

**REJECT SHOP (AUST) PTY LTD
ABN 33 006 122 676
AND CONTROLLED ENTITY**

**FINANCIAL REPORT
FOR THE YEAR ENDED 1 JULY 2001**

TABLE OF CONTENTS

Directors' Report	1
Financial Report	
Statement of Financial Performance	3
Statement of Financial Position	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 25
Directors' Declaration	26
Independent Audit Report	27
Additional Information	28 - 30

REJECT SHOP (AUST) PTY LTD
ABN 33 006 122 676
AND CONTROLLED ENTITY

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entity for the financial year ended 1 July 2001.

The names of directors in office at any time during or since the end of the financial year are:

John Kenneth Fox
Barry Edward Saunders
Andrew Alexander Lockhart
John Shuster
Michael William Traill (Retired 13/06/2001)
Patrick Elliot (Resigned 22/08/2001)
Arnold Slosberg
Robert Backwell (Appointed 13/06/2001)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

The consolidated profit of the economic entity for the financial year after providing for income tax and eliminating outside equity interests amounted to \$2,551,306.

A review of the operations of the economic entity during the financial year and the results of those operations found that during the year, the economic entity continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

No significant changes in the economic entity's state of affairs occurred during the financial year.

The principal activities of the economic entity during the financial year were in wholesaling and retailing of discount variety merchandise.

No significant change in the nature of these activities occurred during the year.

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

Likely developments in the operations of the economic entity and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the economic entity.

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

The dividends paid or declared since the start of the financial year are as follows:

Fully franked dividend paid during the year

(a) Paid interim fully franked dividend of \$213.68 dollars per share franked at tax rate of 34%	\$1,300,000
(b) Paid final fully franked dividend of \$821.83 dollars per share franked at tax rate of 34%	\$5,000,000

Options that were granted over unissued shares in prior year by the economic entity, and outstanding at the end of the financial year are as follows:

Options granted by Reject Shop (Aust) Pty Ltd

- 89 options granted to Ronald Jones at an exercise price of \$2,528.09 per option to be exercised on or before 28 February 2005
- 89 options granted to Slosberg Superannuation Fund at an exercise price of \$2,528.09 per option to be exercised on or before 4 January 2005
- 89 options granted to The Saunders Superannuation Fund at an exercise price of \$2,528.09 per option to be exercised on or before 4 January 2005
- 295 options granted to John Kenneth Fox at an exercise price of \$2,246.80 per option to be exercised on or before 1 July 2004.

Participation rights of option holder in share or interest issues: shares on a one for one basis

During or since the end of the financial year, the economic entity has given indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

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 of director of the company, other than conduct involving a willful breach of duty in relation to 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.

Signed in accordance with a resolution of the directors:

Director

John Kenneth Fox

Director

Barry Edward Saunders

Dated this day of 20

REJECT SHOP (AUST) PTY LTD
ABN 33 006 122 676
AND CONTROLLED ENTITY

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 1 JULY 2001

	Note	Economic Entity		Parent Entity	
		2001 \$	2000 \$	2001 \$	2000 \$
Revenues from ordinary activities					
Sales revenue		131,355,115	132,489,659	131,332,233	132,462,518
Other revenues from ordinary activities		<u>505,112</u>	<u>651,094</u>	<u>339,218</u>	<u>609,454</u>
		131,860,227	133,140,753	131,671,451	133,071,972
Expenses from ordinary activities, excluding borrowing costs expense					
Cost of Sales		70,510,954	74,232,670	70,467,261	74,163,249
Other expenses from ordinary activities		<u>57,026,699</u>	<u>54,324,147</u>	<u>57,012,158</u>	<u>54,327,592</u>
		127,537,653	128,556,817	127,479,419	128,490,841
Borrowing costs expense		<u>516,303</u>	<u>569,337</u>	<u>437,215</u>	<u>547,083</u>
Profit from ordinary activities before income tax expense (income tax revenue)		3,806,271	4,014,599	3,754,817	4,034,048
Income tax revenue (income tax expense) relating to ordinary activities		<u>(1,254,965)</u>	<u>(1,594,677)</u>	<u>(1,232,723)</u>	<u>(1,586,778)</u>
Profit from ordinary activities after related income tax expense (income tax revenue)	3	<u>2,551,306</u>	<u>2,419,922</u>	<u>2,522,094</u>	<u>2,447,270</u>
Net profit from ordinary activities after income tax expense attributable to the members of the parent entity		<u>2,551,306</u>	<u>2,419,922</u>	<u>2,522,094</u>	<u>2,447,270</u>
Total changes in equity other than those resulting from transactions with owners as owners	29	<u>2,551,306</u>	<u>2,419,922</u>	<u>2,522,094</u>	<u>2,447,270</u>

The accompanying notes form part of these financial statements.

