	
	2015 $'000	2014 $'000
(a) Revenue from continuing operations		
Sales of goods	**756,800**	711,534
Interest	**57**	38
	756,857	711,572

Note 3: Expenses

	CONSOLIDATED ENTITY	
	2015 $'000	2014 $'000
Profit before income tax expense includes the following expenses:		
Interest and finance charges paid/payable	**1,532**	1,321
Depreciation & amortisation expenses are included in:		
Cost of sales	**2,616**	2,310
Store expenses	**13,580**	12,005
Administrative expenses	**2,931**	3,634
	19,127	17,949
Impairment of store assets	**1,291**	961
Foreign exchange (gain)/loss	**(3,956)**	(429)
Asset write offs on store closures	**1,214**	711
(Gain)/loss on disposal of property, plant and equipment	**(139)**	37
Rental expenses relating to operating leases		
Minimum lease payments	**107,269**	98,790
Provision for onerous leases	**845**	745
Provision for rent escalation	**1,077**	1,207
Rent paid on percentage of sales basis	**641**	421
Employee benefits expense	**158,562**	151,959
New store opening costs	**2,199**	4,767

Note 4: Income Tax Expense

		CONSOLIDATED ENTITY	
		2015 $'000	2014 $'000
(a) Income tax expense			
Current tax		**7,279**	8,192
Deferred tax		**(1,320)**	(2,019)
		5,959	6,173
Deferred income tax expense included in income tax expense comprises:			
(Increase) in net deferred tax assets	10	**(1,320)**	(2,019)
(b) Numerical reconciliation of income tax expense to prima facie tax payable			
Profit before income tax expense		**20,198**	20,681
Tax at the Australian tax rate of 30% (2014 – 30%)		**6,059**	6,204
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Research and Development tax credit		**(100)**	(31)
Income tax expense		**5,959**	6,173
(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 Current tax – credited/(debited) directly to equity		**122**	(342)
(d) Tax income relating to items of other comprehensive income			
Cash flow hedges		**(3,188)**	3,614

NOTES TO THE FINANCIAL STATEMENTS continued

Note 5: Current Assets - Cash

		CONSOLIDATED ENTITY	
		2015 $'000	2014 $'000
Cash on hand	23	**1,472**	1,416
Cash at bank	23	**15,854**	6,259
		17,326	7,675

Note 6: Current Assets - Receivables

	CONSOLIDATED ENTITY	
	2015 $'000	2014 $'000
Other debtors	**-**	682

Note 7: Current Assets - Inventories

	CONSOLIDATED ENTITY	
	2015 $'000	2014 $'000
Inventory at cost	**99,115**	98,019
Inventory at net realisable value	**1,125**	2,841
	100,240	100,860

Inventories recognised as an expense during the year ended 28 June 2015 amounted to $357,267,572 (FY2014: $330,875,233). These were included in cost of sales. Write-downs of inventories to net realisable value amounted to $1,675,867 (FY2014: $370,000). These were recognised as an expense during the year ended 28 June 2015 and included in cost of sales.

Note 8: Current Assets - Other

	CONSOLIDATED ENTITY	
	2015 $'000	2014 $'000
Prepayments	**969**	2,081
Other current assets	**508**	633
	1,477	2,714

Note 9: Non-Current Assets - Property, plant and equipment

	CONSOLIDATED ENTITY	
	2015 $'000	2014 $'000
Leasehold improvements		
At cost	**63,016**	57,330
Less accumulated depreciation	**(26,329)**	(21,032)
	36,687	36,298
Plant and equipment*		
At cost	**126,366**	121,157
Less accumulated depreciation	**(68,921)**	(58,717)
	57,445	62,440
Total Property, Plant and Equipment	**94,132**	98,738

*Plant & equipment includes fixtures, fittings and motor vehicles as well as $1,577,657 (FY2014: $3,911,300) of work in progress costs.

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
Balance at 29 June 2014	**36,298**	**62,440**	**98,738**
Additions at cost	**8,038**	**9,081**	**17,119**
Impairment of store assets	**(503)**	**(788)**	**(1,291)**
Asset write offs for store closures	**(573)**	**(641)**	**(1,214)**
Asset disposals	**(39)**	**(54)**	**(93)**
Depreciation/amortisation expense	**(6,534)**	**(12,593)**	**(19,127)**
Balance at 28 June 2015	**36,687**	**57,445**	**94,132**

	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Balance at 1 July 2013	27,579	59,159	86,738
Additions at cost	15,031	16,638	31,669
Impairment of store assets	(325)	(636)	(961)
Asset write offs for store closures	(353)	(358)	(711)
Asset disposals	–	(48)	(48)
Depreciation/amortisation expense	(5,634)	(12,315)	(17,949)
Balance at 29 June 2014	36,298	62,440	98,738

In FY2015, the Company recognised a total of $1,291,129 (FY2014: $961,380) of impairment losses. The losses relate to fixed assets within the store such as fixtures and fittings, store fitout and computer equipment. The poor trading performance has resulted in the carrying value of the assets being greater than the recoverable amount. The recoverable amount has been determined as the value in use of the assets which is the estimated future cash flows discounted back to the present value. The discount rate used was 11.50% (FY2014: 12.07%).

