Appendix 4E

The Reject Shop Limited

(ABN 33 006 122 676)

Consolidated preliminary final report

For the financial year ended 28 June 2009
Compared to the financial year ended 29 June 2008

Results for announcement to the market

				$A'000
Sales revenue from continuing operations	up	16.8%	to	412,166
Profit from continuing operations after tax attributable to members	up	13.9%	to	18,995
Net profit for the period attributable to members	up	13.9%	to	18,995

Dividends	Amount per share	Franked amount per share
Interim dividend (paid 17 April 2009)	32.0 cents	100%
Final dividend	23.0 cents	100%

Record date for determining entitlements to final dividend	28 September 2009
Dividend payment date	12 October 2009

Commentary on the Company's trading results is included in the media release and on pages 2 to 5 of the annual report enclosed.

EVERYONE'S A WINNER AT

THE REJECT SHOP

Annual Report 2009

More Stores

More Customers

More Jobs

More Investment

More Range

More Value

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

3.30pm Wednesday 14 October 2009

Crowne Plaza

Bridge Room No. 2

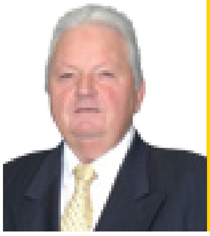
1-5 Spencer Street

Melbourne, Vic 3000

- Sales up 16.8% to $412.2 million
- Strong Comparable Store Sales Growth of 5.6% - in tough trading conditions
- Net Profit Growth of 22% (adjusting for 53rd week in prior year)
- National footprint expanding with 22 new stores

The Reject Shop - Epping, VIC

CHAIRMAN'S REPORT



Significant inroads to strategic initiatives…

Dear shareholder,

I am pleased to report another strong trading result this year, particularly in light of the tough economic conditions prevalent throughout the year. Sales grew to $412.2 million, and profit increased to $19.0 million. As a result Earnings per Share grew by 13.4% and shareholders returns by way of dividends grew 14.6%.

During the year Craig McMorron retired from the Board. Craig joined the Company at the time of the ASX listing and provided great support to both the Board and management during his tenure. With Craig retiring Bill Stevens has joined as a Director and has already added significantly to the Board since commencing.

Also during the year Charlie McShanag, General Manager-Merchandise, announced his retirement. Charlie was one of the Company's longest serving employees, having worked his way through store management into the senior buying ranks. I take the opportunity to thank and congratulate Charlie on his enormous contribution to the Company over more than 20 years.

The year was a demanding one for management and staff as we made significant inroads to initiatives identified as part of our annual strategic review. I am delighted with the progress made across all areas given the complexities involved and the need to continue focus on the day to day operations.

The implementation of the new SAP system was a credit to management and staff given the well documented issues other companies have endured through similar implementations.

The progress on the development of the new distribution centre in Queensland has been very pleasing. Whilst there is still significant work to be done, the project is on track and the Board is confident the facility will be operating in early FY2011.

Despite all this, management was also able to spend considerable time enhancing the succession planning within the business.
I am pleased to report there are strong plans in place across the business as well as identifying and beginning to cultivate the next leaders of the business. Whilst in its infancy, preparing the next generation of management is a critical step for the long term viability of the Company.

Looking ahead the Board believes the necessary investment and focus is underway to support the long term growth plans. Whilst significant expansion opportunities remain, the Board and management are conscious there are still many improvements to be made to the underlying existing business.

Focussing on our customers and delivering an exciting, value driven offer remains a priority to the success of the business. The Board and management spend considerable time on exploring product, price and marketing initiatives to ensure we deliver on our promise. This is particularly vital in the face of a weaker economic climate and increased competition from many sources.

We asked a lot of our people again this year, and once again they delivered. The energy, commitment and 'can do' attitude inherent in all our staff contributed to an outstanding result. On behalf of my fellow Directors and management I thank all our staff for their contribution this year and look forward to sharing in the fruits of all your hard work in the years to come.

Brian J Beattie
Chairman

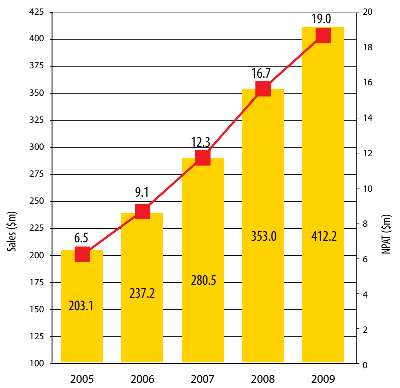
FINANCIAL HIGHLIGHTS

16.8% sales growth

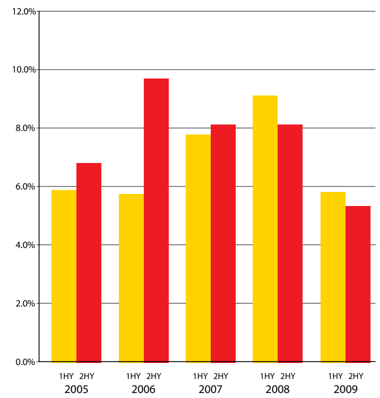
13.9% NPAT growth

171 stores

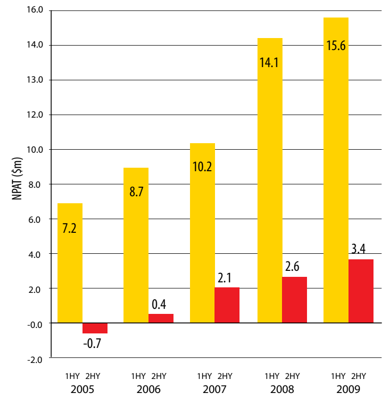
Sales and NPAT Growth Continues



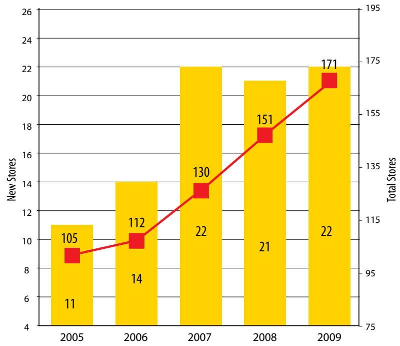
Comparable Store Sales Growth Remaining Strong



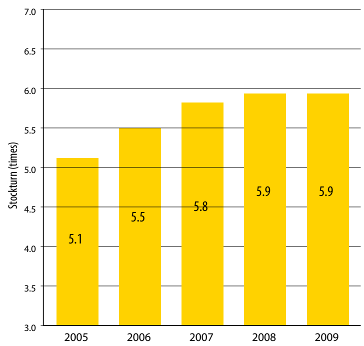
Building Everyday Trade



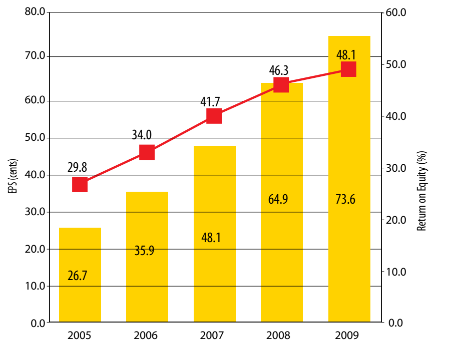
Store Expansion Nationwide



Stockturns Remain Strong



Shareholder Returns Growing



L-R: Bill Stevens, Brian Beattie, Kevin Elkington, Gerry Masters

MANAGING DIRECTOR'S REPORT

SAP successfully implemented

Queensland Distribution Centre under construction

First Tasmanian store opened

What a year. With the global financial crisis impacting consumer confidence, volatility in the Australian dollar at unprecedented levels and significant resources devoted to major strategic initiatives the business has produced a very pleasing result.

Overview of operational performance

The Reject Shop currently operates 171 stores across Australia including our first Tasmanian store in Hobart. We now are a truly national retailer with more organic growth available in all states.

Our store opening program was again robust with 22 new stores opening during the year. This is despite a reduction in shopping centre developments which has been a strong source of new sites in past years. With a national store base, we have the ability and resources to open more stores provided they meet our strict financial and operating criteria. Maintaining our existing store portfolio is also a critical factor to our growth and we were able to "right size", relocate or refurbish 7 stores during the year.

During the year we continued to enhance our merchandise team with several strategic appointments to provide increased focus on planning and timing of deliveries. In addition, we spent considerable time talking with our customers both in structured focus groups and in store feedback forms to ensure our offer remains relevant. The volatility of the Australian dollar during the year meant we needed to balance the increased cost of product against our competitive stance and value offering.

This year represented a significant step towards our long term strategic aim to enhance our supply chain. Construction on our new Queensland Distribution centre has commenced and we have made significant progress on the internal design and operational requirements. We introduced overseas freight consolidation in February which enables us to improve both quantification and timing of inventory into the business as well as being a critical component to servicing our Queensland Distribution Centre. We also expanded our capacity at our existing Melbourne Airport facility to service stores closer to rate of sale. These initiatives provide a base for further improvements over the next few years.

Another significant milestone was achieved with the successful implementation of a new SAP system in May 2009. The implementation was the culmination of nearly two years hard work and was a resounding success. The new system provides the platform for future growth as well as increased enhancements required to support stock flow initiatives.

Overview of industry trends

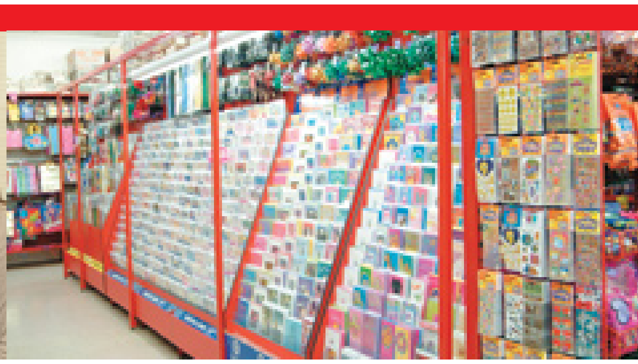
During the year a major competitor went into receivership which provided the opportunity for the Company to strategically assess the potential acquisition of a number of stores across all states. Although we were unsuccessful in our bid to acquire a number of stores we have subsequently been able to secure some quality sites as a result of the process. As always we will keep a strong watch on all our competitors during the year to ensure our offer remains competitive and relevant.

Overview of financial performance

Sales grew by 16.8% to $412.2 million for the full year, reflecting comparable store growth for the year of 5.6% coupled with 22 new store openings. As a result net profit after tax grew by 13.9% to $19.0 million for the year.

The full year result incorporates a 52 week trading period compared to 53 weeks for the corresponding period last year. This impacts the comparison between the periods on both sales and net profit after tax. Excluding the impact of the additional week's trading in FY2008 the NPAT increase would have been approximately 22%.

Our sales growth reflects our continual focus on maintaining a competitive offer against other retailers. With the Australian dollar dropping markedly during the year the need to maintain price competitiveness was paramount and resulted in some margin reduction. Whilst some price inflation was evident our sales performance was underpinned by our commitment to our value offer during the second half in particular. The contribution from our new stores was also strong with a number performing well above initial expectations.



5.6% comparable stores growth

22 new stores

"Our journey continues…"

Our gross margin as a percentage of sales reduced significantly compared to the prior year reflecting the significant impact from a declining exchange rate which was absorbed in our competitive stance. Improvements in shrinkage and reduced fuel prices offset the reduction to a limited degree.

Operating costs excluding depreciation and amortisation were well controlled during the period. We leveraged our strong sales against our store operating costs and continued to invest in our people. All costs associated with the review of the acquisition of a major competitor have been expensed in the period. Depreciation as a percentage of sales remained relatively stable despite our continued investments in new stores and keeping our existing stores fresh.

As a result of our continued investment in new stores and increased overseas sourcing we have utilised our balance sheet and increased debt to support our growth. With significant investment to come in both new store openings and the new Queensland distribution centre, we have taken the opportunity to review our debt structure going forward and will shortly implement a three year facility aligned to our projected requirements. Appropriate capital management during this significant investment cycle will remain a priority.

Outlook

We have identified and secured opening dates for another 23 new stores for FY2010 which will be a record store opening program. The openings are spread across Australia including a further Tasmanian store and strong growth in Western Australia and Queensland

Strategically FY2010 is expected to be another challenging year. To support the introduction of the Queensland distribution centre in early FY2011 we will increase the number and use of overseas freight consolidation facilities during the year and review current buying practices to ensure both distribution centres are serviced optimally once established. The Queensland facility will commence internal fitout in early calendar 2010 with a robust cutover and testing phase already planned.