REJECT SHOP (AUST) PTY LTD
ABN 33 006 122 676
AND CONTROLLED ENTITY

STATEMENT OF FINANCIAL POSITION
AS AT 1 JULY 2001

	Note	Economic Entity		Parent Entity	
		2001 \$	2000 \$	2001 \$	2000 \$
CURRENT ASSETS					
Cash assets	7	581,626	660,959	581,626	660,959
Receivables	8	376,877	394,448	1,193,853	2,006,597
Inventories	9	15,674,573	15,713,062	11,039,849	11,226,524
Other	10	<u>1,069,436</u>	<u>679,044</u>	<u>691,014</u>	<u>175,830</u>
TOTAL CURRENT ASSETS		<u>17,702,512</u>	<u>17,447,513</u>	<u>13,506,342</u>	<u>14,069,910</u>
NON-CURRENT ASSETS					
Other financial assets	11	-	-	1,200	1,200
Property, plant and equipment	13	12,371,654	11,675,873	12,371,654	11,675,873
Deferred tax assets	14	<u>125,764</u>	<u>161,700</u>	<u>90,162</u>	<u>133,717</u>
TOTAL NON-CURRENT ASSETS		<u>12,497,418</u>	<u>11,837,573</u>	<u>12,463,016</u>	<u>11,810,790</u>
TOTAL ASSETS		<u>30,199,930</u>	<u>29,285,086</u>	<u>25,969,358</u>	<u>25,880,700</u>
CURRENT LIABILITIES					
Payables	16	4,785,634	4,443,625	2,420,643	2,081,395
Interest-bearing liabilities	17	10,520,382	3,772,611	9,199,647	3,392,165
Current tax liabilities	18	514,297	1,460,608	497,425	1,474,297
Provisions	19	1,241,932	1,317,690	1,241,932	1,317,690
Other	20	<u>2,316,367</u>	<u>2,984,611</u>	<u>2,233,737</u>	<u>2,725,344</u>
TOTAL CURRENT LIABILITIES		<u>19,378,612</u>	<u>13,979,145</u>	<u>15,593,384</u>	<u>10,990,891</u>
NON-CURRENT LIABILITIES					
Interest-bearing liabilities	17	1,230,266	2,372,212	1,230,266	2,372,212
Provisions	19	<u>308,497</u>	<u>271,546</u>	<u>308,497</u>	<u>271,546</u>
TOTAL NON-CURRENT LIABILITIES		<u>1,538,763</u>	<u>2,643,758</u>	<u>1,538,763</u>	<u>2,643,758</u>
TOTAL LIABILITIES		<u>20,917,375</u>	<u>16,622,903</u>	<u>17,132,147</u>	<u>13,634,649</u>
NET ASSETS		<u>9,282,555</u>	<u>12,662,183</u>	<u>8,837,211</u>	<u>12,246,051</u>
EQUITY					
Contributed equity	21	3,365,123	2,996,057	3,365,123	2,996,057
Reserves	22	738,773	738,773	738,773	738,773
Retained profits	23	<u>5,178,659</u>	<u>8,927,353</u>	<u>4,733,315</u>	<u>8,511,221</u>
TOTAL EQUITY	29	<u>9,282,555</u>	<u>12,662,183</u>	<u>8,837,211</u>	<u>12,246,051</u>

The accompanying notes form part of these financial statements.

REJECT SHOP (AUST) PTY LTD
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AND CONTROLLED ENTITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 1 JULY 2001

	Note	Economic Entity		Parent Entity	
		2001	2000	2001	2000
		\$	\$	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers		131,648,985	132,930,084	131,626,103	132,902,943
Payments to suppliers and employees		(126,024,063)	(128,353,127)	(125,696,682)	(125,534,732)
Interest received		49,980	47,331	45,348	38,914
Borrowing costs paid		(516,303)	(569,337)	(437,215)	(547,083)
Income tax paid		(2,165,340)	(682,443)	(2,166,040)	(613,994)
Net cash provided by operating activities	27(b)	<u>2,993,259</u>	<u>3,372,508</u>	<u>3,371,514</u>	<u>6,246,048</u>
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		14,258	90,884	14,258	90,884
Payment for property, plant and equipment		(2,743,741)	(4,687,206)	(2,743,741)	(4,687,206)
Net cash used in investing activities		<u>(2,729,483)</u>	<u>(4,596,322)</u>	<u>(2,729,483)</u>	<u>(4,596,322)</u>
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from share issue		369,066	-	369,066	-
Proceeds from borrowings		3,365,330	-	3,927,364	-
Repayment of borrowings		-	(1,421,847)	-	(3,223,837)
Dividends paid		(6,300,000)	-	(6,300,000)	-
Net cash used in financing activities		<u>(2,565,604)</u>	<u>(1,421,847)</u>	<u>(2,003,570)</u>	<u>(3,223,837)</u>
Net decrease in cash held		(2,301,828)	(2,645,661)	(1,361,539)	(1,574,111)
Cash at beginning of year		<u>(1,391,798)</u>	<u>1,253,863</u>	<u>(1,011,352)</u>	<u>562,759</u>
Cash at end of year	27(a)	<u><u>(3,693,626)</u></u>	<u><u>(1,391,798)</u></u>	<u><u>(2,372,891)</u></u>	<u><u>(1,011,352)</u></u>

The accompanying notes form part of these financial statements.

REJECT SHOP (AUST) PTY LTD
ABN 33 006 122 676
AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 1 JULY 2001

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers Reject Shop (Aust) Pty Ltd as an individual parent entity and Reject Shop (Aust) Pty Ltd and controlled entity as an economic entity. Reject Shop (Aust) Pty Ltd is a company limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair value of consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

i) Principles of Consolidations

A controlled entity is any entity controlled by Reject Shop (Aust) Pty Ltd. Control exists where Reject Shop (Aust) Pty Ltd has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Reject Shop (Aust) Pty Ltd to achieve the objectives of Reject Shop (Aust) Pty Ltd. Details of the controlled entity are contained in Note 12.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where a controlled entity has entered or left the economic entity during the year its operating results have been included from the date control was obtained or until the date control ceased.

(b) Income Tax

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense shown is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation, and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis and include an appropriate proportion of freight expenses.

(d) Property, Plant and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis.

The accompanying notes form part of these financial statements.

REJECT SHOP (AUST) PTY LTD
ABN 33 006 122 676
AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 1 JULY 2001

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of assets are:

Class of fixed asset	Depreciation rates	Depreciation basis
Leasehold improvements	8-27 %	Straight Line
Plant and equipment	8-30 %	Straight Line
Leased plant and equipment	20-36 %	Straight Line

(e) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the entities within the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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.

Lease incentives received under operating leases are recognised in the balance sheet as both an asset and liability and are brought into account as income over the initial term of the lease.

(f) Investments

Non-current investments are measured on the cost basis. The carrying amount of investments is reviewed annually by directors' to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for shares in listed companies or the underlying net assets for other non-listed corporations. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

(g) Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net tangible assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are amortised on a straight line basis over the period of 10 years. The balances are reviewed annually and any balance representing future benefits the realisation of which is considered to be no longer probable are written off.

(h) Employee Entitlements

Provision is made for the economic entity's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

(i) Cash

The accompanying notes form part of these financial statements.

REJECT SHOP (AUST) PTY LTD
ABN 33 006 122 676
AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 1 JULY 2001

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months and net of bank overdrafts.

(j) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Other revenue is recognised when the right to receive the revenue has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(k) Expenditure Carried Forward

Significant items of expenditure having a benefit or relationship to more than one accounting period are amortised over the periods to which they relate. The remaining balance in the accounts are shown at cost less amounts written off.