In addition to store impairment nine stores were closed and associated costs with carrying amount of $1,213,993 (FY2014: $711,000) were written off.

Note 10: Non-Current Assets – Deferred tax assets

	CONSOLIDATED ENTITY 2015 $'000	2014 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Employee benefits	**4,083**	3,586
Lease escalation	**3,212**	2,889
Hedging reserve	**–**	1,558
Inventories	**1,455**	1,281
Lease incentives	**617**	939
Depreciation	**1,668**	1,068
Other provisions and accruals	**1,343**	128
Employee share trust	**66**	288
Equity raising costs	**131**	196
Sundry items	**(403)**	108
	12,172	12,041
Set-off of deferred tax liabilities of consolidated entity pursuant to set-off provisions:		
Depreciation	**(842)**	(734)
Hedging reserve	**(1,630)**	-
Net deferred tax assets	**9,700**	11,307
Net deferred tax assets expected to be recovered within 12 months	**4,084**	8,083
Net deferred tax assets expected to be recovered after more than 12 months	**5,616**	3,224
Net deferred tax assets	**9,700**	11,307

Movements – Consolidated	Employee Benefits $'000	Inventories $'000	Hedging Reserve $'000	Other $'000	Total $'000
At 1 July 2013	3,111	1,029	(2,056)	3,661	5,745
(Charged) / credited					
– to profit or loss	475	252	–	879	1,606
– to other comprehensive income	–	–	3,614	–	3,614
– Direct to equity	–	–	–	342	342
At 29 June 2014	3,586	1,281	1,558	4,882	11,307
(Charged) / credited					
– to profit or loss	**497**	**174**	**–**	**–**	**671**
– to other comprehensive income	**–**	**–**	**(3,188)**	**–**	**(3,188)**
– direct to equity	**–**	**–**	**–**	**910**	**910**
At 28 June 2015	**4,083**	**1,455**	**(1,630)**	**5,792**	**9,700**

Note 11: Current Liabilities – Payables

	CONSOLIDATED ENTITY	
	2015 $'000	2014 $'000
Unsecured liabilities		
Trade payables	**35,893**	31,511
Sundry payables and accruals	**7,111**	5,386
	43,004	36,897

Note 12: Current Liabilities – Borrowings

	CONSOLIDATED ENTITY	
	2015 $'000	2014 $'000
Secured liabilities(i)		
Bank overdraft	**–**	103
Cash advance(ii)	**–**	13,000
	–	13,103

(i) Information about the security relating to each of the secured liabilities is provided in Note 15.

(ii) Cash advance will be settled within six months. A fixed interest rate of 3.5% (2014: 3.7%) is applied to the cash advance.

Note 13: Current Liabilities – Provisions

	CONSOLIDATED ENTITY	
	2015 $'000	2014 $'000
Onerous leases	**1,261**	321
Provision for rent escalation	**2,725**	2,652
Employment entitlements	**8,782**	11,311
	12,768	14,284

Amounts not expected to be settled within the next 12 months

The current provision for employee entitlements includes accrued 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 also those 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 of which the appropriate amount is recognised in Note 16. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. Expected future payments are discounted using appropriate market yields at the end of the reporting period that match, as closely as possible, the estimated future cash outflows. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

Leave obligations expected to be settled after 12 months	**3,175**	5,814

NOTES TO THE FINANCIAL STATEMENTS continued

Note 14: Current Liabilities - Other

	CONSOLIDATED ENTITY	
	2015 $'000	2014 $'000
Accrued expenses	**8,137**	7,098
Deferred income (Note 1 (g))	**2,494**	2,461
	10,631	9,559

Note 15: Non-Current Liabilities – Borrowings

	CONSOLIDATED ENTITY	
	2015 $'000	2014 $'000
Secured liabilities		
Cash advance (i)	**12,000**	12,000

(i) A fixed interest rate of 3.5% is applied to the cash advance.