We will continue to bed down the new SAP system to ensure we derive known benefits and assess future enhancements including planning and forecasting tools.

Our forecast profit result incorporates the need to absorb additional operating expenses during the testing and cutover phases of the new Queensland distribution centre. The current economic environment will no doubt present some challenges over the short term however we believe we can still deliver strong growth and are forecasting our net profit after tax for the year to be in the range of $21.4 million to $21.6 million

Our Team

Consistent with the Chairman's sentiments, I would also like to acknowledge Charlie McShanag's great contribution to our business over the past 23 years, and wish him and his family well for the future.

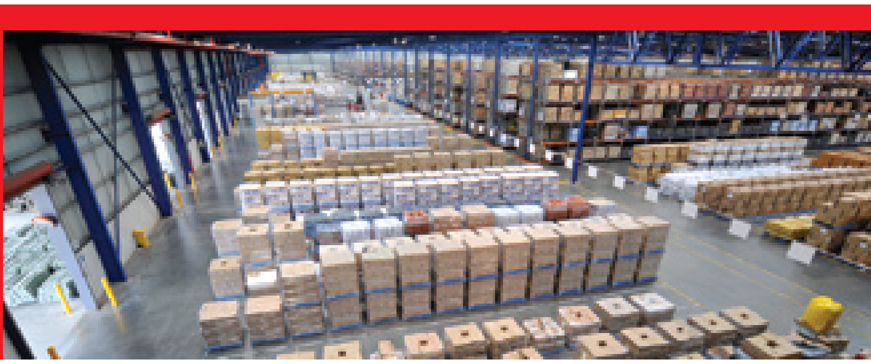
I would also like to take this opportunity to congratulate Andy McShanag on his promotion to General Manager-Merchandise in June this year. Andy has a proven track record and a wealth of experience in Discount Variety retailing. We look forward to his contribution as we take our business forward.

I would also like to take this opportunity to thank all our team members throughout the business for their contribution during FY09. We continue to deliver strongly in line with the agenda set.

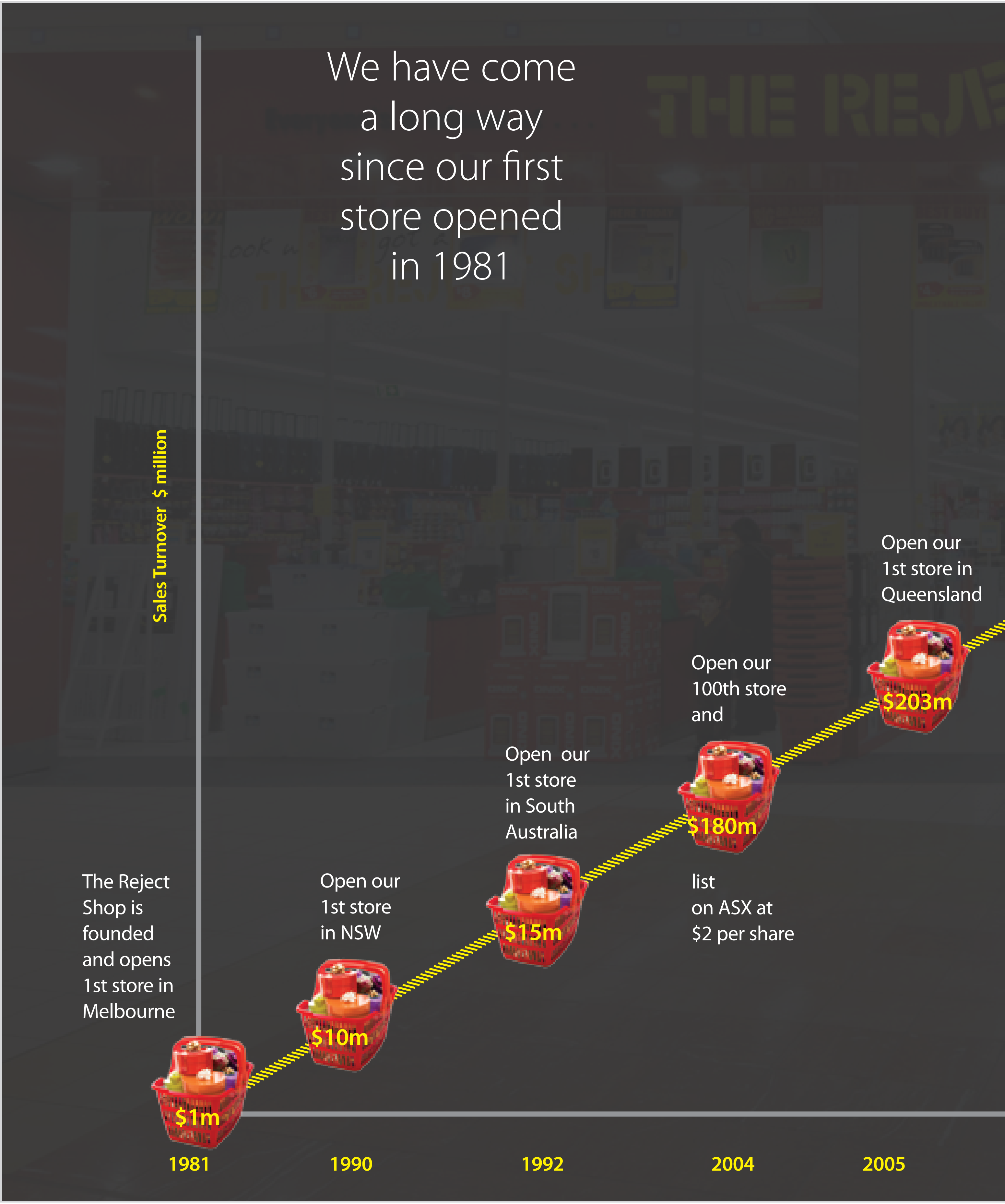
The Journey Continues

Over the past few years and those to come we have identified and commenced implementation of a number of strategic objectives designed to establish the platform for long term profitable growth. Whilst these naturally present challenges and are not without some risk the opportunities they represent are significant and with dedication and focus are achievable.

Gerry Masters
Managing Director



OUR JOURNEY SO FAR –WITH MORE TO COME




Open our
1st store
in WA
$237m
Open our
Distribution
Centre at
Melbourne
Airport
We enter
ASX Top 300
$280m
We open
our 150th
store
$353m
Open our
1st store in
Tasmania
$412m
SAP
implementation
Go Live
Queensland
Distribution
Centre to
open
We believe
our journey
has only
just begun
2006
2007
2008
2009
2010

THE BOARD OF DIRECTORS

Brian Beattie
Non-Executive Chairman

Brian has extensive management experience in the retail industry spanning more than 30 years, including eight years with Woolworths Limited and 24 years with Coles Myer Ltd including five years as Managing Director of Target and three years as Managing Director of Coles Supermarkets. He was Chief Executive Officer of the Victoria Racing Club for 8 years. Brian was chairman of the Austin Group until 2006.

Brian joined the Board of The Reject Shop Limited in February 2004.

Gerry Masters
Managing Director

Gerry has an extensive and successful retail track record spanning more than 33 years with the Coles Myer Group, culminating in a 10 year period as Managing Director for Bi-Lo, Coles and then Coles Myer Supermarkets.

Gerry joined The Reject Shop Limited in March 2007.

Kevin Elkington *LLB, B.Juris, FCIS*
Non-Executive Director

Kevin is currently Managing Director of EKM Legal, a specialist law firm, providing specialised intellectual property and commercial advice to Australian and overseas clients. He has had a 28 year career as a corporate lawyer and company secretary in some of Australia's leading public companies including Coles Myer. He was previously a Director for Austin Group Limited and is currently a member and regular lecturer at the Australian Institute of Chartered Secretaries.

Kevin joined the Board of The Reject Shop Limited in February 2008.

Bill Stevens *FCA*
Non-Executive Director

Bill is a Fellow of the Institute of Chartered Accountants in Australia with an extensive career with KPMG (formerly Touche Ross) for 37 years, including 22 years as a partner. During his time with KPMG, he was client service and engagement partner for major clients including BHP Billiton, Santos, Pacific Dunlop/Ansell and Pacific Brands. More recently Bill has worked as the CEO of the Pacific Edge Group and LaTrobe Lignite Developments, and is also a director of Dennis Family Holdings and National Golf Holdings Ltd. Bill joined the Board of The Reject Shop Limited in August 2008.

L-R: Kevin Elkington, Brian Beattie, Bill Stevens, Gerry Masters

THE MANAGEMENT TEAM

Ron Jones
General Manager - Retail Operations

Ron began his retail career in the United Kingdom and during his over 40 year career has held senior retail operational positions in New Zealand, the United States and Australia. In 1988, Ron relocated to Australia with Bi-Lo Supermarkets, and after holding senior positions with various companies joined The Reject Shop in February 2000.

Andy McShanag
General Manager - Merchandise

Andy started with The Reject Shop as a casual 23 years ago and progressed to the level of Area Manager before moving into the merchandise department in 1996, where he has held several senior roles including Senior Buyer and then Merchandise Controller. Andy was appointed General Manager - Merchandise in June 2009.

Chris Bryce BCom, CA
Chief Financial Officer

Prior to joining The Reject Shop, Chris spent over ten years with PricewaterhouseCoopers in Australia and the United States. Chris was CFO and then General Manager of a computer and internet company, before joining The Reject Shop in February 2003. Chris was Company Secretary from April 2006 to August 2008.

Philip Beckett
General Manager - Logistics

Philip has 38 years experience in senior management roles in retail distribution, including 21 years with Coles Myer Ltd. Philip is a member of the Logistics Association of Australia. Philip joined The Reject Shop in January 2002.

Phillip Nutbean AREI
General Manager - Property

Phillip has worked in commercial and retail real estate for over 30 years including four years with Coles Myer Ltd. Phillip joined The Reject Shop, first as a consultant in 1995 and then as Property Manager from May 2001.

Jeff Bell
General Manager - Human Resources

Jeff has a broad and extensive background in human resources across a variety of industry sectors. He has held senior management positions in large automotive, manufacturing and retail organisations including Arnott's and Venture Stores. Jeff joined The Reject Shop in November 1995.

Darren O'Connor BAppSc
Chief Information Officer

Darren has had over 25 years experience in IT development, analysis, support and management in both Australia and the United Kingdom specialising in managing information systems in branch model organisations such as retailers, rural suppliers and gaming companies. Darren joined The Reject Shop in July 2001.

Richard McGough
General Manager - Marketing

Richard has held senior management positions in various industry sectors. He has extensive experience in marketing & merchandising and led the marketing functions at Coles, Bi-Lo & Black & Decker. Richard joined The Reject Shop in May 2008.

Darren Briggs BCom, CA, ACIS
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.

A TRULY NATIONAL DISCOUNT VARIETY RETAILER

In FY2009 we again continued to build on our store base and became a truly national retailer when we opened our first store in Hobart, Tasmania. Our stated aim is to open around 20 new stores each year and with 22 quality new stores opened this year we more than achieved our aim.

As can be seen in the graph below, we now have a presence in each state, with some states more mature such as NSW, Victoria and New South Wales whilst we have only recently ventured into states such as Queensland and Western Australia. Mature or not we still see plenty of growth ahead of us in all parts of Australia. With the opening of the new Queensland distribution centre scheduled for early FY2011 the northern part of Queensland is now a viable growth area.