(l) Foreign Currency Translation

- Foreign currency transactions during the year are recorded in Australian currency using the rate of exchange at the date of the transaction except where hedged prior to the date of transaction whereupon the hedge rate is used. Amounts receivable and payable in foreign currency using the rate of exchange ruling at that date.

The gains and losses from conversion of short-term assets and liabilities, whether realised or unrealised, are included in operating profit as they arise.

Costs or gains arising at the time of entering hedged transactions for the purchase and sale of goods and services, and exchange differences that occur up to the date of purchase or sale are deferred and included in the measurement of the purchase or sale.

(m) Comparative Figures

Transactions for the current year are based on 53 weeks trading as compared to 52 weeks trading in the prior year.

The prior year amounts reflected in the Cost of Sales are not directly comparable with the current year. The reason being that the prior year amounts include the 'Wholesale Sales Tax' which has been replaced by the 'Goods and Services Tax (GST)' in the current year.

Comparative figures where necessary have been reclassified in order to comply with presentation in the current year.

REJECT SHOP (AUST) PTY LTD
ABN 33 006 122 676
AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 1 JULY 2001

Note	Economic Entity		Parent Entity	
	2001	2000	2001	2000
	\$	\$	\$	\$
in explaining the financial performance				
Reduction in depreciation expenses arising from the reassessment of useful lives of fixed assets	392,525	-	392,525	-
NOTE 4: INCOME TAX EXPENSE				
The prima facie income tax payable on profit from ordinary activities is reconciled to the income tax expense as follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 34% (2000 - 36%)	1,294,132	1,445,256	1,276,638	1,452,257
Add:				
tax effect of:				
- Timing difference	-	256,734	-	248,835
	1,294,132	1,701,990	1,276,638	1,701,092
Less:				
Tax effect of:				
- Permanent difference	16,148	107,313	16,148	114,314
- Timing difference	23,019	-	27,767	-
Income tax expense attributable to profit from ordinary activities	1,254,965	1,594,677	1,232,723	1,586,778

NOTE 5: REMUNERATION AND RETIREMENT BENEFITS

(a) Directors' remuneration

Income paid or payable to all directors of each entity in the economic entity by the entities of which they are directors	765,459	531,768	-	-
Income paid or payable to all directors of the parent entity by the parent entity and any related parties	-	-	765,459	531,768

Number of parent entity directors whose income from the parent entity or any related parties was within the following bands:

	No.	No.
\$1 - \$9,999	-	1
\$10,000 - \$19,999	2	2
\$50,000 - \$59,999	1	-
\$80,000 - \$89,999	-	1
\$160,000 - \$169,999	-	1
\$240,000 - \$249,999	-	1
\$270,000 - \$279,999	1	-
\$400,000 - \$409,999	1	-

The names of directors of the parent entity who have held office during the financial year are:

John Kenneth Fox
Barry Edward Saunders
Andrew Alexander Lockhart
John Shuster
Michael William Traill (Retired 13/06/2001)
Patrick Elliot (Resigned 22/08/2001)

The accompanying notes form part of these financial statements.

REJECT SHOP (AUST) PTY LTD
ABN 33 006 122 676
AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 1 JULY 2001

Note	Economic Entity		Parent Entity	
	2001	2000	2001	2000
	\$	\$	\$	\$
Arnold Slosberg Robert Backwell (Appointed 13/06/2001)				
NOTE 6: DIVIDENDS				
Paid interim fully franked dividend of 213.68 dollars per share franked at tax rate of 34%	1,300,000	-	1,300,000	-
Paid final fully franked dividend of 821.83 dollars per share franked at tax rate of 34%	<u>5,000,000</u>	<u>-</u>	<u>5,000,000</u>	<u>-</u>
	<u>6,300,000</u>	<u>-</u>	<u>6,300,000</u>	<u>-</u>
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	<u>7,715,827</u>	<u>8,540,957</u>	<u>7,284,682</u>	<u>8,155,700</u>
NOTE 7: CASH ASSETS				
Cash on hand	181,806	168,233	181,806	168,233
Cash at bank	<u>399,820</u>	<u>492,726</u>	<u>399,820</u>	<u>492,726</u>
	<u>581,626</u>	<u>660,959</u>	<u>581,626</u>	<u>660,959</u>
NOTE 8: RECEIVABLES				
CURRENT				
Other debtors	376,877	394,448	119,540	370,250
Amounts receivable from:				
- controlled entities				
- other controlled entities	<u>-</u>	<u>-</u>	<u>1,074,313</u>	<u>1,636,347</u>
NOTE 9: INVENTORIES				
Current				
Finished goods at cost	16,129,533	16,168,022	11,418,849	11,605,524
Less provision for diminution in value	<u>(454,960)</u>	<u>(454,960)</u>	<u>(379,000)</u>	<u>(379,000)</u>
	<u>15,674,573</u>	<u>15,713,062</u>	<u>11,039,849</u>	<u>11,226,524</u>
NOTE 10: OTHER ASSETS				
CURRENT				
Prepayments	643,758	549,575	265,337	46,361

The accompanying notes form part of these financial statements.

REJECT SHOP (AUST) PTY LTD
ABN 33 006 122 676
AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 1 JULY 2001

	Note	Economic Entity		Parent Entity	
		2001	2000	2001	2000
		\$	\$	\$	\$
Other current assets		<u>425,678</u>	<u>129,469</u>	<u>425,677</u>	<u>129,469</u>
		<u>1,069,436</u>	<u>679,044</u>	<u>691,014</u>	<u>175,830</u>

NON-CURRENT

NOTE 11: OTHER FINANCIAL ASSETS

NON-CURRENT

Shares in controlled entities					
at cost	12	<u>-</u>	<u>-</u>	<u>1,200</u>	<u>1,200</u>
Total other financial assets		<u>-</u>	<u>-</u>	<u>1,200</u>	<u>1,200</u>

NOTE 12: CONTROLLED ENTITIES

Subsidiary: TRS Trading Group Pty Ltd
Country of incorporation: Australia
Percentage owned 100% (2000 100%)