All secured liabilities listed within note 12, 15 and 23 including Bank overdraft and bank loans, finance purchases and hire purchase agreements are secured by a Cross Guarantee and Indemnity between The Reject Shop Limited and TRS Trading Group Pty Ltd supported by:

First Registered Company Charge (Mortgage Debenture) over all the assets and undertakings of The Reject Shop Limited this is a fixed and floating charge over all present and future assets, undertakings (including goodwill); and unpaid/uncalled capital of the Company.

First Registered Company Charge (Mortgage Debenture) over all the assets and undertakings of TRS Trading Group Pty Ltd this is a fixed and floating charge over all present and future assets, undertakings (including goodwill); and unpaid/uncalled capital of the Company.

Letter of Set Off by and on account of The Reject Shop Limited and TRS Trading Group Pty Ltd.

Note 16: Non-Current Liabilities – Provisions

	CONSOLIDATED ENTITY	
	2015 $'000	2014 $'000
Employment entitlements	**4,604**	1,618
Onerous leases	**329**	424
Provision for rent escalation	**7,982**	6,978
	12,915	9,020
Movement in provision for rent escalation during the financial period is set out below:		
Balance at beginning of period	**9,630**	
Transfer to profit and loss	**(2,180)**	
Additional provision recognised	**3,257**	
Balance at end of period	**10,707**	

The provision attributable to each lease expires over the life of the lease.

Note 17: Non-Current Liabilities – Other

	CONSOLIDATED ENTITY	
	2015 $'000	2014 $'000
Deferred income (Note 1 (g))	**783**	950

Note 18: Contributed Equity

Movements in ordinary share capital:

Date	Details	Number of issued shares	Issue price per share $	Contributed Equity $'000
30 June 2013	**Balance**	**28,808,248**		**46,277**
9 July 2013	Exercise of performance rights	18,000	-	-
11 July 2013	Capital raising costs	-	-	(30)
29 June 2014	**Balance**	**28,826,248**		**46,247**
1 July 2014	Exercise of performance rights	18,400	-	-
28 June 2015	**Balance**	**28,844,648**	**-**	**46,247**

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 Company does not have a limited amount of authorised capital.

Note 19: Equity – Reserves

	CONSOLIDATED ENTITY	
	2015 $'000	2014 $'000
Capital profits reserve	**739**	739
Share based payments reserve	**3,638**	3,705
Hedging reserve – cash flow hedges	**3,803**	(3,636)
	8,180	808
Movements:		
Share based payments reserve		
Balance at beginning of period	**3,705**	4,600
Performance Rights expense	**(189)**	(553)
Deferred tax – share based payments	**122**	(342)
Balance at end of period	**3,638**	3,705
Hedging reserve – cash flow hedges		
Balance at beginning of period	**(3,636)**	4,797
Transfer to inventory	**3,636**	(4,797)
Revaluation of cash flow hedges	**3,803**	(3,636)
Balance at end of period	**3,803**	(3,636)

Nature and purpose of reserves

(i) Hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 24. Amounts accumulated in equity are included in the cost of the hedged item when the forecast purchase that is hedged takes place.

(ii) Share-based payments reserve

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

NOTES TO THE FINANCIAL STATEMENTS continued

Note 20: Equity – Retained Profits

	CONSOLIDATED ENTITY	
	2015 $'000	2014 $'000
Retained profits at the beginning of the financial period	**73,217**	68,654
Net profit attributable to members of the consolidated entity	**14,239**	14,508
Dividends provided for or paid	**(7,210)**	(9,945)
Retained profits at reporting date	**80,246**	73,217

Since the end of the financial period the directors have declared the payment of a final ordinary dividend of 13.5 cents per share. Dividends are fully franked at a tax rate of 30% and will be paid on 12 October 2015.

Note 21: Commitments

Operating Lease Commitments

	CONSOLIDATED ENTITY	
	2015 $'000	2014 $'000
Non cancellable operating leases contracted for but not capitalised in the financial statements payable:		
Not later than one year	**85,630**	99,668
Later than one year and not later than five years	**196,641**	216,726
Later than five years	**15,898**	23,579
	298,169	339,973

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

This does not include any rental payments payable as a percentage of sales contingent on achieving sales thresholds contained within existing operating leases ('percentage rent') as these amounts cannot be reliably measured for future periods. The amount expensed during the current period for percentage rent was $641,490 (FY2014: $420,605).

Capital Commitments
The consolidated entity has capital commitments totalling $690,000 (FY2014: $955,000), all payable within one year.