With each new store we attempt to improve the customer experience and this year we opened a concept store in Sunshine, Victoria. Whilst the store still offers the great range and value of all our stores, we took the opportunity to trial some different layouts, signage and fixtures, which include:

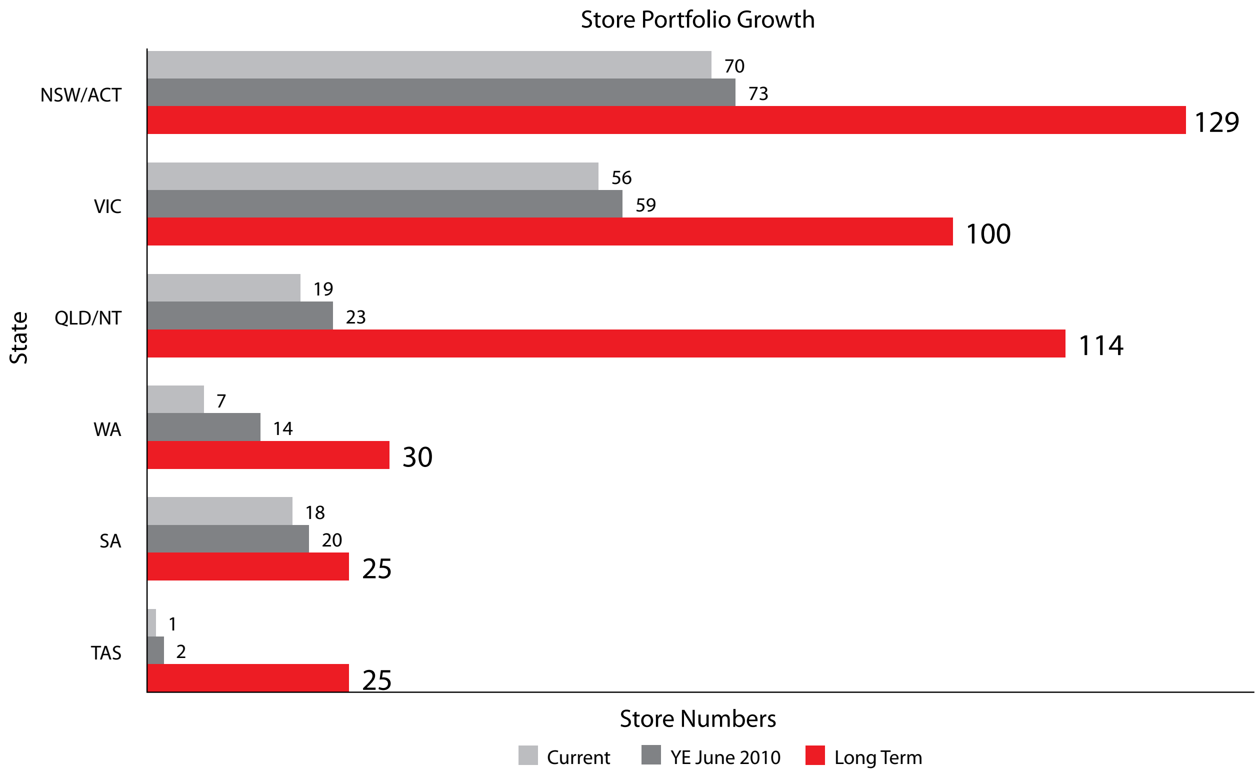
- single lane checkouts to assist customers during busy times;
- departmental and aisle signage to assist customers to find what they are looking for; and
- shelving to present merchandise differently.

This store will enable us to find out what works and what does not and then roll out the improvements across the entire store portfolio.

Whilst opening stores is exciting, maintaining the standards and customer experience in our existing stores is also of paramount importance. Each year we aim to refurbish at least 10% of our store base. This may mean simply re-painting, improving the lighting, re-tiling the floor or a complete refurbishment such that the store is brand new at re-opening.

In addition we are also acutely aware of our obligations when it comes to assisting the "green" effort. Whilst we lease our premises and therefore can only influence those opportunities within our control we are proud of the improvements we have made. These include: energy efficient lighting, re-usable flooring and powering off computer equipment at stores when not in use.

All these initiatives we hope will continue to make The Reject Shop a great place to shop.



Corporate Governance Statement and Financial Report

for the year ended 28 June 2009

CORPORATE GOVERNANCE STATEMENT

The Company and the Board have set and maintained high standards of corporate governance. The Company has complied, where practicable, with the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003.

A summary of the Company's main corporate governance practices are outlined below and were in place for the entire year, unless otherwise stated.

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 directors including three non-executive directors. Each non-executive director is individually assessed, on an annual basis, for independence based on the following criteria:

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

Materiality is assessed on both qualitative and quantitative bases.

The Managing Director is not considered an independent director based on the above criteria. All remaining directors satisfy all criteria above and are considered independent directors.

Details of each directors' experience is contained on page 8 and their attendance at Board and Committee meetings is contained in the Directors' Report on page 15 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;
- 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, seek independent professional advice.

To assist in meeting its responsibilities the Board has established the Audit and Remuneration Committees, 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.

Annual Performance Reviews

The Company conducted an annual performance evaluation of all directors in September 2008 with the current review scheduled for September 2009. 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 Committee

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

Composition of the Audit Committee

The Audit Committee Charter, in line with the recommendations outlined by the Corporate Governance Council, states 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 Committee currently comprises the following members:

AC McMorron (Chairman, retired 15 October 2009)

WJ Stevens (Chairman, appointed 15 October 2009)

BJ Beattie

KJ Elkington

Role of the Audit Committee

The role of the Audit 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 Committee

- Reviewing the integrity of accounting principles adopted by management in the presentation of financial reports;
- Regularly reviewing, assessing and updating internal controls and risk management;
- 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 Committee. Whilst not a member of the Audit 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

It is the role of the Audit Committee to oversee the management of risk within the business on behalf of the Board. The Company has established policies and practices which mitigate business and financial risk including but not limited to the following key areas:

Business Risks

- Identification of non-compliance with policy and procedures;
- Prevention and detection of fraud,
- Property portfolio management, including new site or relocation evaluations;
- Occupational, health and safety;
- Public, product and regulatory liability exposure;
- Disaster recovery and business continuity assessment and planning;
- Insurance;
- Protection of intellectual property, including key employees; and
- Data integrity, management and retention.

Financial Risks

- Capital expenditure;
- Foreign exchange exposure;
- Significant areas of expenditure;
- Stock and working capital management; and
- Cash management.

The Company's Audit and Loss Prevention and Product Compliance functions provide ongoing assurance to the Board and management that established procedures and requirements are being met. In addition, a comprehensive analysis of the risks noted above is prepared for review by the Audit Committee at the end of each half year.

The Managing Director 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

CORPORATE GOVERNANCE STATEMENT

- 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 Managing Director and the Chief Financial Officer.

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.

Annual and half year reports, media and analysts' presentations and press releases 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 periods during the year, namely between 24 hours and 30 days after announcement of the Company's half yearly results, and between 24 hours after the announcement of the Company's year-end result and 30 days after the close of the Company's annual general meeting.

Remuneration Committee

The Remuneration Committee Charter outlines the composition and responsibilities of the Remuneration Committee, as outlined below:

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 comprises the following members:

BJ Beattie (Chairman)

KJ Elkington

AC McMorron (retired 15 October 2009)

W Stevens (appointed 15 October 2009)

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 49 to 53 of this annual report.

DIRECTORS' REPORT

Your directors present their report on the Company and its subsidiary for the financial year ended 28 June 2009.

Directors

The following persons were directors of The Reject Shop Limited during the whole of the financial year and up to the date of this report.

BJ Beattie

Chairman, Non-executive director, Chairman of the Remuneration Committee and Member of the Audit Committee

GJ Masters

Managing Director

KJ Elkington

Non-executive director, Member of the Audit Committee and Member of the Remuneration Committee

WJ Stevens

Was appointed as a Non-executive director on 22 August 2008 and was appointed as Chairman of the Audit Committee and a Member of the Remuneration Committee on 15 October 2008 and continues in these offices at the date of this report.

AC McMorron

Was a director from the beginning of the financial year until his retirement on 15 October 2008.

Details of the experience and expertise of the directors and the Company Secretary are outlined on pages 8 and 9 of this annual report.

Retirement of Director

In accordance with the Company's Constitution, BJ Beattie will retire as a director at the annual general meeting and will offer himself for re-election.

Meetings of Directors

The number of meetings of the Board of directors and Committees held during the year ended 28 June 2009 and the number of meetings attended by each director were:

	Director Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
Director	A	B	A	B	A	B
BJ Beattie	17	17	3	3	6	6
GJ Masters	17	17	XX	XX	XX	XX
AC McMorron	4	4	2	2	2	2
KJ Elkington	17	17	3	3	6	6
WJ Stevens	15	15	1	1	4	4

A – Number of meetings attended

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

XX - Not a member of relevant Committee

Principal Activities

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

DIRECTORS' REPORT

Dividends

Dividends paid to members during the financial year were:

(i) A final ordinary dividend for the financial year ended 29 June 2008 of 19.0 cents per share totalling $4,905,357 paid on 13 October 2008; and

(ii) An interim ordinary dividend for the financial year ended 28 June 2009 of 32.0 cents per share totalling $8,261,654 was paid on the 17 April 2009.

Since the end of the financial year the directors have declared the payment of a final ordinary dividend of 23.0 cents per share. Dividends are fully franked at a tax rate of 30% and will be paid on 12 October 2009.

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

Review of Operations

The profit of the consolidated entity for the financial year after providing for income tax amounted to $18,994,824 (2008: $16,670,645). A detailed review of operations is provided on pages 2 to 5 of this annual 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 Year

No matters or circumstances have arisen since the end of the financial year 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 years.

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 years are contained on pages 2 to 5 of this annual report.

Environmental Regulation

The consolidated entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

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.

Proceedings on Behalf of the Company

No person has applied for Leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

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.

Remuneration Report

The remuneration report is set out in the following sections:

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 rates. The composition, role and responsibility of the Committee is outlined in the Corporate Governance Statement on page 14 of this annual report.

Directors' fees

The current aggregate limit for non-executive directors' fees is $350,000 per annum with a base fee payable (including superannuation) to the Chairman of $155,050 and to a non-executive director currently of $87,500 per annum. The Chairman's remuneration is inclusive of Committee fees while non-executive directors who take on additional responsibilities receive additional fees. The Managing Director does not receive directors' fees.

Directors' fees are reviewed annually, with external remuneration consultants providing advice to ensure fees reflect market rates. There are no guaranteed annual increases in any director's fees.

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

The following fees have applied

Base Fees	
Chairman	$155,050 (FY2008: $146,800)
Other non-executive directors	$87,500 (FY2008: $80,200)
Additional Fees	
Audit committee – chairman	$5,000
Audit committee – member	$nil
Remuneration committee – chairman	$nil
Remuneration committee – member	$nil

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 bonus, either in the form of cash or 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

DIRECTORS' REPORT

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. 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

The Remuneration Committee has established earnings before interest and tax (EBIT) as the appropriate financial performance target to trigger payment of cash incentives for each year. This criterion was determined based on comparative research against the market and advice from external consultants. The audited financial report is the basis for measuring achievement against the financial performance target.

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

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. The Remuneration Committee has chosen Earnings Per Share (EPS) as the appropriate financial performance target. This criterion was determined based on comparative research against the market and advice from external consultants. The audited financial report is the basis for measuring achievement against the financial performance target.

Performance rights which are an entitlement to a share, vest one year after the performance target has been achieved and only if the employee remains employed at that date. The value of each right granted is measured, at grant date, using a Black-Scholes option pricing model.

Performance rights granted since listing are exercisable based on the Company achieving compound growth in EPS over a 3 year period commencing from the prior audited financial period. Each grant consists of three hurdle rates whereby:

- Approximately 50% of the total performance rights granted are exercisable if the EPS growth is between 7.5% and 9.99%;
- Approximately 75% of the total performance rights granted are exercisable if the EPS growth is between 10% and 12.5%;
- 100% of the total performance rights granted are exercisable if the EPS growth exceeds 12.5%.

Executive Option Plan

The Executive Option Plan was the long-term incentive plan for the Company prior to the introduction of the Company's Performance Rights Plan. The Board does not currently intend to issue further options under this plan.

Options have not been granted since FY2004 and have not impacted the remuneration of any director or other key management personnel in the current or prior year.