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

LEASEHOLD IMPROVEMENTS					
At cost		6,190,431	5,488,502	6,190,431	5,488,502
Less accumulated depreciation		<u>(3,085,790)</u>	<u>(2,735,659)</u>	<u>(3,085,790)</u>	<u>(2,735,659)</u>
		<u>3,104,641</u>	<u>2,752,843</u>	<u>3,104,641</u>	<u>2,752,843</u>

PLANT AND EQUIPMENT

Plant and equipment					
At cost		3,405,436	2,747,235	3,405,436	2,747,235
Less accumulated depreciation		<u>(1,720,575)</u>	<u>(1,439,468)</u>	<u>(1,720,575)</u>	<u>(1,439,468)</u>
		<u>1,684,861</u>	<u>1,307,767</u>	<u>1,684,861</u>	<u>1,307,767</u>

Leased plant and equipment					
Capitalised leased assets at cost		1,670,956	1,514,141	1,670,956	1,514,141
Less accumulated amortisation		<u>(784,667)</u>	<u>(357,022)</u>	<u>(784,667)</u>	<u>(357,022)</u>
		<u>886,289</u>	<u>1,157,119</u>	<u>886,289</u>	<u>1,157,119</u>

Motor vehicles					
At cost		584,663	510,791	584,663	510,791
Less accumulated depreciation		<u>(234,909)</u>	<u>(187,337)</u>	<u>(234,909)</u>	<u>(187,337)</u>
		<u>349,754</u>	<u>323,454</u>	<u>349,754</u>	<u>323,454</u>

Capitalised leased assets at cost		383,700	440,000	383,700	440,000
Less accumulated amortisation		<u>(106,290)</u>	<u>(72,682)</u>	<u>(106,290)</u>	<u>(72,682)</u>
		<u>277,410</u>	<u>367,318</u>	<u>277,410</u>	<u>367,318</u>

Office equipment					
At cost		258,363	228,613	258,363	228,613
Less accumulated depreciation		<u>(212,963)</u>	<u>(195,364)</u>	<u>(212,963)</u>	<u>(195,364)</u>
		<u>45,400</u>	<u>33,249</u>	<u>45,400</u>	<u>33,249</u>

Computer equipment					
At cost		1,985,444	1,590,457	1,985,444	1,590,457
Less accumulated depreciation		<u>(866,056)</u>	<u>(737,165)</u>	<u>(866,056)</u>	<u>(737,165)</u>

The accompanying notes form part of these financial statements.

REJECT SHOP (AUST) PTY LTD
ABN 33 006 122 676
AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 1 JULY 2001

	Note	Economic Entity		Parent Entity	
		2001	2000	2001	2000
		\$	\$	\$	\$
		<u>1,119,388</u>	<u>853,292</u>	<u>1,119,388</u>	<u>853,292</u>
Furniture, fixtures and fittings					
At cost		9,637,580	8,906,854	9,637,580	8,906,854
Less accumulated depreciation		<u>(4,733,669)</u>	<u>(4,026,023)</u>	<u>(4,733,669)</u>	<u>(4,026,023)</u>
		<u>4,903,911</u>	<u>4,880,831</u>	<u>4,903,911</u>	<u>4,880,831</u>
Total plant and equipment		<u>9,267,013</u>	<u>8,923,030</u>	<u>9,267,013</u>	<u>8,923,030</u>
Total property, plant and equipment		<u>12,371,654</u>	<u>11,675,873</u>	<u>12,371,654</u>	<u>11,675,873</u>

The accompanying notes form part of these financial statements.

REJECT SHOP (AUST) PTY LTD
ABN 33 006 122 676
AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 1 JULY 2001

Note	Economic Entity		Parent Entity	
	2001	2000	2001	2000
	\$	\$	\$	\$

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Leasehold improvements		Plant & equipment	
	Economic Entity	Parent Entity	Economic Entity	Parent Entity
	\$	\$	\$	\$
2001				
Balance at the beginning of the year	2,752,843	2,752,843	1,307,767	1,307,767
Additions	701,929	701,929	662,921	662,921
Disposals	-	-	(1,303)	(1,303)
Depreciation expense	(350,131)	(350,131)	(284,524)	(284,524)
Carrying amount at end of year	<u>3,104,641</u>	<u>3,104,641</u>	<u>1,684,861</u>	<u>1,684,861</u>

	Leased plant and equipment		Motor vehicles	
	Economic Entity	Parent Entity	Economic Entity	Parent Entity
	\$	\$	\$	\$
2001				
Balance at the beginning of the year	1,157,119	1,157,119	690,772	690,772
Additions	-	-	66,613	66,613
Disposals	-	-	(20,056)	(20,056)
Depreciation/amortisation expense	(270,830)	(270,830)	(110,165)	(110,165)
Carrying amount at the end of the year	<u>886,289</u>	<u>886,289</u>	<u>627,164</u>	<u>627,164</u>

	Office equipment		Furniture fixtures and fittings	
	Economic Entity	Parent Entity	Economic Entity	Parent Entity
	\$	\$	\$	\$
2001				
Balance at the beginning of the year	33,249	33,249	4,880,831	4,880,831
Additions	29,749	29,749	730,726	730,726
Depreciation expense	(17,598)	(17,598)	(707,646)	(707,646)
Carrying amount at the end of the year	<u>45,400</u>	<u>45,400</u>	<u>4,903,911</u>	<u>4,903,911</u>

The accompanying notes form part of these financial statements.

REJECT SHOP (AUST) PTY LTD
ABN 33 006 122 676
AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 1 JULY 2001

Note	Economic Entity		Parent Entity	
	2001	2000	2001	2000
	\$	\$	\$	\$
Computer equipment				
			Economic Entity	Parent Entity
			\$	\$
2001				
Balance at the beginning of the year			853,292	853,292
Additions			551,803	551,803
Depreciation expense			(285,707)	(285,707)
Carrying amount at the end of the year			<u>1,119,388</u>	<u>1,119,388</u>

NOTE 14: DEFERRED TAX ASSETS

The future income tax benefits comprise
Timing differences

	125,764	161,700	90,162	133,717
	<u>125,764</u>	<u>161,700</u>	<u>90,162</u>	<u>133,717</u>

NOTE 15: INTANGIBLE ASSETS

Goodwill at cost	202,553	202,553	202,553	202,553
Less accumulated amortisation	<u>202,553</u>	<u>202,553</u>	<u>202,553</u>	<u>202,553</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTE 16: PAYABLES