Note 22: Contingent Liabilities

	CONSOLIDATED ENTITY	
	2015 $'000	2014 $'000
Estimates of the maximum amount of contingent liabilities that may become payable:		
Letters of credit established for acquisition of goods for resale	**-**	59

Note 23: Statement of Cash Flow Information

Reconciliation of Cash Flow from operating activities with profit after income tax from ordinary activities

	CONSOLIDATED ENTITY	
	2015 $'000	2014 $'000
Profit from ordinary activities after Income Tax	**14,239**	14,508
Non cash items in profit from ordinary activities		
Depreciation	**19,127**	17,949
Impairment of store assets	**1,291**	961
Asset write offs on store closures	**1,214**	711
(Gain)/Loss on disposal of property, plant and equipment	**(139)**	37
Provision for onerous leases	**845**	745
Non cash share based expense	**(189)**	(553)
Changes in assets and liabilities:		
Decrease / (Increase) in receivables and other assets	**1,919**	(1,925)
(Increase) / Decrease in inventories	**1,020**	(15,789)
Increase / (Decrease) in trade, other creditors and other provisions	**5,081**	15,615
Increase / (Decrease) in income tax payable	**957**	(2,377)
(Increase) in deferred tax assets	**1,487**	(5,562)
Net cash provided by operations	**46,852**	24,320

Reconciliation of cash

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

	2015	2014
Cash on hand	**1,472**	1,416
Cash at bank	**15,854**	6,259
	17,326	7,675
Less: Bank overdraft	**–**	(103)
	17,326	7,572

Credit standby arrangement and loan facilities

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

	2015		2014	
	Limit $'000	**Utllised $'000**	Limit $'000	Utilised $'000
Interchangeable Working Capital Facility	**40,005**	**–**	40,005	14,787
Foreign Currency Settlement	**850**	**–**	850	71
Other Facilities	**23,600**	**13,391**	23,600	13,414
Total Facilities	**64,455**	**13,391**	64,455	28,272

A seasonal facility of $15,000,000 was utilised from 1 October 2014 and repaid in full by 31 December 2014. Other facilities include an ANZ Bank indemnity guarantee of $1,600,000 of which $1,377,770 was utilised in relation to property leases at 28 June 2015.

NOTES TO THE FINANCIAL STATEMENTS continued

Note 24: Financial Instruments and Financial Risk Management

Derivative Financial Instruments

	CONSOLIDATED ENTITY	
	2015 $'000	2014 $'000
Current assets and (liabilities)		
Forward foreign exchange contracts – cash flow hedges	**5,433**	(5,194)

Forward exchange contracts – cash flow hedges

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

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

				AVERAGE EXCHANGE RATE	
Sell	Buy	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000
Australian Dollars	United States Dollars	**136,156**	149,564	**0.81**	0.90
Australian Dollars	Euro	**5,087**	5,240	**0.69**	0.67
Australian Dollars	Pounds Sterling	**1,585**	4,772	**0.51**	0.54

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 consolidated entity 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 an asset of $5,433,153 (FY2014 – liability of $5,194,079).

During the period $3,635,855 (FY2014 – $4,797,684) was removed from equity and included in the acquisition cost of goods and a net gain of $nil (FY2014 – net $Nil) was transferred to the profit and loss.

Exposure to Foreign Currency Risk

The Company's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar was as follows:

	2015 USD $'000	2014 USD $'000
Cash at bank	**2,783**	1,746
Trade payables	**3,782**	2,527

Forward exchange contracts – Balance Date Sensitivity Analysis

The following table summarises the sensitivity of the consolidated entity as at balance date to movements in the value of the Australian dollar compared to the United States dollar, the principal currency that the consolidated entity 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	CONSOLIDATED ENTITY 2015 $'000	2014 $'000
For every 1c increase in AUD:USD rate, total exposures decrease by		
Income Statement	**(13)**	(12)
Equity	**(556)**	1,241
For every 1c decrease in AUD:USD rate, total exposures (increase) by		
Income Statement	**13**	12
Equity	**573**	(1,268)

Interest Rate Risk

The consolidated entity'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:

2015	Weighted Average Effective Interest Rate	Floating Interest Rate $'000	Fixed Interest Rate Maturing within 1 Year $'000	Fixed Interest Rate Maturing 1 to 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets						
Cash	**1.14**	**17,326**	**–**	**–**	**–**	**17,326**
Receivables and other debtors	**–**	**–**	**–**	**–**	**–**	**–**
Total Financial Assets	**–**	**17,326**	**–**	**–**	**–**	**17,326**
Financial Liabilities						
Bank loans and overdrafts	**3.48**	**–**	**–**	**12,000**	**–**	**12,000**
Trade, sundry and other creditors	**–**	**–**	**–**	**–**	**48,941**	**48,941**
Total Financial Liabilities	**–**	**–**	**–**	**12,000**	**48,941**	**60,941**