B – Details of remuneration

The following persons along with the directors 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 year. The key management personnel also include the five highest paid officers:

CT McShanag – General Manager, Merchandise (until 1 June 2009)
DR Jones – General Manager, Store Operations
CJ Bryce – Chief Financial Officer
DJ O'Connor – Chief Information Officer
PG Beckett – General Manager, Logistics
P Nutbean – General Manager, Property
J Bell – General Manager, Human Resources
RJ McGough – General Manager, Marketing
DR Briggs – Company Secretary and Financial Controller
AM McShanag - General Manager, Merchandise (since 1 June 2009)

All of the above persons were employed by The Reject Shop Limited and together with the Managing Director were key management personnel for the entire year ended 28 June 2009 and the year ended 29 June 2008, 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 years are set out in the following tables:

2009	Short-term benefits			Post-employment benefits		Share-based payments			Proportion of Remuneration as performance related
Name	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Retirement Benefits	Performance Rights	Proportion of Remuneration as equity related	Total	
	$	$	$	$	$	$	%	$	%
Non-executive Directors									
BJ Beattie	142,248	-	-	12,802	-	-	-	155,050	-
AC McMorron	23,311	-	-	2,098	-	-	-	25,409	-
KJ Elkington	80,230	-	-	7,270	-	-	-	87,500	-
WJ Stevens	69,144	-	-	6,223	-	-	-	75,367	-
Total Non-executive Directors	**314,933**	**-**	**-**	**28,393**	**-**	**-**	**-**	**343,326**	**-**
Executive Directors									
GJ Masters	671,875	86,974	5,159	57,319	-	43,899	5.1%	865,226	15.1%
Total Executive Directors	**671,875**	**86,974**	**5,159**	**57,319**	**-**	**43,899**	**5.1%**	**865,226**	**15.1%**
Other Key Management Personnel									
CT McShanag*	365,567	46,298	2,492	32,901	-	31,278	6.5%	478,536	16.2%
DR Jones	332,216	41,518	-	28,459	-	57,575	12.5%	459,768	21.6%
CJ Bryce	275,367	23,849	3,921	23,433	-	49,765	13.2%	376,335	19.6%
DJ O'Connor	231,463	14,170	-	13,745	-	37,567	12.7%	296,945	17.4%
PG Beckett	209,380	17,332	4,376	13,745	-	34,122	12.2%	278,955	18.4%
P Nutbean	148,670	8,380	21,449	13,380	-	26,715	12.2%	218,594	16.1%
J Bell	154,267	7,984	2,601	12,984	-	26,511	13.0%	204,347	16.9%
RJ McGough	165,138	13,512	1,080	14,862	-	7,136	3.5%	201,728	10.2%
DR Briggs	185,794	11,042	-	14,206	-	5,709	2.6%	216,751	7.7%
AM McShanag	251,073	23,368	2,538	22,597	-	29,182	8.9%	328,758	16.0%
Total Other Key Management Personnel	**2,318,935**	**207,453**	**38,457**	**190,312**	**-**	**305,560**	**-**	**3,060,717**	**-**
Total	**3,305,743**	**294,427**	**43,616**	**276,024**	**-**	**349,459**	**-**	**4,269,269**	**-**

* *CT McShanag ceased his role as General Manager, Merchandise on 1st June 2009 although he continued in a full-time capacity with the company until 31st July 2009. Thereafter he will work in a part-time consulting capacity before departing the company in December 2009.*

DIRECTORS' REPORT

2008	Short-term benefits			Post-employment benefits		Share-based payments			Proportion of Remuneration as performance related
Name	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Retirement Benefits	Performance Rights	Proportion of Remuneration as equity related	Total	
	$	$	$	$	$	$	%	$	%
Non-executive Directors									
BJ Beattie	133,639	-	-	12,028	-	-	-	145,667	-
AC McMorron	77,783	-	-	7,000	-	-	-	84,783	-
J Shuster	48,486	-	-	4,364	-	-	-	52,850	-
KJ Elkington	26,790	-	-	2,628	-	-	-	29,418	-
Total Non-executive Directors	**286,698**	**-**	**-**	**26,020**	**-**	**-**	**-**	**312,718**	**-**
Executive Directors									
GJ Masters	635,000	337,500	4,602	54,000	-	37,259	3.5%	1,068,361	35.1%
BAE Saunders*	205,495	-	387	554	120,000	-	-	326,436	-
Total Executive Directors	**840,495**	**337,500**	**4,989**	**54,554**	**120,000**	**37,259**	**-**	**1,394,797**	**-**
Other Key Management Personnel									
CT McShanag	306,805	133,923	64,795	27,713	-	66,209	11.0%	599,445	33.4%
DR Jones	313,019	124,690	-	26,732	-	48,584	9.5%	513,025	33.8%
CJ Bryce	259,587	118,052	4,049	22,013	-	41,505	9.3%	445,206	35.8%
DJ O'Connor	220,225	53,078	-	13,129	-	30,992	9.8%	317,424	26.5%
PG Beckett	199,204	41,423	4,653	13,129	-	28,172	9.8%	286,581	24.3%
P Nutbean	147,991	39,566	23,337	13,319	-	20,977	8.6%	245,190	24.7%
J Bell	136,125	38,542	3,982	11,351	-	20,977	9.9%	210,977	28.2%
RJ McGough	26,464	-	-	2,382	-	-	-	28,846	-
DR Briggs	23,759	-	-	2,138	-	-	-	25,897	-
Total Other Key Management Personnel	**1,633,179**	**549,274**	**100,816**	**131,906**	**-**	**257,416**	**-**	**2,672,591**	**-**
Total	**2,760,372**	**886,774**	**105,805**	**212,480**	**120,000**	**294,675**	**-**	**4,380,106**	**-**

** Above amounts do not include $100,000 per annum payable to BAE Saunders from 1 July 2007 for a 2 year non-compete and consulting services arrangement. Cash salary and fees include payment of leave entitlements on retirement.*

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

C - Service agreements

The following key management personnel have service agreements which provide additional terms or benefits not already disclosed. The major provisions of these agreements are set out below:

GJ Masters, Managing Director

- An annual incentive of 1.5% of base salary is payable if EBIT is 6% above the prior year; and a further 1.5% is payable for each 1% EBIT is higher than 6% above the prior year. The bonus increases to 2.25% of base salary for each 1% EBIT is higher than 20% above the prior year.
- A period of notice of 12 months is required by the Company or GJ Masters to terminate employment. The Company has the option of requiring GJ Masters to only work part of the notice period and make payment in lieu of the unworked balance of the notice period.

CJ Bryce, Chief Financial Officer:

- CJ Bryce is entitled to three months remuneration in the event of redundancy caused by a merger or takeover.

DJ O'Connor, Chief Information Officer

- A period of notice of 6 months is required by the Company or DJ O'Connor to terminate employment.

All key management personnel are on employment terms consistent with the remuneration framework outlined in this report. Other than those noted above no other key management personnel have a defined period of notice with respect to termination.

D – Share-based compensation

The number of performance rights over shares in the Company provided as remuneration to executive directors and other key management personnel during the current financial year is set out below:

2009	Grant Date	Rights Granted during the year	Date Exercisable	Expiry Date	Total fair value of Performance Rights at Grant Date $	Performance Rights vested during the year
Executive Directors						
GJ Masters	19 Aug 2008	1,200	1 Jul 2011	15 Aug 2012	10,790	-
Other Key Management Personnel						
CT McShanag	19 Aug 2008	7,400	2 Jul 2012	19 Aug 2013	64,467	20,000
CT McShanag	19 Aug 2008	400	1 Jul 2011	15 Aug 2012	3,597	
DR Jones	19 Aug 2008	6,900	2 Jul 2012	19 Aug 2013	60,111	20,000
DR Jones	19 Aug 2008	400	1 Jul 2011	15 Aug 2012	3,597	
CJ Bryce	19 Aug 2008	6,000	2 Jul 2012	19 Aug 2013	52,270	15,625
CJ Bryce	19 Aug 2008	300	1 Jul 2011	15 Aug 2012	2,697	
DJ O'Connor	19 Aug 2008	4,800	2 Jul 2012	19 Aug 2013	41,816	12,500
DJ O'Connor	19 Aug 2008	200	1 Jul 2011	15 Aug 2012	1,798	
PG Beckett	19 Aug 2008	4,100	2 Jul 2012	19 Aug 2013	35,718	10,000
PG Beckett	19 Aug 2008	200	1 Jul 2011	15 Aug 2012	1,798	
P Nutbean	19 Aug 2008	3,400	2 Jul 2012	19 Aug 2013	29,620	6,250
P Nutbean	19 Aug 2008	200	1 Jul 2011	15 Aug 2012	1,798	
J Bell	19 Aug 2008	3,300	2 Jul 2012	19 Aug 2013	28,749	6,250
J Bell	19 Aug 2008	200	1 Jul 2011	15 Aug 2012	1,798	
RJ McGough	19 Aug 2008	3,500	2 Jul 2012	19 Aug 2013	30,491	-
DR Briggs	19 Aug 2008	2,800	2 Jul 2012	19 Aug 2013	24,393	-
AM McShanag	19 Aug 2008	3,400	2 Jul 2012	19 Aug 2013	29,620	12,500
AM McShanag	19 Aug 2008	200	1 Jul 2011	15 Aug 2012	1,798	
Total		**48,900**			**426,926**	**103,125**

DIRECTORS' REPORT

2008	Grant Date	Rights Granted during the year	Date Exercisable	Expiry Date	Total fair value of Performance Rights at Grant Date $	Performance Rights vested during the year
Executive Directors						
GJ Masters	15 Aug 2007	14,400	1 Jul 2011	15 Aug 2012	159,264	-
Other Key Management Personnel						
CT McShanag	15 Aug 2007	5,300	1 Jul 2011	15 Aug 2012	58,618	15,625
DR Jones	15 Aug 2007	5,100	1 Jul 2011	15 Aug 2012	56,406	20,000
CJ Bryce	15 Aug 2007	4,100	1 Jul 2011	15 Aug 2012	45,346	15,625
DJ O'Connor	15 Aug 2007	3,600	1 Jul 2011	15 Aug 2012	39,816	12,500
PG Beckett	15 Aug 2007	3,100	1 Jul 2011	15 Aug 2012	34,286	10,000
P Nutbean	15 Aug 2007	2,400	1 Jul 2011	15 Aug 2012	26,544	6,250
J Bell	15 Aug 2007	2,400	1 Jul 2011	15 Aug 2012	26,544	6,250
RJ McGough	-	-	-	-	-	-
DR Briggs	-	-	-	-	-	-
Total		**40,400**			**446,824**	**86,250**

The fair value of performance rights granted on 19 August 2008 at grant date with an expiry date of 15 August 2012 was $8.99.

The fair value of performance rights granted on 19 August 2008 at grant date with an expiry date of 19 August 2013 was $8.71.

All performance rights granted during the current year 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 per employee 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.

No options were granted or vested in FY2008 or FY2009 and no options remain outstanding at the date of this report.

Subsequent to year end, a grant of 35,600 performance rights was made to key management personnel on 18 August 2009. In addition 117,000 performance rights granted to key management personnel vested subsequent to year end, of which 117,000 have been exercised.

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

The number of shares issued to directors and other key management personnel on exercise of options or performance rights during the current and prior financial year are outlined in the following tables:

2009	Type	Date Granted	Date Exercised	Number of Shares Issued	Exercise Price $
Executive Directors					
GJ Masters	Rights	-	-	-	-
Other Key Management Personnel					
CT McShanag	Rights	1 Jun 2004	1 Jul 2008	15,625	-
CT McShanag	Rights	12 Jul 2006	1 Jul 2008	4,375	-
DR Jones	Rights	1 Jun 2004	1 Jul 2008	20,000	-
CJ Bryce	Rights	1 Jun 2004	1 Jul 2008	15,625	-
DJ O'Connor	Rights	1 Jun 2004	1 Jul 2008	12,500	-
PG Beckett	Rights	1 Jun 2004	1 Jul 2008	10,000	-
P Nutbean	Rights	1 Jun 2004	1 Jul 2008	6,250	-
J Bell	Rights	1 Jun 2004	1 Jul 2008	6,250	-
RJ McGough	Rights	-	-	-	-
DR Briggs	Rights	-	-	-	-
AM McShanag	Rights	1 Jun 2004	1 Jul 2008	12,500	-
Total				**103,125**	**-**

2008	Type	Date Granted	Date Exercised	Number of Shares Issued	Exercise Price $
Executive Directors					
GJ Masters	-	-	-	-	-
Other Key Management Personnel					
CT McShanag	Rights	1 Jun 2004	10 Jul 2007	15,625	-
DR Jones	Rights	1 Jun 2004	10 Jul 2007	20,000	-
CJ Bryce	Rights	1 Jun 2004	10 Jul 2007	15,625	-
DJ O'Connor	Rights	1 Jun 2004	10 Jul 2007	12,500	-
PG Beckett	Rights	1 Jun 2004	10 Jul 2007	10,000	-
P Nutbean	Rights	1 Jun 2004	10 Jul 2007	6,250	-
J Bell	Rights	1 Jun 2004	10 Jul 2007	6,250	-
RJ McGough	-	-	-	-	-
DR Briggs	-	-	-	-	-
Total				**86,250**	**-**

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

DIRECTORS' REPORT

E – Additional information

Cash Bonuses and Performance Rights

For each cash bonus and grant of performance rights included in the table below, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is as listed. No part of the cash bonuses are payable in future years. 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.