CURRENT

Unsecured liabilities				
Trade creditors	3,030,815	2,747,957	678,644	746,345
Sundry creditors and accruals	<u>1,754,819</u>	<u>1,695,668</u>	<u>1,741,999</u>	<u>1,335,050</u>
	<u>4,785,634</u>	<u>4,443,625</u>	<u>2,420,643</u>	<u>2,081,395</u>

NOTE 17: INTEREST BEARING LIABILITIES

CURRENT

Secured liabilities				
Bank overdrafts	4,275,252	2,052,757	2,954,517	1,672,311
Bank loans	5,500,000	1,000,000	5,500,000	1,000,000
Finance lease liability	24 404,445	378,630	404,445	378,630
Hire purchase liability	24 <u>340,685</u>	<u>341,224</u>	<u>340,685</u>	<u>341,224</u>
	<u>10,520,382</u>	<u>3,772,611</u>	<u>9,199,647</u>	<u>3,392,165</u>

NON-CURRENT

Secured liabilities				
Lease liability	24 823,225	1,255,845	823,225	1,255,845
Hire purchase liability	24 <u>407,041</u>	<u>747,726</u>	<u>407,041</u>	<u>747,726</u>
Amounts payable to:				
- director-related parties	<u>-</u>	<u>368,641</u>	<u>-</u>	<u>368,641</u>
	<u>1,230,266</u>	<u>2,372,212</u>	<u>1,230,266</u>	<u>2,372,212</u>

Bank overdraft and bank loans are secured by:

Cross Guarantee and Indemnity between Reject Shop
(Aust) Pty Ltd ABN 33 006 122 676 and TRS Trading

The accompanying notes form part of these financial statements.

REJECT SHOP (AUST) PTY LTD
ABN 33 006 122 676
AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 1 JULY 2001

Note	Economic Entity		Parent Entity	
	2001 \$	2000 \$	2001 \$	2000 \$
Group Pty Ltd ABN 20 059 935 465 supported by :				
First Registered Company Charge (Mortgage Debt) over all the assets and undertakings of the Reject Shop (Aust) Pty Ltd ABN 33 006 122 676 (already held)- this to be a fixed and floating charge over all present and future assets, undertaking (including goodwill) and unpaid/uncalled capital of the company.				
First Registered Company Charge (Mortgage Debt) over all the assets and undertakings of TRS Trading Group Pty Ltd ABN 20 059 935 465 (already held)- is to be a fixed and floating charge over all present and future assets, undertaking (including goodwill) and unpaid/uncalled capital of the company.				
Letter of Set-Off by and on account of the Reject Shop (Aust) Pty Ltd ABN 33 006 122 676 and TS Trading Group Pty Ltd ABN 20 059 935 465				

NOTE 18: TAX LIABILITIES

CURRENT				
Income tax	514,297	1,460,608	497,425	1,474,297

NOTE 19: PROVISIONS

CURRENT				
Employee entitlements	19(a) <u>1,241,932</u>	<u>1,317,690</u>	<u>1,241,932</u>	<u>1,317,690</u>
NON-CURRENT				
Employee entitlements	19(a) <u>308,497</u>	<u>271,546</u>	<u>308,497</u>	<u>271,546</u>
a) Aggregate employee entitlements liability	<u>1,550,429</u>	<u>1,589,236</u>	<u>1,550,429</u>	<u>1,589,236</u>

NOTE 20: OTHER LIABILITIES

CURRENT				
Accrued expenses	1,880,158	2,539,055	1,797,528	2,279,788
Deferred income	<u>436,209</u>	<u>445,556</u>	<u>436,209</u>	<u>445,556</u>
	<u>2,316,367</u>	<u>2,984,611</u>	<u>2,233,737</u>	<u>2,725,344</u>

NOTE 21: CONTRIBUTED EQUITY

Paid up Capital				
6,084 (2000 5,901) fully paid ordinary shares	<u>3,365,123</u>	<u>2,996,057</u>	<u>3,365,123</u>	<u>2,996,057</u>

NOTE 22: RESERVES

Capital profits reserve	<u>738,773</u>	<u>738,773</u>	<u>738,773</u>	<u>738,773</u>
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NOTE 23: RETAINED PROFITS

Retained profits at the beginning of the financial year	8,927,353	6,507,431	8,511,221	6,063,951
Net profit (loss) attributable to members of the entity	2,551,306	2,419,922	2,522,094	2,447,270

The accompanying notes form part of these financial statements.

REJECT SHOP (AUST) PTY LTD
ABN 33 006 122 676
AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 1 JULY 2001

	Note	Economic Entity		Parent Entity	
		2001	2000	2001	2000
		\$	\$	\$	\$
Dividends provided for or paid		<u>6,300,000</u>	<u>-</u>	<u>6,300,000</u>	<u>-</u>
Retained profits at reporting date		<u>5,178,659</u>	<u>8,927,353</u>	<u>4,733,315</u>	<u>8,511,221</u>

NOTE 24: CAPITAL AND LEASING COMMITMENTS

(a) Finance Leasing Commitments

Payable					
- not later than one year		498,941	512,283	498,941	512,283
- later than one year and not later than five years		<u>891,888</u>	<u>1,421,070</u>	<u>891,888</u>	<u>1,421,070</u>
Minimum lease payments		1,390,829	1,933,353	1,390,829	1,933,353
Less future finance charges		<u>163,159</u>	<u>298,878</u>	<u>163,159</u>	<u>298,878</u>
Total lease liability		<u>1,227,670</u>	<u>1,634,475</u>	<u>1,227,670</u>	<u>1,634,475</u>
Represented by:					
Current liability	17	404,445	378,630	404,445	378,630
Non-current liability	17	<u>823,225</u>	<u>1,255,845</u>	<u>823,225</u>	<u>1,255,845</u>
		<u>1,227,670</u>	<u>1,634,475</u>	<u>1,227,670</u>	<u>1,634,475</u>

Leases are entered into as a means of funding the acquisition of productive assets such as plant & equipment, motor vehicles, and office equipment. Except as detailed below (if applicable), rental payments are generally fixed and do not have contingent rental obligations or escalation clauses (other than in the event of payment default) or renewal/purchase options (other than the fair residual value). Other than as detailed below (if applicable), no lease arrangements create restrictions on other financing transactions, however the extent of outstanding lease obligations may be included in the determination of other debt covenants.