2014	Weighted Average Effective Interest Rate	Floating Interest Rate $'000	Fixed Interest Rate Maturing within 1 Year $'000	Fixed Interest Rate Maturing 1 to 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets						
Cash	1.44	7,675	–	–	–	7,675
Receivables and other debtors	–	–	–	–	682	682
Total Financial Assets		**7,675**	**–**	**–**	**682**	**8,357**
Financial Liabilities						
Bank loans and overdrafts	3.72	–	13,103	12,000	–	25,103
Trade, sundry and other creditors	–	–	–	–	42,846	42,846
Total Financial Liabilities		**–**	**13,103**	**12,000**	**42,846**	**67,949**

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

Sensitivity Analysis – Interest Rates	CONSOLIDATED ENTITY 2015 $'000	2014 $'000
For every 100 basis points increase in interest rates		
Income Statement	**(350)**	(330)
Equity	**–**	–
For every 100 basis points decrease in interest rates		
Income Statement	**350**	330
Equity	**–**	–

NOTES TO THE FINANCIAL STATEMENTS continued

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

Capital Risk Management

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

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

During 2015, the Company's strategy, which was unchanged from 2014, was to maintain a maximum gearing ratio of 30%. The gearing ratio at 28 June 2015 and 29 June were as follows:

	2015 $'000	2014 $'000
Net (cash)/debt	**(5,326)**	17,428
Total Equity	**134,673**	120,272
Net (cash)/debt to equity ratio	**(3.95%)**	14.49%

Liquidity Risk

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

The tables below analyse the consolidated entity's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The consolidated and parent entity has no financial liabilities maturing in greater than five years.

Consolidated – At 28 June 2015	**Less than 6 months $'000**	**6 – 12 months $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Total contractual cash flows $'000**	**Carrying Amount (assets) / liabilities $'000**
Non-derivatives						
Non-interest bearing	**48,941**	**–**	**–**	**–**	**48,941**	**48,941**
Variable rates	**–**	**–**	**–**	**–**	**–**	**–**
Fixed rate	–	–	12,013	–	12,013	12,013
Total non-derivatives	**48,941**	**–**	**12,013**	**–**	**60,954**	**60,954**
Derivatives						
Net settled	–	–	–	–	–	–
Gross settled						
- (inflow)	(82,716)	(44,488)	–	–	(127,204)	(5,433)
- outflow	81,674	43,403	–	–	125,077	–
Total derivatives	**(1,042)**	**(1,085)**	**–**	**–**	**(2,127)**	**(5,433)**

Consolidated – At 29 June 2014	Less than 6 months $'000	6 – 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Total contractual cash flows $'000	Carrying Amount (assets) / liabilities $'000
Non-derivatives						
Non-interest bearing	42,846	–	–	–	42,846	42,846
Variable rates	–	–	–	–	–	–
Fixed rate	13,103	–	–	12,000	25,103	25,103
Total non-derivatives	**55,949**	**–**	**–**	**12,000**	**67,949**	**67,949**
Derivatives						
Net settled	–	–	–	–	–	–
Gross settled						
– (inflow)	(120,058)	(53,960)	–	–	(174,018)	–
– outflow	125,796	55,844	–	–	181,640	5,194
Total derivatives	**5,738**	**1,884**	**–**	**–**	**7,622**	**5,194**

Net Fair Values

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

Fair Value Measurements

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

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

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

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

The following table presents the entity's assets and liabilities measured and recognised at fair value at 28 June 2015.

	2015 $'000 Level 2	2014 $'000 Level 2
Derivatives used for hedging	**5,433**	(5,194)

Note 25: Key Management Personnel Disclosures

Non-Executive Directors

William J Stevens Chairman

Kevin J Elkington

Denis R Westhorpe

Melinda Conrad

Executive Directors

Ross Sudano Managing Director (Appointed Chief Executive Officer 11 September 2014 and Managing Director 19 November 2014)

All of the above persons were directors of The Reject Shop Limited for the entire period ended 28 June 2015, unless otherwise stated.

Other Key Management Personnel

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

Ed Tollinton	Chief Information Officer (Appointed on 23 March 2015)
Darren J O'Connor	Chief Information Officer (Resigned on 27 March 2015)
Darren R Briggs	Chief Financial Officer and Company Secretary
Colleen Grady	General Manager, Merchandise Buying (Appointed on 20 April 2015)
Michael J Shields	General Manager, Merchandise Buying (Resigned on 7 November 2014)
Kelvin Chand	General Manager, Property (Appointed on 5 January 2015)
Phillip Nutbean	General Manager, Property (Resigned on 13 October 2014)
Geoff W Pearce	General Manager, Business Transformation
Robert d'Andrea	General Manager, Human Resources (Appointed on 27 April 2015)
Josie Pileio	General Manager, Human Resources (Resigned on 30 January 2015)
Danielle Aquilina	General Manager, Distribution
Allan J Penrose	General Manager, Marketing
Allison Batten	General Manager, Merchandise Planning (Appointed on 20 April 2015)
Michael Robertson	General Manager, Retail Operations

All of the above persons were employed by The Reject Shop Limited and were key management personnel for the entire period ended 28 June 2015 unless otherwise stated.