	Cash Bonus		Performance Rights				
	Paid %	Forfeited %	Date Granted	Vested %	Forfeited %	Financial years in which rights may vest	Maximum total value of grants yet to vest $
Executive Directors							
GJ Masters	100	0	FY2009	0	0	FY2012	10,790
			FY2008	0	0	FY2012	159,264
Other Key Management Personnel							
CT McShanag			FY2009	0	0	FY2013	64,467
	100	0	FY2009	0	0	FY2012	3,597
			FY2008	0	0	FY2012	58,618
			FY2007	0	0	FY2009	23,319
			FY2007	0	0	FY2010	47,970
			FY2007	0	0	FY2011	60,588
			FY2006	0	0	FY2010	29,520
DR Jones	100	0	FY2009	0	0	FY2013	60,111
			FY2009	0	0	FY2012	3,597
			FY2008	0	0	FY2012	56,406
			FY2007	0	0	FY2011	58,212
			FY2006	0	0	FY2010	51,660
CJ Bryce	100	0	FY2009	0	0	FY2013	52,270
			FY2009	0	0	FY2012	2,697
			FY2008	0	0	FY2012	45,346
			FY2007	0	0	FY2011	46,926
			FY2006	0	0	FY2010	51,660
DJ O'Connor	100	0	FY2009	0	0	FY2013	41,816
			FY2009	0	0	FY2012	1,798
			FY2008	0	0	FY2012	39,816
			FY2007	0	0	FY2011	37,422
			FY2006	0	0	FY2010	29,520
PG Beckett	100	0	FY2009	0	0	FY2013	35,718
			FY2009	0	0	FY2012	1,798
			FY2008	0	0	FY2012	34,286
			FY2007	0	0	FY2011	35,046
			FY2006	0	0	FY2010	29,520
P Nutbean	100	0	FY2009	0	0	FY2013	29,620
			FY2009	0	0	FY2012	1,798
			FY2008	0	0	FY2012	26,544
			FY2007	0	0	FY2011	26,730
			FY2006	0	0	FY2010	22,140
J Bell	100	0	FY2009	0	0	FY2013	28,749
			FY2009	0	0	FY2012	1,798
			FY2008	0	0	FY2012	26,544
			FY2007	0	0	FY2011	26,730
			FY2006	0	0	FY2010	22,140

	Cash Bonus		Performance Rights				
	Paid %	Forfeited %	Date Granted	Vested %	Forfeited %	Financial years in which rights may vest	Maximum total value of grants yet to vest $
RJ McGough	100	0	FY2009	0	0	FY2013	30,491
DR Briggs	100	0	FY2009	0	0	FY2013	24,393
AM McShanag	100	0	FY2009	0	0	FY2013	29,620
			FY2009	0	0	FY2012	1,798
			FY2008	0	0	FY2012	27,639
			FY2007	0	0	FY2011	27,913
			FY2006	0	0	FY2010	29,520

Company Performance

The Managing Director and other key management personnel have an "at risk" component of their remuneration, based on the Company's overall financial performance and shareholder returns.

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

Year	NPAT	NPAT Growth	EPS cents per share	EPS Growth	Share price at start of year	Share price at end of year	Share price growth	Ordinary dividends paid or declared per share
FY2005	$6.5m	21.4%	26.7	16.2%	$2.00	$2.99	49.5%	$0.17
FY2006*	$9.1m	38.7%	35.9	34.5%	$2.99	$5.95	99.0%	$0.23
FY2007	$12.3m	35.8%	48.1	34.0%	$5.95	$12.80	115.1%	$0.31
FY2008	$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

** In FY2006 a special dividend of 7.5 cents was paid.*

Historical performance prior to the Company's listing is not considered meaningful with respect to the Company's performance and its impact on shareholder wealth.

Since listing, the Company's profit has grown by 21.4%, 38.7%, 35.8%, 35.6% and 13.9% and return on equity has grown by 42.3%. In addition, cumulative dividends have been paid or declared of $1.74 per share. Performance related remuneration for key management personnel who were key management personnel in both current and prior years, has reduced by approximately 53.1% in FY2009.

Shares under options or 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	Date Exercisable	Value at Grant Date $	Exercise Price $	Number on Issue
16 Aug 2006	19 Aug 2011	1 Jul 2010	5.94	-	60,500
15 Aug 2007	15 Aug 2012	I Jul 2011	11.06	-	49,400
19 Aug 2008	15 Aug 2012	1 Jul 2011	8.99	-	3,800
19 Aug 2008	15 Aug 2013	2 Jul 2012	8.71	-	63,600
					177,300

Subsequent to year end, the Board has granted a further 57,300 performance rights under the PRP.

DIRECTORS' REPORT

Shares issued and the exercise of options and performance rights

The following shares of the Company were issued during the year ended 28 June 2009 and to the date of this report on the exercise of options and performance rights:

Date Granted	Issue price of shares $	Number of shares issued
1 June 2004	-	105,000
12 July 2006	-	4,375
17 August 2005	-	132,000
12 July 2006	-	9,000
Total	**-**	**250,375**

No amounts are unpaid on any of these shares.

Remuneration of Auditors

	Consolidated Entity		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
During the year the following fees for services were paid to PricewaterhouseCoopers as the auditor of the parent entity and its subsidiaries:				
Audit and Accounting Related Services				
Audit and review work	245,000	181,000	245,000	181,000
Accounting Advice	-	4,000	-	4,000
	245,000	185,000	245,000	185,000
Tax Compliance and Consulting Services				
Tax compliance	26,900	24,500	26,900	24,500
Tax consulting advice	89,301	-	89,301	-
	116,201	24,500	116,201	24,500
Other Services				
Other assurance services	15,000	15,000	15,000	15,000
Total Remuneration	376,201	224,500	376,201	224,500

Independence of Auditors

PricewaterhouseCoopers were appointed auditors 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 Committee, does not consider these services compromised the auditor independence requirements of the Corporations act for the following reasons:

- No non-audit services reviewed by the Board impacted the impartiality and objectivity of the auditor; and
- None of the services undermined the general principles relating to auditor independence as set out in Professional Standard F1, 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 is contained on page 27 of this annual report.

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

BJ Beattie
Chairman

GJ Masters
Managing Director

19 August 2009

AUDITOR'S INDEPENDENCE DECLARATION

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331
MELBOURNE VIC 3001
DX 77
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999
Website:www.pwc.com/au

Auditor's Independence Declaration

As lead auditor for the audit of The Reject Shop Limited for the year ended 28 June 2009, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Dale McKee
Partner
PricewaterhouseCoopers

Melbourne
19 August 2009

Liability limited by a scheme approved under Professional Standards Legislation

INCOME STATEMENTS
For the Year Ended 28 June 2009

		Consolidated Entity		Parent Entity	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
Revenues from continuing operations					
Sales revenue	2	412,166	353,012	412,166	353,012
Other income	2	162	254	162	254
		412,328	353,266	412,328	353,266
Expenses					
Cost of sales		221,994	184,857	221,994	184,857
Store expenses		124,238	108,942	124,238	108,942
Administrative expenses		24,943	23,641	24,943	23,641
Warehousing expenses		12,653	10,865	12,653	10,865
		383,828	328,305	383,828	328,305
Finance costs	3	1,473	1,111	1,473	1,111
Profit before income tax		27,027	23,850	27,027	23,850
Income tax expense	4	8,032	7,179	8,032	7,179
Profit attributable to members of The Reject Shop Limited		18,995	16,671	18,995	16,671

Earnings per Share		Cents	Cents	Cents	Cents
Basic earnings per share	30	73.6	64.9	73.6	64.9
Diluted earnings per share	30	72.6	63.9	72.6	63.9

The above income statements should be read in conjunction with the accompanying notes.

BALANCE SHEETS
As at 28 June 2009

		Consolidated Entity		Parent Entity	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
CURRENT ASSETS					
Cash	5	865	5,363	865	5,363
Receivables	6	135	155	135	155
Inventories	7	39,705	35,317	39,705	35,317
Other	8	277	911	277	911
TOTAL CURRENT ASSETS		40,982	41,746	40,982	41,746
NON CURRENT ASSETS					
Other financial assets	9	-	-	1	1
Property, plant and equipment	10	49,786	40,082	49,786	40,082
Deferred tax assets	11	5,298	4,558	5,298	4,558
TOTAL NON CURRENT ASSETS		55,084	44,640	55,085	44,641
TOTAL ASSETS		96,066	86,386	96,067	86,387
CURRENT LIABILITIES					
Payables	12	18,460	15,342	19,463	16,345
Borrowings	13	11,379	9,786	11,379	9,786
Tax liabilities	14	1,796	2,837	1,796	2,837
Provisions	15	7,041	6,876	7,041	6,876
Derivative financial instruments	25	3,233	356	3,233	356
Other	16	5,289	5,990	5,289	5,990
TOTAL CURRENT LIABILITIES		47,198	41,187	48,201	42,190
NON CURRENT LIABILITIES					
Borrowings	17	2,996	4,189	2,996	4,189
Provisions	18	6,414	4,977	6,414	4,977
TOTAL NON CURRENT LIABILITIES		9,410	9,166	9,410	9,166
TOTAL LIABILITIES		56,608	50,353	57,611	51,356
NET ASSETS		39,458	36,033	38,456	35,031
EQUITY					
Contributed equity	19	3,366	4,241	3,366	4,241
Reserves	20	(348)	1,181	(348)	1,181
Retained profits	21	36,440	30,611	35,438	29,609
TOTAL EQUITY		39,458	36,033	38,456	35,031

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

STATEMENTS OF CHANGES IN EQUITY
For the Year Ended 28 June 2009

		Consolidated Entity		Parent Entity	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
Total equity at the beginning of the period		36,033	29,485	35,031	28,483
Net revaluation of cash flow hedges	20	(2,877)	501	(2,877)	501
Deferred tax credited directly to equity	19	4	55	4	55
Net income recognised directly in equity		(2,873)	556	(2,873)	556
Profit for the year	21	18,995	16,671	18,995	16,671
		52,155	46,712	51,153	45,710
Transactions with equity holders in their capacity as equity holders:					
Dividends provided for or paid	21	(13,166)	(11,055)	(13,166)	(11,055)
Share based remuneration	20	469	376	469	376
Total equity at the end of the period		39,458	36,033	38,456	35,031

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

CASH FLOW STATEMENTS

For the Year Ended 28 June 2009

		Consolidated Entity		Parent Entity	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers (inclusive of goods and services tax)		452,530	387,630	452,530	387,630
Payments to suppliers and employees (inclusive of goods and services tax)		(415,909)	(360,230)	(415,909)	(360,230)
Interest received		153	167	153	167
Borrowing costs paid		(1,473)	(1,029)	(1,473)	(1,029)
Income tax paid		(9,809)	(7,514)	(9,809)	(7,514)
Net cash inflow from operating activities	24	25,492	19,024	25,492	19,024
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		139	278	139	278
Payments for property, plant and equipment		(17,363)	(15,163)	(17,363)	(15,163)
Net cash outflow from investing activities		(17,224)	(14,885)	(17,224)	(14,885)
CASH FLOW FROM FINANCING ACTIVITIES					
Sale & leaseback		3,059	4,819	3,059	4,819
Proceeds from borrowings		-	6,500	-	6,500
Repayment of borrowings		-	(3,000)	-	(3,000)
Repayment of finance leases		(3,559)	(1,142)	(3,559)	(1,142)
Dividends paid	21	(13,166)	(11,055)	(13,166)	(11,055)
Net cash outflow from financing activities		(13,666)	(3,878)	(13,666)	(3,878)
Net increase/(decrease) in cash held		(5,398)	261	(5,398)	261
Cash at the beginning of the financial year		5,363	5,102	5,363	5,102
Net cash at the end of the year	24	(35)	5,363	(35)	5,363

The above cash flow statements 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 years presented, unless otherwise stated. The financial report includes separate financial statements for The Reject Shop Limited as an individual entity and the consolidated entity consisting of The Reject Shop Limited and its subsidiary.

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issued Group Interpretations and the *Corporations Act 2001*.

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.

(b) Principles of Consolidations

A subsidiary is an entity where The Reject Shop Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of the entity so that it operates with The Reject Shop Limited to achieve the objectives of The Reject Shop Limited. The Reject Shop Limited has a 100% owned subsidiary, TRS Trading Pty Ltd.

The consolidated financial statements incorporate all the assets and liabilities of the subsidiary of The Reject Shop Limited as at 28 June 2009 and the results for the subsidiary for the year. The Reject Shop Limited and its subsidiary are referred to in this financial report as the consolidated entity. All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation.

(c) 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.

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 stand alone tax payer in its own right.

The financial effect of the tax consolidation legislation has been recognised in these financial statements, with no material impact on the consolidated income statement or balance sheet.