(b) Hire purchase commitments

Payable					
- not later than one year		400,219	377,599	400,219	377,599
- later than one year and not later than five years		<u>437,916</u>	<u>827,436</u>	<u>437,916</u>	<u>827,436</u>
Minimum hire purchase payments		838,135	1,205,035	838,135	1,205,035
Less future finance charges		<u>90,409</u>	<u>116,085</u>	<u>90,409</u>	<u>116,085</u>
Total hire purchase liability		<u>747,726</u>	<u>1,088,950</u>	<u>747,726</u>	<u>1,088,950</u>
Represented by:					
Current liability	17	340,685	341,224	340,685	341,224
Non-current liability	17	<u>407,041</u>	<u>747,726</u>	<u>407,041</u>	<u>747,726</u>
		<u>747,726</u>	<u>1,088,950</u>	<u>747,726</u>	<u>1,088,950</u>

(c) Operating Lease Commitments

Non-cancelable operating leases contracted for but not capitalised in the accounts:

Payable					
- not later than one year		15,785,568	13,423,598	15,785,568	13,423,598
- later than one year and not later than five years		25,876,095	29,504,914	25,876,095	29,504,914
- later than five years		<u>158,144</u>	<u>1,017,666</u>	<u>158,144</u>	<u>1,017,666</u>
		<u>41,819,807</u>	<u>43,946,178</u>	<u>41,819,807</u>	<u>43,946,178</u>

NOTE 25: CONTINGENT LIABILITIES

Estimates of the maximum amounts of contingent liabilities that may become payable:

Workcover claims by certain employees have been brought against the company. The actions are being defended by company's counsel.

The accompanying notes form part of these financial statements.

REJECT SHOP (AUST) PTY LTD
ABN 33 006 122 676
AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 1 JULY 2001

Note	Economic Entity		Parent Entity	
	2001	2000	2001	2000
	\$	\$	\$	\$
Letters of credit established for acquisition of goods for resale	1,176,880	1,092,366		
ANZ Bank indemnity guarantee to landlords	542,473	382,693	542,473	382,693
	<u>1,719,353</u>	<u>1,475,059</u>	<u>542,473</u>	<u>382,693</u>

NOTE 26: RELATED PARTY TRANSACTIONS

(a) Interest paid or payable to directors and director related entities under normal commercial terms and conditions	3,131	36,864	3,131	36,864
(b) Consulting fees paid or payable to director related entities under normal commercial terms and conditions	40,000	125,094	40,000	125,094
(c) Rent paid or payable to director related entities under normal commercial terms and conditions	114,347	105,297	114,347	105,297
(d) Out of pocket expenses paid to directors and director related entities	28,805	48,281	28,805	48,281
(e) Lease payout to director related entities	-	36,814	-	36,814
(f) Legal fees paid or payable to director related entities	-	120,000	-	
(g) Loan repaid to a director related entity	368,641	-	368,641	-

NOTE 27: CASH FLOW INFORMATION

(a) 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 statement of financial position as follows:

Cash on hand	181,806	168,233	181,806	168,233
Cash at bank	399,820	492,726	399,820	492,726
Bank overdrafts	<u>(4,275,252)</u>	<u>(2,052,757)</u>	<u>(2,954,517)</u>	<u>(1,672,311)</u>
	<u>(3,693,626)</u>	<u>(1,391,798)</u>	<u>(2,372,891)</u>	<u>(1,011,352)</u>

(b) Reconciliation of Cash Flow from operations with profit from ordinary activities

Profit from ordinary activities after Income Tax	2,551,306	2,419,922	2,522,094	2,447,270
Non-cash flows in profit from ordinary activities				
Amortisation of leased assets	328,524	181,771	328,524	181,771
Depreciation	1,698,077	1,865,295	1,698,077	1,865,295
Charges to provisions	-	366,696	-	390,408
Write-off of obsolete stock	-	379,000	-	379,000
Loss on sale of property, plant and equipment	25,101	184,379	25,101	184,379
Changes in assets and liabilities, net of effects of purchase and disposal of subsidiaries				
Decrease in receivables	17,571	12,188	250,710	-

The accompanying notes form part of these financial statements.

REJECT SHOP (AUST) PTY LTD
ABN 33 006 122 676
AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 1 JULY 2001

Note	Economic Entity		Parent Entity	
	2001	2000	2001	2000
	\$	\$	\$	\$
(Increase) in other assets	(390,392)	(403,478)	(515,184)	(110,115)
Decrease in inventories	38,489	17,386	186,675	1,046,232
(Decrease) in payables	(326,235)	(2,562,885)	(152,359)	(1,110,976)
Increase/(decrease) in income tax payable	(946,311)	999,524	(976,872)	1,067,973
(Increase) / decrease in deferred taxes	35,936	(87,290)	43,555	(95,189)
Increase/(decrease) in provisions	(38,807)	-	(38,807)	-
Net Cash provided by operations	<u>2,993,259</u>	<u>3,372,508</u>	<u>3,371,514</u>	<u>6,246,048</u>

(c) Credit stand-by arrangement and loan facilities

The company has a total bank facility of \$28,662,000. Included in the facility is a seasonal interchange facility totalling \$9,000,000 which is repayable by 31 December 2001.

As at 1 July 2001, the standard bank facility of \$28,662,000 remains. The used portion of this facility totals \$9,904,439 while \$18,757,561 remains unused.

NOTE 28: FINANCIAL INSTRUMENTS

(a) Financial instruments

(i) Derivative Financial Instruments

Derivative financial instruments are used by the economic entity to hedge exposure to exchange rate risk associated with foreign currency borrowings and interest rate risk associated with movements in interest rates which impact on the borrowings of the economic entity. The derivative financial instruments used by the entity are not recognised in the financial statements. Transactions for hedging purposes are undertaken without the use of collateral as only reputable institutions with sound financial positions are dealt with.