Remuneration of Directors and Key Management Personnel

	CONSOLIDATED ENTITY	
	2015	2014
Short-term employee benefits	**3,352,677**	3,761,799
Post-employment benefits	**226,804**	231,093
Termination benefits	**154,751**	-
Other	**80,505**	-
Share-based payments	**(44,348)**	(424,185)
	3,770,389	3,568,707

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

Note 26: Share-based payments

Performance Rights Plan (PRP)

The PRP is the basis of The Reject Shop Limited's long term incentive scheme for selected senior employees. In summary, eligible employees identified by the Board may be granted performance rights, which is an entitlement to a share subject to satisfaction of exercise conditions on terms determined by the Board. The details of all grants outstanding at the start of each financial period are detailed in the tables below:

2015

Date of grant	Expiry date	Date exercisable	Fair Value at Grant Date $	Balance at start of period	Granted during the period	Exercised during the period	Lapsed during the period	Balance at end of the period	Vested and exercisable at the end of the period
15 Sep 2010	15 Sep 2015	1 Jul 2014	15.27	13,600	–	(13,600)	–	–	–
20 Oct 2010	20 Oct 2015	1 Jul 2014	15.49	4,800	–	(4,800)	–	–	–
18 Oct 2011	18 Oct 2016	1 Jul 2015	8.92	53,900	–	–	(48,925)	4,975	–
18 Oct 2012	18 Oct 2017	1 Jul 2016	12.24	99,500	–	–	(93,525)	5,975	–
10 Jan 2013	10 Jan 2018	1 Jul 2016	14.04	6,000	–	–	(5,250)	750	–
17 Oct 2013	17 Oct 2017	1 Jul 2016	16.89	63,800	–	–	(55,750)	8,050	–
13 Oct 2014(i)	13 Oct 2018	1 Jul 2017	7.54	–	180,000	–	(69,400)	110,600	–
				241,600	**180,000**	**(18,400)**	**(272,850)**	**130,350**	

There were no other changes to performance rights granted during the period.

(i) The performance rights that will vest if targeted criteria are met will be 55,500. The additional 55,100 performance rights will only be issued to key management personnel if targeted criteria are over achieved.

2014

Date of grant	Expiry date	Date exercisable	Fair Value at Grant Date $	Balance at start of period	Granted during the period	Exercised during the period	Lapsed during the period	Balance at end of the period	Vested and exercisable at the end of the period
19 Aug 2009	17 Aug 2014	1 Jul 2013	11.65	18,000	-	(18,000)	-	-	-
13 Oct 2009	12 Oct 2016	16 Aug 2015	9.67	50,000	-	-	(50,000)	-	-
15 Sep 2010	15 Sep 2015	1 Jul 2014	15.27	38,000	-	-	(24,400)	13,600	-
20 Oct 2010	20 Oct 2015	1 Jul 2014	15.49	19,000	-	-	(14,200)	4,800	-
18 Oct 2011	18 Oct 2016	1 Jul 2015	8.92	98,100	-	-	(44,200)	53,900	-
18 Oct 2012	18 Oct 2017	1 Jul 2016	12.24	162,800	-	-	(63,300)	99,500	-
10 Jan 2013	10 Jan 2018	1 Jul 2016	14.04	6,000	-	-	-	6,000	-
17 Oct 2013	17 Oct 2017	1 Jul 2016	16.89	-	91,900	-	(28,100)	63,800	-
Total				**391,900**	**91,900**	**(18,000)**	**(224,200)**	**241,600**	**-**

NOTES TO THE FINANCIAL STATEMENTS continued

The Company, effective from 2 July 2011 and prior to 12 October 2014, changed the vesting conditions for all performance rights grants that had not expired. The proportion of performance rights grants that ultimately vest will be determined by a combination of financial and non-financial criteria.

The financial criteria, which will carry a 60% weighting toward the performance rights vesting, consists of the following hurdles over a three year period:

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

The non-financial criteria, consists of a number of improvements in operational aspects considered critical to the long-term development of the business. These non-financial criteria include:

- Improved OH&S performance (Lost Time Injury Rate);
- Staff and customer satisfaction measures; and
- Brand development measures.