(d) 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, supplier rebate and discount expenses.

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

(e) 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 – 5 years

(f) 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 lease's inception 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 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.

(g) Employee Benefits

(i) Wage 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, with payments expected beyond 12 months discounted in order to arrive at estimated future cash outflows, using the interest rates on national government bonds.

(ii) Long service leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(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 Executive Option Plan and 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.

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. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of Performance Rights, the balance of the share-based payments reserve relating to those Performance Rights is transferred to contributed equity.

(h) Cash

For cash flow statement presentation, cash includes cash on hand and at call, 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.

(i) Revenue

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.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Summary of significant accounting policies (continued)

(j) 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.

(k) Foreign Currency Translation

(i) Functional and presentation currency

Items included in the financial statements of each of the consolidated entity's 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 year end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the income statement.

(l) Trade and Other Creditors

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

(m) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

(n) Impairment of Assets

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

The Company has defined each individual store as a cash generating unit and accordingly the assessment of the carrying value of the Company's assets is on an individual store basis, with non store assets apportioned appropriately to each store.

Non-financial assets that have previously suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(o) 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.

(p) 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.

(q) Contributed Equity

Ordinary shares are classified as equity.

(r) 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 and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(s) Acquisition of Assets

The purchase method of accounting is used for all acquisition of assets. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incremental costs directly attributable to the acquisition.

(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 they are capitalised and amortised over the period of expected benefit.

(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 makegood costs with a corresponding asset added to the cost of the fitout.

(v) Store Opening Costs

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 all costs to which they relate have been incurred.

(x) 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.

(y) Critical Accounting Estimates and Judgements

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

(z) New Accounting Standards and UIG Interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 28 June 2009 reporting period. The Company's assessment of the impact of these new standards and interpretations is set out below:

(i) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-08 *Amendments to Australian Accounting Standards arising from AASB 101*. A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. The Company has not adopted the standard early.

(ii) AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* (February 2008) clarifies that vesting conditions comprise service and performance conditions only and other features of a share based payment are not vesting conditions. AASB 2008-1 also specifies that all cancellations, whether by the entity or other parties, should be accounted for in the same manner. The consolidated entity will apply the amendments to AASB 2 *Share-based Payments* from 1 July 2009, and it is not expected to impact the consolidated entity's accounting for its share-based payments.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000

Note 2: Revenue from Continuing Operations

Sales Revenue				
Sales of goods	412,166	353,012	412,166	353,012
Other Income				
Interest	153	167	153	167
Training subsidies	-	87	-	87
Other	9	-	9	-
	162	254	162	254
	412,328	353,266	412,328	353,266

Note 3: Expenses

Profit before income tax expense includes the following expenses:

Interest and finance charges paid/payable	1,473	1,111	1,473	1,111
Depreciation and amortisation	7,454	6,726	7,454	6,726
Net (gain) / loss on disposal of property, plant and equipment	66	(24)	66	(24)
Rental expenses relating to operating leases				
Minimum lease payments	49,993	41,208	49,993	41,208
Provision for rent escalation	1,262	1,362	1,262	1,362
Rent paid on percentage of sales basis	185	265	185	265
Employee benefits expense	82,273	72,052	82,273	72,052

Note 4: Income Tax Expense

(a) Income tax expense

Current tax	8,772	8,285	8,772	8,285
Deferred tax	(740)	(1,017)	(740)	(1,017)
Over provided in prior years	-	(89)	-	(89)
	8,032	7,179	8,032	7,179
Deferred income tax expense included in income tax expense comprises:				
Increase in net deferred tax assets	(740)	(1,017)	(740)	(1,017)

	Note	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Profit before income tax expense		27,027	23,850	27,027	23,850
Tax at the Australian tax rate of 30% (2008 – 30%)		8,108	7,155	8,108	7,155
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:					
Share based payments		140	113	140	113
Capital tax allowance		(216)	-	(216)	-
		8,032	7,268	8,032	7,268
Under provided in prior years		-	(89)	-	(89)
Income tax expense		8,032	7,179	8,032	7,179

(c) Amounts recognised directly in equity

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
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 directly to equity	19	4	55	4	55

Note 5: Current Assets - Cash Assets

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Cash on hand	24	555	478	555	478
Cash at bank	24	310	4,885	310	4,885
		865	5,363	865	5,363

Note 6: Current Assets - Receivables

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Other debtors		135	155	135	155

Note 7: Current Assets - Inventories

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Inventory at cost		39,479	35,067	39,479	35,067
Inventory at net realisable value		226	250	226	250
		39,705	35,317	39,705	35,317

Inventories recognised as an expense during the year ended 28 June 2009 amounted to $221,993,507 (FY2008 - $184,857,321).

Note 8: Current Assets - Other

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Prepayments		194	541	194	541
Other current assets		83	370	83	370
		277	911	277	911

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000

Note 9: Non-Current Assets - Other Financial Assets

Shares in controlled entities - at cost	-	-	1	1

Note 10: Non-Current Assets - Property, Plant And Equipment

Leasehold improvements				
At cost	18,321	15,008	18,321	15,008
Less accumulated depreciation	(7,532)	(6,301)	(7,532)	(6,301)
	10,789	8,707	10,789	8,707
Under finance lease and hire purchase	5,863	4,541	5,863	4,541
Less accumulated amortisation	(1,448)	(917)	(1,448)	(917)
	4,415	3,624	4,415	3,624
Plant and equipment*				
At cost	50,858	40,260	50,858	40,260
Less accumulated depreciation	(23,938)	(19,709)	(23,938)	(19,709)
	26,920	20,551	26,920	20,551
Under finance lease and hire purchase	16,366	14,509	16,366	14,509
Less accumulated amortisation	(8,704)	(7,309)	(8,704)	(7,309)
	7,662	7,200	7,662	7,200
Total Property, Plant and Equipment	49,786	40,082	49,786	40,082

* *Plant and equipment includes fixtures, fittings and motor vehicles as well as $1,989,131 (FY2008: $Nil) of work in progress costs associated with the new distribution centre in Queensland.*

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 year are as follows:

	Leasehold improvements		Plant and equipment		Total
	At Cost	Leased	At Cost	Leased	
	$'000	$'000	$'000	$'000	$'000
Balance at beginning of the year	8,707	3,624	20,551	7,200	40,082
Additions	3,390	1,322	10,793	1,858	17,363
Disposals	(126)	-	(79)	-	(205)
Depreciation/amortisation expense	(1,182)	(531)	(4,345)	(1,396)	(7,454)
Balance at end of the year	10,789	4,415	26,920	7,662	49,786

	Note	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000

Note 11: Non-Current Assets – Deferred Tax Assets

The balance comprises temporary differences attributable to:

Amounts recognised in profit or loss					
Employee benefits		2,074	1,725	2,074	1,725
Non deductible accruals		1,777	1,512	1,777	1,512
Inventories		825	698	825	698
Lease incentives		457	488	457	488
Sundry items		220	164	220	164
		5,353	4,587	5,353	4,587
Set-off of deferred tax liabilities of consolidated entity pursuant to set-off provisions:					
Finance leases		(15)	(26)	(15)	(26)
Depreciation		-	-	-	-
Sundry items		(40)	(3)	(40)	(3)
		5,298	4,558	5,298	4,558

Note 12: Current Liabilities – Payables

Unsecured liabilities					
Trade creditors		16,225	12,892	16,225	12,892
Sundry creditors and accruals		2,235	2,450	3,238	3,453
		18,460	15,342	19,463	16,345

Note 13: Current Liabilities - Borrowings

Secured liabilities					
Overdraft		900	-	900	-
Commercial bills*		6,500	6,500	6,500	6,500
Finance lease liability	22	55	18	55	18
Hire purchase liability	22	3,924	3,268	3,924	3,268
		11,379	9,786	11,379	9,786

** Commercial bills will be settled within two months. A fixed interest rate of 3.3% is applied to the commercial bills.*

Bank overdraft and bank loans including 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.

NOTES TO THE FINANCIAL STATEMENTS

		Consolidated Entity		Parent Entity	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000

Note 14: Current Liabilities - Tax Liabilities

Income tax		1,796	2,837	1,796	2,837

Note 15: Current Liabilities – Provisions

Employment entitlements		7,041	6,876	7,041	6,876

Note 16: Current Liabilities - Other

Accrued expenses		3,667	4,123	3,667	4,123
Deferred income		1,622	1,867	1,622	1,867
		5,289	5,990	5,289	5,990

Note 17: Non-Current Liabilities – Borrowings

Secured liabilities					
Finance lease liability	22	-	55	-	55
Hire purchase liability	22	2,996	4,134	2,996	4,134
		2,996	4,189	2,996	4,189

Note 18: Non-Current Liabilities – Provisions

Employment entitlements		1,375	1,200	1,375	1,200
Provision for rent escalation		5,039	3,777	5,039	3,777
		6,414	4,977	6,414	4,977

Movement in provision for rent escalation during the financial year is set out below:

	$'000
Balance at beginning of period	3,777
Transfer to profit and loss	(419)
Additional provision recognised	1,681
Balance at end of period	5,039

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

Note 19: Contributed Equity

Movements in ordinary share capital:

Date	Details	Number of issued shares	Issue price per share $	Contributed Equity $'000
25 June 2007	Opening Balance	25,603,295		3,985
10 July 2007	Exercise of performance rights including transfer from share-based payments reserve on exercise of Performance Rights	105,000	-	201
	Deferred tax credit		-	55
29 June 2008	**Balance**	**25,708,295**		**4,241**
1 July 2008	Exercise of performance rights	109,375	-	-
	Transfer to share based payment reserve	-	-	(879)
	Deferred tax credit		-	4
28 June 2009	**Balance**	**25,817,670**		**3,366**

All shares carry one vote per share and rank equally in terms of dividends and on winding up.

Note 20: Equity – Reserves

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Capital profits reserve	739	739	739	739
Share based payments reserve	2,146	798	2,146	798
Hedging reserve – cash flow hedges	(3,233)	(356)	(3,233)	(356)
	(348)	1,181	(348)	1,181
Movements:				
Share based payments reserve				
Balance at beginning of period	798	623	798	623
Performance Rights expense	469	376	469	376
Transfer (to) / from contributed equity	879	(201)	879	(201)
Balance at end of period	2,146	798	2,146	798
Hedging reserve – cash flow hedges				
Balance at beginning of period	(356)	(857)	(356)	(857)
Transfer to inventory	356	857	356	857
Revaluation of cash flow hedges at year end	(3,233)	(356)	(3,233)	(356)
Balance at end of period	(3,233)	(356)	(3,233)	(356)

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 25. 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 amounts amortised to date of the fair value of performance rights issued.

NOTES TO THE FINANCIAL STATEMENTS

Note 21: Equity – Retained Profits

	Note	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Retained profits at the beginning of the financial period		30,611	24,995	29,609	23,993
Net profit attributable to members of the consolidated entity		18,995	16,671	18,995	16,671
Dividends provided for or paid		(13,166)	(11,055)	(13,166)	(11,055)
Retained profits at reporting date		36,440	30,611	35,438	29,609

Since the end of the financial year the directors have declared the payment of a final ordinary dividend of 23.0 cents per share. Dividends are fully franked at a tax rate of 30% and will be paid on 12 October 2009.

Note 22: Commitments

	Note	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Finance Leasing Commitments					
Payable:					
Not later than one year		59	26	59	26
Later than one year and not later than five years		-	58	-	58
Minimum lease payments		59	84	59	84
Less future finance charges		(4)	(11)	(4)	(11)
Total lease liability		55	73	55	73
Represented by:					
Current liability	13	55	18	55	18
Non current liability	17	-	55	-	55
		55	73	55	73

Finance leases are 3 year lease terms for the purchase of motor vehicles and computer equipment.

	Note	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Hire Purchase Commitments					
Payable:					
Not later than one year		4,228	3,596	4,228	3,596
Later than one year and not later than five years		3,136	4,294	3,136	4,294
Minimum hire purchase payments		7,364	7,890	7,364	7,890
Less future finance charges		(444)	(488)	(444)	(488)
Total hire purchase liability		6,920	7,402	6,920	7,402
Represented by:					
Current liability	13	3,924	3,268	3,924	3,268
Non current liability	17	2,996	4,134	2,996	4,134
		6,920	7,402	6,920	7,402

Hire purchase commitments are 3 year agreements for the purchase of new store fixtures and fittings.