(ii) Unrecognised financial instruments

(A) Forward Exchange Contracts

The economic entity enters into forward exchange contracts to buy and sell specified amounts of foreign currency in the future at stipulated exchange rates. The objective in entering the forward exchange contracts is to protect the economic entity against unfavourable exchange rate movements for both the contracted and anticipated future sales and purchases undertaken in foreign currencies.

The accounting policy in regard to forward exchange contracts is detailed in note 1(l)

At balance date, the details of outstanding forward exchange contracts are:

Sell Australian Dollars Settlement	Buy United States Dollars		Average Exchange Rate	
	2001	2000	2001	2000
	\$	\$	\$	\$
Less than 6 months	8,699,269	7,976,000	0.52	0.57
Sell Australian Dollars Settlement	Buy Pounds Sterling			
	2001	2000	2001	2000
Less than 6 months	953,959	-	0.37	-

(b) Interest Rate Risk

The accompanying notes form part of these financial statements.

REJECT SHOP (AUST) PTY LTD
ABN 33 006 122 676
AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 1 JULY 2001

Note	Economic Entity		Parent Entity	
	2001	2000	2001	2000
	\$	\$	\$	\$

The economic 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	
	%	%	\$	\$	\$	\$
	2001	2000	2001	2000	2001	2000
Financial Assets						
Cash	4.50	3.60	<u>581,626</u>	<u>660,959</u>	-	-
Financial Liabilities						
Bank loans and overdrafts	5.60	6.30	-	-	9,775,252	3,052,757
Hire purchase liabilities	6.98	5.71	-	-	340,685	341,224
Lease liabilities	10.50	10.50	-	-	<u>404,445</u>	<u>378,630</u>
Total Financial Liabilities			<u>-</u>	<u>-</u>	<u>10,520,382</u>	<u>3,772,611</u>

	Fixed Interest Rate Maturing 1 to 5 Years		Fixed Interest Rate Maturing Over 5 Years	
	\$	\$	\$	\$
	2001	2000	2001	2000
Financial Assets				
Financial Liabilities				
Hire purchase liabilities	407,041	747,726	-	-
Lease liabilities	<u>823,225</u>	<u>1,255,845</u>	-	-
Total Financial Liabilities	<u>1,230,266</u>	<u>2,003,571</u>	<u>-</u>	<u>-</u>

	Non-interest Bearing		Total	
	\$	\$	\$	\$
	2001	2000	2001	2000
Financial Assets				
Cash	-	-	581,626	660,959
Receivables	<u>376,877</u>	<u>394,448</u>	<u>376,877</u>	<u>394,448</u>
Total Financial Assets	<u>376,877</u>	<u>394,448</u>	<u>958,503</u>	<u>1,055,407</u>
Financial Liabilities				
Bank loans and overdrafts	-	-	9,775,252	3,052,757
Trade and sundry creditors	4,785,634	4,443,625	4,785,634	4,443,625
Hire purchase liabilities	-	-	747,726	1,088,950
Lease Liabilities	-	-	<u>1,227,670</u>	<u>1,634,475</u>
Total financial liabilities	<u>4,785,634</u>	<u>4,443,625</u>	<u>16,536,282</u>	<u>10,219,807</u>

(c) 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 statement of financial position 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 economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

(d) Net Fair Values

The accompanying notes form part of these financial statements.

REJECT SHOP (AUST) PTY LTD
ABN 33 006 122 676
AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 1 JULY 2001

Note	Economic Entity		Parent Entity	
	2001	2000	2001	2000
	\$	\$	\$	\$

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.

Financial assets where the carrying amount exceeds net fair values have not been written down as the economic entity intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

NOTE 29: EQUITY

Total equity at the beginning of the financial year	12,662,183	10,242,261	12,246,051	9,798,781
Total changes in equity recognised in the Statement of Financial Performance	2,551,306	2,419,922	2,522,094	2,447,270
Transactions with owners as owners				
- Contributions of equity	369,066	-	369,066	-
- Dividends	(6,300,000)	-	(6,300,000)	-
Total equity at the reporting date	<u>9,282,555</u>	<u>12,662,183</u>	<u>8,837,211</u>	<u>12,246,051</u>

NOTE 30: REVENUE COMMITMENT

Revenue commitments outstanding from stock purchase

<u>15,225,584</u>	<u>18,823,613</u>	<u>-</u>	<u>-</u>
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NOTE 31: COMPANY DETAILS

The registered office of the company is:

Reject Shop (Aust) Pty Ltd
5 St Kilda Road
St Kilda Vic 3182

The principal place of business is:

Reject Shop (Aust) Pty Ltd
Cnr Lloyd & Lennon Streets
West Melbourne Vic 3003

The accompanying notes form part of these financial statements.

REJECT SHOP (AUST) PTY LTD
ABN 33 006 122 676
AND CONTROLLED ENTITY
DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 3 to 25:
 - (a) comply with Accounting Standards and the Corporations Law; and
 - (b) give a true and fair view of the financial position as at 1 July 2001 and performance for the year ended on that date of the company and economic entity.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director _____
John Kenneth Fox

Director _____
Barry Edward Saunders

Dated this _____ day of _____ 20____

**REJECT SHOP (AUST) PTY LTD
ABN 33 006 122 676
AND CONTROLLED ENTITY**

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF REJECT SHOP (AUST) PTY LTD**

Scope

We have audited the financial report of Reject Shop (Aust) Pty Ltd for the financial year ended 1 July 2001 comprising of the Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and notes to the financial statements.

The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the company's and consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Reject Shop (Aust) Pty Ltd is in accordance with:

- (a) the Corporations Law, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 1 July 2001 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

Lowe Lippmann
Chartered Accountants
5 St Kilda Road
St Kilda Victoria 3182

Philip Behr
Partner

29 August 2001
St Kilda

**REJECT SHOP (AUST) PTY LTD
ABN 33 006 122 676**

**DISCLAIMER
TO THE MEMBERS OF REJECT SHOP (AUST) PTY LTD**

The additional financial data presented on pages 29 - 30 is in accordance with the books and records of the economic entity which have been subjected to the auditing procedures applied in our statutory audit of the economic entity for the year ended 1 July 2001. It will be appreciated that our statutory audit did not cover all details of the additional financial data. Accordingly, we do not express an opinion on such financial data and we give no warranty of accuracy or reliability in respect of the data provided. Neither the firm nor any member or employee of the firm undertakes responsibility in any way whatsoever to any person (other than Reject Shop (Aust) Pty Ltd) in respect of such data, including any errors of omissions therein however caused.