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

Performance rights, which are an entitlement to a share, have traditionally vested four years after grant date, representing a three year earnings period over which the established financial and non-financial (if applicable) criteria are measured, and an additional one year service period the employee must satisfy prior to vesting of the shares. However, effective from the rights issues in October 2013, vesting of shares will now occur over the three year period over which the established financial and non-financial (if applicable) criteria are measured. Rights participants will no longer have to serve the additional twelve month service period before such rights are able to vest. In respect of performance rights granted after 12 October 2014, a 100% weighting will apply to the achievement of the financial criteria, as set out above.

The total exercise price payable on the exercise of one or more performance rights on a particular day is $1.00, regardless of the number of performance rights exercised on that day.

The assessed fair value at grant date of performance rights granted to the individuals is allocated equally over the period from grant date to vesting date, and the annual allocation amount is included in remuneration.

For the grants made on 13 October 2014 the fair value was determined using Black-Scholes option pricing model taking into account the following inputs:

(a) Performance rights are granted for no consideration, all grants are exercisable provided the relevant EPS hurdle rate is met and the executive remains employed on the exercise date;

(b) exercise price: $1.00 in total for all performance rights exercised;

(c) share price at grant date: $8.32;

(d) expected volatility of the Company's shares: 37.56%;

(e) expected dividend yield: 3.61%; and

(f) risk-free interest rate: 2.50%

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 Board has not granted any further performance rights under the PRP.

Remuneration Expenses arising from share-based payment transactions

	CONSOLIDATED ENTITY	
	2015	2014
	$	$
Performance rights granted	**(189,366)**	(552,231)

Note 27: Remuneration of Auditors

	CONSOLIDATED ENTITY	
	2015	2014
	$	$
During the period the following fees for services were paid or payable to PricewaterhouseCoopers and its related parties as the auditor:		
Audit and Assurance Related Services		
Audit and review work	**286,206**	240,000
Other assurance services	**20,406**	19,402
	306,612	259,402
Tax Compliance and Consulting Services		
Tax compliance	**42,500**	28,500
Tax consulting advice	**35,500**	66,600
	78,000	95,100
Total remuneration	**384,612**	354,502

Note 28: Dividends

	CONSOLIDATED ENTITY	
	2015	2014
	$'000	$'000
Since period end the directors have declared the payment of a fully franked final dividend of 13.5 cents per share. The amount of the proposed dividends is to be paid on 12 October 2015 out of retained profits, but not recognised as a liability at period end.	**3,895**	**2,450**
Balance of franking account at period end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and any credits that may be prevented from distribution in subsequent periods based on a tax rate of 30%	42,313	**39,245**

Dividends recognised during the reporting period:

Dividends paid to members during the financial period was a final ordinary dividend for the financial period ended 30 June 2014 of 8.5 cents per share totalling $2,450,904 paid on 13 October 2014. An interim ordinary dividend for the financial period ended 28 June 2015 of 16.5 cents per share (2014: 21.5 cents per share) totalling $4,759,367 (2014: $6,197,652) was paid on the 13 April 2015 (2014: 14 April 2014).

NOTES TO THE FINANCIAL STATEMENTS continued

Note 29: Earnings per share

	CONSOLIDATED ENTITY	
	2015 Cents	2014 Cents
Basic earnings per share	**49.4**	50.3
Diluted earnings per share	**49.2**	49.9
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	**28,844,597**	28,825,804
Adjustments for dilutive portion of performance rights	**98,446**	223,041
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.	**28,943,043**	29,048,845

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. Details relating to the performance rights are set out in note 26.

Note 30: Net Tangible Assets

	CONSOLIDATED ENTITY	
	2015 Cents	2014 Cents
Net tangible asset backing per ordinary share	**466.9**	419.1

Note 31: Parent Entity Financial Information

	PARENT ENTITY	
	2015 $'000	2014 $'000
(a) Summary financial information		
The individual financial statements for the parent entity show the following aggregate amounts:		
Balance Sheet		
Current assets	**124,476**	111,931
Total assets	**228,308**	221,976
Current liabilities	**68,940**	80,737
Total liabilities	**94,638**	102,707
Shareholders' equity		
Issued capital	**46,247**	46,247
Reserves	**8,180**	808
Retained earnings	**79,243**	72,214
	133,670	119,269
Profit for the year	**14,239**	14,508
Total Comprehensive Income	**21,678**	6,075
(b) Guarantees entered into by the parent entity		
Carrying amount included in current liabilities	**-**	-

Refer to note 21 and 22 for disclosures concerning contingent liabilities and contractual commitments for the parent entity.