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Operating Lease Commitments				
Non cancellable operating leases contracted for but not capitalised in the financial statements payable:				
Not later than one year	47,384	36,364	47,384	36,364
Later than one year and not later than five years	107,150	86,167	107,150	86,167
Later than five years	11,204	17,745	11,204	17,745
	165,738	140,276	165,738	140,276

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 can not be reliably measured for future periods. The amount expensed during the current year for percentage rent was $185,000 (FY08: $265,000)

Capital Commitments

The consolidated entity has capital commitments totalling $9,468,884 (FY2008 - $3,635,586), all payable within one year, principally associated with the new Queensland Distribution Centre.

Remuneration Commitments				
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:				
Within one year	-	100	-	100
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
	-	100	-	100

Note 23: Contingent Liabilities

Estimates of the maximum amount of contingent liabilities that may become payable:				
Letters of credit established for acquisition of goods for resale	47	231	47	231

NOTES TO THE FINANCIAL STATEMENTS

Note 24: Cash Flow Information

	Consolidated Entity		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Reconciliation of Cash Flow from operations with profit from ordinary activities				
Profit from ordinary activities after Income Tax	18,995	16,671	18,995	16,671
Non cash flows in profit from ordinary activities				
Amortisation of leased assets	28	135	28	135
Depreciation	7,426	6,591	7,426	6,591
(Gain) / loss on sale of property, plant and equipment	66	(24)	66	(24)
Non cash share based expense	469	376	469	376
Fair value adjustment to derivatives	(2,877)	501	(2,877)	501
Current tax credited directly to equity	4	55	4	55
Changes in assets and liabilities, net of effects of purchase and disposal of subsidiaries				
(Increase) / Decrease in receivables and other assets	654	(8)	654	(8)
(Increase) in inventories	(4,388)	(8,440)	(4,388)	(8,440)
Increase in trade, other creditors and other provisions	6,896	3,558	6,896	3,558
Increase / (Decrease) in income tax payable	(1,041)	627	(1,041)	627
(Increase) in deferred tax assets	(740)	(1,018)	(740)	(1,018)
Net cash provided by operations	25,492	19,024	25,492	19,024
Non-cash financing and investing activities				
Acquisition of plant and equipment by means of finance lease	3,180	5,539	3,180	5,539
Reconciliation of Cash				
Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the balance sheets as follows:				
Cash on hand	555	478	555	478
Cash at bank	310	4,885	310	4,885
	865	5,363	865	5,363
Less: Bank Overdraft	(900)	-	(900)	-
	(35)	5,363	(35)	5,363

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:

	2009		2008	
	Limit	Utilised	Limit	Utilised
	$'000	$'000	$'000	$'000
Interchangeable Working Capital Facility	13,250	6,831	11,375	6,731
Interchangeable Asset Finance Facility	8,800	7,022	8,500	7,402
Foreign Currency Settlement	250	250	2,000	1,075
Other Facilities	23,215	1,486	22,855	1,489
Total Facilities	45,515	15,589	44,730	16,697

In addition, a seasonal facility of up to $20,000,000 was utilised from 1 August 2008 and repaid in full by 28 December 2008 and $8,000,000 was utilised from 1 April 2009 and repaid in full by 28 June 2009. Other facilities include an ANZ Bank indemnity guarantee to landlords of $2,110,000 of which $1,486,039 was utilised at 28 June 2009.

Note 25: Financial Instruments

Derivative Financial Instruments

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Current assets and (liabilities)				
Forward foreign exchange contracts – cash flow hedges	(3,233)	(356)	(3,233)	(356)

Financial Risk Management

Forward exchange contracts – cash flow hedges

The consolidated entity imports product from overseas. In order to protect against exchange rate movements, the consolidated entity has entered into forward exchange contracts to purchase foreign currency for all overseas purchases. These contracts are hedging highly probable forecasted purchases for the ensuing financial year. 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 6 months are:

				Average Exchange Rate	
		2009	2008	2009	2008
Sell	Buy	$'000	$'000	$	$
Australian Dollars	United States Dollars	22,996	17,096	0.71	0.94
Australian Dollars	Euro	1,961	663	0.56	0.60
Australian Dollars	Pounds Sterling	204	-	0.49	-

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. 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 these contracts were liabilities of $3,232,476 classified in other liabilities (FY2008 – liabilities of $355,773). In the year ended 28 June 2009 there was a gain from the increase in fair value of the liability of $2,876,703 during the year.

During the year $355,773 (FY2008 – $857,236) was removed from equity and included in the acquisition cost of goods and a gain of $Nil (FY2007 – $Nil) was transferred to profit and loss.

NOTES TO THE FINANCIAL STATEMENTS

Note 25: Financial Instruments (continued)

Forward exchange contracts – Balance Date Sensitivity Analysis

The following table summarises the sensitivity of the consolidated and parent 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 and parent entity has an exposure to. Purchases for imported products are generally paid for on shipment and therefore the consolidated and parent entity does not have a foreign currency payable at balance date. As a consequence, the sensitivity analysis as at balance date relates to the conversion of the United Stated Dollar foreign currency bank account as follows:

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
Sensitivity Analysis – foreign exchange AUD/USD	$'000	$'000	$'000	$'000
For every 1c increase in AUD:USD rate, total exposures (increase) / decrease by				
Income Statement	11	(9)	11	(9)
Equity	-	-	-	-
For every 1c decrease in AUD:USD rate, total exposures decrease / (increase) by				
Income Statement	(11)	10	(11)	10
Equity	-	-	-	-

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:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing within 1 Year	
	2009	2008	2009	2008	2009	2008
	%	%	$'000	$'000	$'000	$'000
Financial Assets						
Cash	3.13	4.73	865	5,363	-	-
Financial Liabilities						
Bank loans and overdrafts	4.80	7.09	-	-	7,400	6,500
Hire purchase liabilities	8.28	8.21	-	-	3,924	3,268
Lease liabilities	7.82	7.82	-	-	55	18
Total Financial Liabilities			-	-	11,379	9,786

	Fixed Interest Rate Maturing			
	1 to 5 years		Over 5 Years	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Financial Assets	-	-	-	-
Financial Liabilities				
Hire purchase liabilities	2,996	4,134	-	-
Lease liabilities	-	55	-	-
Total Financial Liabilities	2,996	4,189	-	-

	Non-interest Bearing		Total	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Financial Assets				
Cash	-	-	865	5,363
Receivables and other debtors	135	155	135	155
Total Financial Assets	135	155	1,000	5,518
Financial Liabilities				
Bank loans and overdrafts	-	-	7,400	6,500
Trade, sundry, and other creditors	25,545	24,169	25,545	24,169
Hire purchase liabilities	-	-	6,920	7,402
Lease liabilities	-	-	55	73
Total Financial Liabilities	25,545	24,169	39,920	38,144

The following table summarises the sensitivity of the consolidated and parent 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 and parent 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.

	Consolidated		Parent	
	2009	2008	2009	2008
Sensitivity Analysis – Interest Rates	$'000	$'000	$'000	$'000
For every 100 basis points increase in interest rates				
Income Statement	(227)	(96)	(227)	(96)
Equity	-	-	-	-
For every 100 basis points decrease in interest rates				
Income Statement	227	96	227	96
Equity	-	-	-	-

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to 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 is to safeguard its ability to continue as a going concern, so it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

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

NOTES TO THE FINANCIAL STATEMENTS

Note 25: Financial Instruments (continued)

Liquidity Risk

The consolidated entity manages liquidity risk by continuously monitoring forecast and actual cashflows 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 and parent entity's financial liabilities and 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 and Parent – At 28 June 2009	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	25,545	-	-	-	25,545	25,545
Variable rates	900	-	-	-	900	900
Fixed rate	8,616	1,863	2,996	-	13,475	13,475
Total non-derivatives	35,061	1,863	2,996	-	39,920	39,920
Derivatives						
Net settled	-	-	-	-	-	-
Gross settled						
- (inflow)	(21,929)	-	-	-	(21,929)	(21,929)
- outflow	25,162	-	-	-	25,162	25,162
Total derivatives	3,233	-	-	-	3,233	3,233

Consolidated and Parent – At 29 June 2008	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	24,169	-	-	-	24,169	24,169
Variable rates	-	-	-	-	-	-
Fixed rate	7,686	2,100	4,189	-	13,975	13,975
Total non-derivatives	31,855	2,100	4,189	-	38,144	38,144
Derivatives						
Net settled	-	-	-	-	-	-
Gross settled						
- (inflow)	(17,403)	-	-	-	(17,403)	(17,403)
- outflow	17,759	-	-	-	17,759	17,759
Total derivatives	356	-	-	-	356	356

Net Fair Values

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

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 aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

Note 26: Key Management Personnel Disclosures (Consolidated and Parent)

Non Executive Directors

BJ Beattie – Chairman
AC McMorron – Non-executive director (Retired 15 October 2009)
KJ Elkington – Non-executive director
WJ Stevens - Non-executive director (Appointed 22 August 2009)

Executive Directors

GJ Masters – Managing Director

All of the above persons were directors of The Reject Shop Limited for the entire year ended 28 June 2009, 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 year:

CT McShanag – General Manager, Merchandise (until 1 June 2009)
AM McShanag – General Manager, Merchandise (since 1 June 2009)
DR Jones – General Manager, Store Operations
CJ Bryce – Chief Financial Officer (Company Secretary from 1 April 2006 to 15 August 2008)
DJ O'Connor – Chief Information Officer
PG Beckett – General Manager, Logistics
P Nutbean – General Manager, Property
J Bell – General Manager, Human Resources
RJ McGough – General Manager, Marketing
DR Briggs – Company Secretary and Financial Controller

All of the above persons were employed by The Reject Shop Limited and were key management personnel for the entire year ended 28 June 2009, unless otherwise stated.

Remuneration of Key Management Personnel

	Consolidated		Parent	
	2009	2008	2009	2008
	$	$	$	$
Short-term employee benefits	3,643,786	3,752,951	3,643,786	3,752,951
Post-employment benefits	276,024	332,480	276,024	332,480
Share-based payments	349,459	294,675	349,459	294,675
	4,269,269	4,380,106	4,269,269	4,380,106

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

The Company has taken advantage of the relief provided by ASIC class order 06/50 and has transferred the detailed remuneration disclosures to the director's report. The relevant information can be found on pages 17 to 24.

NOTES TO THE FINANCIAL STATEMENTS

Note 26: Key Management Personnel Disclosures (Consolidated and Parent) (continued)

Options and Performance Rights Holdings

Details of options and performance rights provided as remuneration and shares issued on the exercise of such options, together with fair values and terms and conditions of the options and performance rights, can be found in the remuneration report on pages 17 to 24 of this annual report.

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

2009	Balance at the start of the year	Performance rights granted during the year	Performance rights vested & exercised during the year	Other changes during the year	Balance at end of the year
Directors					
BJ Beattie	-	-	-	-	-
AC McMorron	-	-	-	-	-
KJ Elkington	-	-	-	-	-
WJ Stevens	-	-	-	-	-
Executive Director					
GJ Masters	14,400	1,200	-	-	15,600
Other Key Management Personnel					
CT McShanag	56,500	7,800	(20,000)	-	44,300
DR Jones	55,900	7,300	(20,000)	-	43,200
CJ Bryce	48,625	6,300	(15,625)	-	39,300
DJ O'Connor	34,400	5,000	(12,500)	-	26,900
PG Beckett	31,000	4,300	(10,000)	-	25,300
P Nutbean	22,150	3,600	(6,250)	-	19,500
J Bell	22,150	3,500	(6,250)	-	19,400
RJ McGough	-	3,500	-	-	3,500
DR Briggs	-	2,800	-	-	2,800
AM McShanag	31,700	3,600	(12,500)	-	22,800
Total	316,825	48,900	(103,125)	-	262,600

2008	Balance at the start of the year	Performance rights granted during the year	Performance rights vested & exercised during the year	Other changes during the year	Balance at end of the year
Directors					
BJ Beattie	-	-	-	-	-
AC McMorron	-	-	-	-	-
J Shuster	-	-	-	-	-
KJ Elkington					
Executive Director					
BAE Saunders	-	-	-	-	-
GJ Masters	-	14,400	-	-	14,400
Other Key Management Personnel					
CT McShanag	66,825	5,300	(15,625)	-	56,500
DR Jones	70,800	5,100	(20,000)	-	55,900
CJ Bryce	60,150	4,100	(15,625)	-	48,625
DJ O'Connor	43,300	3,600	(12,500)	-	34,400
PG Beckett	37,900	3,100	(10,000)	-	31,000
P Nutbean	26,000	2,400	(6,250)	-	22,150
J Bell	26,000	2,400	(6,250)	-	22,150
RJ McGough	-	-	-	-	-
DR Briggs	-	-	-	-	-
Total	330,975	40,400	(86,250)	-	285,125

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

Subsequent to year end 35,600 performance rights have been granted to key management personnel. In addition 117,000 performance rights granted to key management personnel vested, of which 117,000 have been exercised.