Lowe Lippmann
Chartered Accountants
5 St Kilda Road
St Kilda Victoria 3182

Philip Behr
Partner

29 August 2001
St Kilda

REJECT SHOP (AUST) PTY LTD
ABN 33 006 122 676
AND CONTROLLED ENTITY

PRIVATE INFORMATION FOR THE DIRECTORS
ON THE 2001 FINANCIAL STATEMENTS

	Note	Economic Entity		Parent Entity	
		2001 \$	2000 \$	2001 \$	2000 \$
INCOME					
Sales income		131,355,115	132,489,659	131,332,233	132,462,518
LESS COST OF GOODS SOLD					
Opening inventory		15,713,062	16,109,448	11,226,524	12,651,756
Purchases		<u>67,486,236</u>	<u>70,912,220</u>	<u>67,318,364</u>	<u>69,876,394</u>
		83,199,298	87,021,668	78,544,888	82,528,150
Less Closing inventory		<u>15,674,573</u>	<u>15,713,062</u>	<u>11,039,849</u>	<u>11,226,524</u>
Total Cost of Goods Sold		<u>67,524,725</u>	<u>71,308,606</u>	<u>67,505,039</u>	<u>71,301,626</u>
GROSS PROFIT		<u>63,830,390</u>	<u>61,181,053</u>	<u>63,827,194</u>	<u>61,160,892</u>
OTHER OPERATING INCOME					
Interest		49,980	47,331	45,348	38,914
Foreign currency translation gains		132,437	20,800	-	-
Other income		<u>322,695</u>	<u>582,963</u>	<u>293,870</u>	<u>570,540</u>
Total other operating income		<u>505,112</u>	<u>651,094</u>	<u>339,218</u>	<u>609,454</u>
TOTAL INCOME		<u>64,335,502</u>	<u>61,832,147</u>	<u>64,166,412</u>	<u>61,770,346</u>
LESS EXPENSES					
Accounting fees		-	2,419	-	2,419
Advertising		3,148,327	3,058,427	3,133,331	3,054,826
Amortisation		328,524	181,771	328,524	181,771
Audit fees		106,767	105,751	106,767	105,751
Bad debts		-	10,200	-	-
Bank charges		717,267	650,360	731,874	667,546
Cleaning		524,523	437,038	524,523	437,038
Computer expenses		512,151	795,385	512,151	795,385
Consultancy fees		366,228	359,317	356,421	359,317
Depreciation		1,698,077	1,865,295	1,698,077	1,865,295
Directors' emoluments		80,000	116,692	80,000	116,692
Donations		435	-	435	-
Electricity		881,955	737,336	881,955	737,336
Employees' amenities		42,479	29,925	42,479	29,925
Entertainment expenses		10,582	2,788	10,582	2,788
Fines and penalties		6,454	9,636	6,454	9,636
Foreign currency translation losses		4	(109)	4	(109)
Freight and cartage		2,986,229	2,545,064	2,962,222	2,482,623
Fringe benefits tax		69,254	95,834	69,254	95,834
General expenses		110,550	130,164	110,550	130,164
GST Compliance		-	95,242	-	95,242
Hire of plant and equipment		799,220	466,812	799,220	466,812
Holiday pay		(80,773)	293,189	(80,773)	293,189
Insurance		947,048	672,084	947,048	672,084
Interest paid		516,303	569,337	437,215	547,083
Leasing charges		12,550	12,481	12,550	12,481
Legal costs		115,592	133,529	113,532	133,529
Long service leave		41,966	97,219	41,966	97,219
Loss on disposal/revaluation of non current assets		25,101	184,379	25,101	184,379
Medical supplies		8,706	7,541	8,706	7,541

These financial statements should be read in conjunction with the attached Disclaimer.

REJECT SHOP (AUST) PTY LTD
ABN 33 006 122 676
AND CONTROLLED ENTITY

PRIVATE INFORMATION FOR THE DIRECTORS
ON THE 2001 FINANCIAL STATEMENTS

	Note	Economic Entity		Parent Entity	
		2001	2000	2001	2000
		\$	\$	\$	\$
Motor vehicle expenses		229,963	166,357	229,963	166,357
Packing materials		405,956	520,186	405,956	520,186
Payroll tax		1,552,090	1,453,886	1,552,090	1,453,886
Permits, licenses and fees		7,929	8,670	7,929	8,730
Postage		394,090	305,952	394,090	305,952
Printing and stationery		18,104	22,258	18,104	22,258
Rates and taxes		543,508	411,809	543,508	411,809
Rent		14,538,744	13,090,071	14,538,744	13,090,071
Repairs and maintenance		386,498	490,742	386,498	490,742
Research and development costs		2,435	490	150	490
Salaries and wages		24,670,371	23,823,144	24,670,371	23,823,144
Security costs		424,038	239,886	424,038	239,886
Shower expenses		21,264	32,319	21,264	32,319
Staff training and welfare		188,320	387,591	188,320	387,591
Stocktaking expenses		210,661	77,363	210,661	77,363
Subscriptions		20,646	19,864	20,646	19,864
Superannuation		1,815,583	1,069,356	1,815,583	1,069,356
Telephone		463,613	844,174	463,613	844,174
Travelling expenses		522,660	658,098	522,660	658,098
Uniforms		22,269	55,740	22,269	55,740
Waste disposal		114,970	73,067	114,970	73,067
Workshop expenses		-	22,419	-	22,419
Writedowns		-	379,000	-	379,000
TOTAL EXPENSES		<u>60,529,231</u>	<u>57,817,548</u>	<u>60,411,595</u>	<u>57,736,298</u>
OPERATING PROFIT BEFORE INCOME TAX		3,806,271	4,014,599	3,754,817	4,034,048
Income tax expense		<u>1,254,965</u>	<u>1,594,677</u>	<u>1,232,723</u>	<u>1,586,778</u>
OPERATING PROFIT AFTER INCOME TAX		<u>2,551,306</u>	<u>2,419,922</u>	<u>2,522,094</u>	<u>2,447,270</u>

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