Note 32: Segment information

The Reject Shop operates within one reportable segment (retailing of discount variety merchandise). Total revenues of $756,799,614 all relate to the sale of discount variety merchandise in the Company's country of domicile (Australia), in this single reportable segment. The Company is not reliant on any single customer.

Note 33: Subsidiaries

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 (FY2014 - Nil).

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

Note 34: Matters Subsequent to the End of the Financial Period

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

Note 35: Related Party Transactions

No related party transactions were entered into during the period ended 28 June 2015.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) The financial statements and notes set out on pages 35 to 63 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 28 June 2015 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 Managing Director 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:

WJ Stevens
Chairman

Ross Sudano
Managing Director
and Chief Executive Officer

Dated this 19th day of August 2015

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 financial report

We have audited the accompanying financial report of The Reject Shop Limited (the company), which comprises the consolidated balance sheet as at 28 June 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year 30 June 2014 to 28 June 2015, a summary of significant accounting policies, other explanatory notes and the directors' declaration for The Reject Shop Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

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Auditor's opinion

In our opinion:

(a) the financial report of The Reject Shop Limited is in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 28 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 22 to 31 of the directors' report for the year ended 28 June 2015. 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.

Auditor's opinion

In our opinion, the remuneration report of The Reject Shop Limited for the year ended 28 June 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Daniel Rosenberg
Partner

Melbourne
19 August 2015

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SHAREHOLDERS' INFORMATION

As at 28th July 2015

The shareholder information set out below was applicable as at 28 July 2015.

(a) The distribution of shareholding was as follows:

Size of Shareholding	Shareholders
1 - 1,000	6,427
1,001 - 5,000	2,974
5,001 - 10,000	356
10,001 - 100,000	175
100,001 and over	9

(b) 507 shareholders hold less than a marketable parcel of shares, being a market value of less than $1,000

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

Shareholder	Number	% Held
Grahger Capital Securities	1,940,000	6.73%
Clime Asset Management	1,836,529	6.33%

(d) The fully paid issued capital of the Company consisted of 28,844,648 shares held by 9,941 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	125,375	12

SHAREHOLDERS' INFORMATION

As at 28th July 2015

(f) Twenty largest shareholders as per the share register

Shareholder	Number	% Held
J P MORGAN NOMINEES AUSTRALIA LIMITED	3,892,431	13.49%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,526,917	8.76%
NATIONAL NOMINEES LIMITED	1,309,320	4.54%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,173,508	4.07%
GRAHGER CAPITAL SECURITIES PTY LTD	1,100,000	3.81%
CITICORP NOMINEES PTY LIMITED	938,974	3.25%
GRAHGER CAPITAL SECURITIES PTY LTD	900,000	3.12%
MR ROBERT THOMAS & MRS KYRENIA THOMAS	165,000	0.57%
BNP PARIBAS NOMS PTY LTD	114,771	0.40%
CASHMERE DELL PTY LTD	100,000	0.35%
ANZ TRUSTEES LIMITED	99,501	0.34%
LITTLE BLUE PORSCHE PTY LTD	80,000	0.28%
CS FOURTH NOMINEES PTYLTD	79,280	0.27%
BT PORTFOLIO SERVICES LIMITED	77,000	0.27%
MR DANIEL JAMES FITZGERALD & MRS KARINA FITZGERALD	71,800	0.25%
DR ANDREW RICHARD CONWAY & DR VANESSA JOY TEAGUE	70,925	0.25%
ARACAN PTY LTD	65,843	0.23%
WOOLYA PTY LTD	64,325	0.22%
GRAHGER CAPITAL SECURITIES MANAGEMENT PTY LTD	60,000	0.21%
WARBONT NOMINEES PTY LTD	58,034	0.20%

The twenty members holding the largest number of shares together held a total of 44.89% of the issued capital.

(g) Restricted Shares

There are no restricted shares on issue.

CORPORATE DIRECTORY

Directors

William J Stevens
Chairman

Ross Sudano
Executive Director

Kevin J Elkington
Non-executive Director

Denis R Westhorpe
Non-executive Director

Melinda Conrad
Non-executive Director

Company Secretary
Darren R Briggs

Principal Registered Office

245 Racecourse Road
Kensington Vic 3031
Phone: (03) 9371 5555

Share Registry

Link Market Services Ltd
Level 9, 333 Collins St
Melbourne Vic 3000

Auditors

PricewaterhouseCoopers
Freshwater Place
2 Southbank Boulevard
Southbank Vic 3006

Lawyers

Baker McKenzie
Level 39
525 Collins Street
Melbourne Vic 3000

Stock Exchange Listing

The Reject Shop Limited shares are listed on the Australian Stock Exchange.

Website

www.rejectshop.com.au

ANNUAL REPORT 2014-15