There have been no grants of options since FY2004 and there have been no shares issued on exercise of options since FY2007. There are currently no options outstanding as at the end of the financial year and there have been no grants subsequent to year-end.

NOTES TO THE FINANCIAL STATEMENTS

Note 26: Key Management Personnel Disclosures (Consolidated and Parent) (continued)

Share Holdings

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

2009	Balance at the start of the year	Received during the year on the exercise of performance rights	Other changes during the year	Balance at end of the year
Non-executive Directors				
BJ Beattie	100,000	-	(10,000)	90,000
AC McMorron*	98,100	-	(98,100)	-
KJ Elkington	3,000	-	-	3,000
WJ Stevens**	-	-	-	-
Key Management Personnel				
Executive Directors				
GJ Masters	26,996	-	8,231	35,227
Other Key Management Personnel				
CT McShanag	348,362	20,000	(47,637)	320,725
DR Jones	204,663	20,000	(111,307)	113,356
CJ Bryce	108,394	15,625	(38,132)	85,887
DJ O'Connor	12,500	12,500	(10,000)	15,000
PG Beckett	30,000	10,000	(10,000)	30,000
P Nutbean	6,750	6,250	(6,250)	6,750
J Bell	7,750	6,250	(3,500)	10,500
RJ McGough	-	-	-	-
DR Briggs	-	-	-	-
AM McShanag	76,559	12,500	(20,000)	69,059
Total	1,023,074	103,125	(346,695)	779,504

* *AC McMorron's share holdings have been shown as nil at the end of the year as he is no longer director of the Company.*

** *WJ Stevens became a director on 22 August 2008 at which time he held nil shares.*

2008	Balance at the start of the year	Received during the year on the exercise of performance rights	Other changes during the year	Balance at end of the year
Non-executive Directors				
BJ Beattie	100,000	-	-	100,000
AC McMorron	137,500	-	(39,400)	98,100
J Shuster*	575,000	-	(575,000)	-
KJ Elkington**	-	-	3,000	3,000
Key Management Personnel				
Executive Directors				
BAE Saunders*	1,061,279	-	(1,061,279)	-
GJ Masters	-	-	26,996	26,996
Other Key Management Personnel				
CT McShanag	331,937	15,625	800	348,362
DR Jones	303,156	20,000	(118,493)	204,663
CJ Bryce	92,769	15,625	-	108,394
DJ O'Connor	15,871	12,500	(15,871)	12,500
PG Beckett	25,000	10,000	(5,000)	30,000
P Nutbean	6,500	6,250	(6,000)	6,750
J Bell	6,500	6,250	(5,000)	7,750
RJ McGough	-	-	-	-
DR Briggs	-	-	-	-
Total	2,655,512	86,250	(1,795,247)	946,515

* *BAE Saunders' and J Shusters' share holdings have been shown as nil as at the end of the year they were no longer directors of the company.*

** *KJ Elkington became a director on 20 February 2008 at which time he held 3,000 shares.*

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 2009 (FY2008 - $Nil).

No other transactions were undertaken with directors or other key management personnel, including related parties during the year (FY2008 - $Nil).

NOTES TO THE FINANCIAL STATEMENTS

Note 27: Share-based payments

Performance Rights Plan (PRP)

The PRP is the basis of The Reject Shop'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 year are detailed in the tables below:

2009

Date of grant	Expiry Date	Date Exercisable	Fair Value at Grant Date $	Balance at start of year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at end of the year	Vested and exercisable at the end of the year
1 June 2004	31 May 2009	30 June 2008	1.50	105,000	-	(105,000)	-	-	-
12 Jul 2006	31 May 2009	30 June 2008	5.33	4,375	-	(4,375)	-	-	-
17 Aug 2005	16 Aug 2010	1 July 2009	2.46	132,000	-	-	-	132,000	132,000
12 Jul 2006	18 Aug 2010	1 July 2009	5.33	9,000	-	-	-	9,000	9,000
16 Aug 2006	18 Aug 2011	1 July 2010	5.94	70,700	-	-	-	70,700	-
15 Aug 2007	15 Aug 2012	1 July 2011	11.06	56,400	-	-	(1,700)	54,700	-
19 Aug 2008	19 Aug 2012	1 July 2011	8.99	-	4,300	-	-	4,300	-
19 Aug 2008	19 Aug 2013	2 July 2012	8.71	-	89,300	-	-	89,300	-
Total				377,475	93,600	(109,375)	(1,700)	360,000	141,000

2008

Date of grant	Expiry Date	Date Exercisable	Fair Value at Grant Date $	Balance at start of year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at end of the year	Vested and exercisable at the end of the year
1 June 2004	31 May 2009	2 July 2007	1.61	105,000	-	(105,000)	-	-	-
1 June 2004	31 May 2009	30 June 2008	1.50	105,000	-	-	-	105,000	105,000
17 Aug 2005	16 Aug 2010	1 July 2009	2.46	132,000	-	-	-	132,000	-
12 Jul 2006	31 May 2009	30 June 2008	5.33	4,375	-	-	-	4,375	4,375
12 Jul 2006	18 Aug 2010	1 July 2009	5.33	9,000	-	-	-	9,000	-
16 Aug 2006	18 Aug 2011	1 July 2010	5.94	70,700	-	-	-	70,700	-
15 Aug 2007	15 Aug 2012	1 July 2011	11.06	-	56,400	-	-	56,400	-
Total				426,075	56,400	(105,000)	-	377,475	109,375

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

For all grants the performance right is only exercisable if the EPS hurdle is met each year and the participant remains employed until one day after the end of the following financial year. For all grants made on 1 June 2004, in instances where an EPS hurdle is not met, the performance rights granted for that year convert to and are added to the following year's grant except for the final tranche. The total exercise price payable on the exercise of one or more performance rights on a particular day is $1.00 per participant, 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 the date exercisable, and the amount is included in remuneration.

For the grants made on 19 August 2008 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) 4,300 performance rights are exercisable on 1 July 2011 with an expiry date of 19 August 2012; 89,300 performance rights are exercisable on 2 July 2012 with an expiry date of 19 August 2013

(c) exercise price: $1.00 in total for all performance rights exercised.

(d) share price at grant date: $9.84

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

(f) expected dividend yield: 3.15%

(g) risk-free interest rate: 5.25%

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 year end, the Board has granted a further 57,300 performance rights under the PRP.

Expenses arising from share-based payment transactions

	Consolidated		Parent	
	2009	2008	2009	2008
	$	$	$	$
Performance rights granted	467,887	376,461	467,887	376,461

Note 28: Remuneration of Auditors

During the year the following fees for services were paid to PricewaterhouseCoopers as the auditor of the parent entity and its related practices:

Audit and Accounting Related Services				
Audit and review work	245,000	181,000	245,000	181,000
Accounting advice	-	4,000	-	4,000
	245,000	185,000	245,000	185,000
Tax Compliance and Consulting Services				
Tax compliance	26,900	24,500	26,900	24,500
Tax consulting advice	89,301	-	89,301	-
	116,201	24,500	116,201	24,500
Other Services				
Other assurance services	15,000	15,000	15,000	15,000
Total remuneration	376,201	224,500	376,201	224,500

Note 29: Dividends

	Consolidated		Parent	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Since year end the directors have declared the payment of a fully franked final dividend of 23.0 cents per share. The amount of the proposed dividends is to be paid on 12 October 2009 out of retained profits, but not recognised as a liability at year end.	5,970	4,905	5,970	4,905
Balance of franking account at year 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 years based on a tax rate of 30%	22,680	19,554	22,680	19,554

NOTES TO THE FINANCIAL STATEMENTS

Note 29: Dividends (continued)

Dividends paid to members during the financial year were a final ordinary dividend for the financial year ended 29 June 2008 of 19.0 cents per share totalling $4,905,357 paid on 13 October 2008. An interim ordinary dividend for the financial year ended 28 June 2009 of 32.0 cents per share (2008: 29.0 cents per shares) totalling $8,261,654 (2008: $7,455,406) was paid on the 19 April 2008 (2008: 18 April 2008).

Note 30: Earnings per share

	Consolidated	
	2009	2008
	Cents	Cents
Basic earnings per share	73.6	64.9
Diluted earnings per share	72.6	63.9
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	25,816,771	25,704,061
Adjustments for dilutive portion of options and performance rights	347,521	372,645
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.	26,164,292	26,076,706

Options granted to employees under The Reject Shop Executive Option Plan and 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. The options have not been included in the determination of basic earnings per share. Details relating to the options and performance rights are set out in note 27.

Note 31: Net Tangible Assets

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	Cents	Cents	Cents	Cents
Net tangible asset backing per ordinary share	152.8	140.2	148.9	136.3

Note 32: Segment information

The Reject Shop operates within with the one geographic segment (Australia) and the one business segment (retailing of discount variety merchandise).

Note 33: Subsidiaries

The Reject Shop Limited has a 100% owned subsidiary, TRS Trading Group Pty Ltd incorporated in Australia. There were no transactions between the parent entity and its subsidiary during the year (FY2007 - $Nil).

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

No matters or circumstances have arisen since the end of the financial year 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 years.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) The financial statements and notes set out on pages 28 to 56 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 company's and consolidated entity's financial position as at 28 June 2009 and of their performance for the financial year 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; and

(c) the audited remuneration disclosures set out in pages 17 to 23 of the directors' report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

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:

BJ Beattie
Chairman

GJ Masters
Managing Director

Dated this 19th day of August 2009

PRICEWATERHOUSECOOPERS

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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 balance sheet as at 28 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both The Reject Shop Limited and 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing 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 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of The Reject Shop Limited (continued)

Independence

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

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 company's and consolidated entity's financial position as at 28 June 2009 and of their 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;* and

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 28 June 2009. 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 2009, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Dale McKee

Dale McKee
Partner

Melbourne
19 August 2009

SHAREHOLDERS INFORMATION
As at 31 July 2009

Shareholders Information

The shareholder information set out below was applicable as at 31 July 2009.

(a) The distribution of shareholding was as follows:

Size of Shareholding	Shareholders
1 - 1,000	2,515
1,001 - 5,000	1,525
5,001 - 10,000	201
10,001 - 100,000	129
100,001 and over	21

(b) 16 shareholders hold less than a marketable parcel of shares, being a market value of less than $1,000

(c) Substantial shareholders were:

Shareholder	Number	% Held
Hyperion Asset Management Limited	2,757,627	10.7
Grahger Capital Investment P/L	2,150,000	8.3
Acorn Capital Limited	1,779,970	6.9

(d) The fully paid issued capital of the Company consisted of 25,817,670 shares held by 4,391 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	318,300	24

(f) Twenty largest shareholders

Shareholder	Number	% Held
National Nominees Limited	3,499,300	13.55
J P Morgan Nominees Australia Limited	3,336,076	12.92
HSBC Custody Nominees (Australia) Limited	1,636,128	6.34
Cogent Nominees Pty Limited	1,009,451	3.91
Grahger Capital Securities Pty Ltd	800,000	3.10
Citicorp Nominees Pty Limited	701,148	2.72
Grahger Capital Investment Pty Ltd	700,000	2.71
ANZ Nominees Limited	675,164	2.62
Cogent Nominees Pty Limited	544,666	2.11
Grahger Capital Investment Pty Limited	500,000	1.94
Citicorp Nominees Pty Limited	434,559	1.68
Highmont Heights Pty Ltd	357,390	1.38
Charlie McShanag	314,925	1.22
Perpetual Trustees Consolidated Limited	239,783	0.93
UBS Nominees Pty Ltd	237,074	0.92
Citicorp Nominees Pty Limited	227,086	0.88
RBC Dexia Investor Services Australia Nominees Pty Limited	201,570	0.78
Equity Trustees Limited	148,000	0.57
Almargem Pty Ltd	145,000	0.56
Aust Executor Trustees NSW Ltd	140,000	0.54

The twenty members holding the largest number of shares together held a total of 61.38% of the issued capital.

(g) Restricted Shares

There are no restricted shares on issue.

DIRECTORY

Directors	BJ Beattie Chairman GJ Masters Managing Director WJ Stevens Non-executive Director KJ Elkington Non-executive Director
Company Secretary	DR 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