Appendix 4D

The Reject Shop Limited

(ABN 33 006 122 676)

Consolidated preliminary half year report

For the 26 weeks ended 28 December 2008
Compared to the 27 weeks ended 30 December 2007

				$A'000
Revenues from continuing operations	up	16.6%	to	221,616
Profit from continuing operations after tax attributable to members	up	10.1%	to	15,561
Net profit for the period attributable to members	up	10.1%	to	15,561

Dividends	Amount per share	Franked amount per share
Interim dividend	32¢	100%

Record date for determining entitlements to the dividend	1 April 2009
Dividend payment date	17 April 2009

Commentary on the Company's trading result is included in the media release and on pages 2 to 3 of the half year report enclosed.

Overview of Financial Performance

Sales grew from $190.1m to $221.6m and net profit after tax grew from $14.1m to $15.6m, representing growth of 16.6% and 10.1% respectively, on the corresponding period last year. The half year ended 28 December 2008, incorporates 26 weeks trading compared to 27 weeks for the corresponding period last year impacting the comparability between the periods of sales and NPAT. Excluding the additional weeks trading in the prior year, the sales increase was 20.4% and the NPAT increase approximately 20% (calculated by reducing NPAT of the prior year by the estimated gross profit derived from the additional week's sales, less variable costs).

Sales growth was driven by fifteen new store openings, comparable store sales growth of 5.9% and continued growth from stores opened during the prior year. Comparable stores growth was strong despite volatile trading conditions which demonstrates our balanced mix of everyday needs, competitive pricing and low dollar variety merchandise remains relevant with value conscious consumers.

Gross margin, decreased from 48.6% to 47.3% of sales compared to the corresponding period last year. This reflects strong performance in everyday lines, although many of these are at generally at lower margins, and the decision to maintain our competitive stance. This is despite the significant impact on purchase prices from the significant fall in the Australian Dollar particularly late in the half.

Operating costs as a percentage of sales, excluding depreciation and amortisation, decreased from 35.9% to 35.3%, compared to the corresponding period last year. This reflects continuing control over expenditure given volatile market conditions and leveraging improved sales performance off our fixed costs.

Depreciation and amortisation, as a percentage of sales, decreased from 1.7% to 1.6% as increased sales were leveraged over existing operating assets. Significant expenditure to date on the new Queensland Distribution Centre and SAP are yet to be depreciated.

The Company's financial position supports our planned dividend, and the continued investment in SAP and logistics projects required to support our planned growth in the future.

Operational Performance

The strong trading reflects our constant attention to detail and improvement in our merchandise selection, stockflow and store presentation.

Fifteen new stores were opened during the period with two closures (one a relocation and one as part of a centre re-mix) and we finished the half with 164 stores. Five stores were opened in New South Wales, three in Victoria, three in South Australia, two stores in Western Australia, one in Queensland and our first store in Tasmania. The new store performance was strong with stores performing at or above expectations.

During the period significant progress was made on a number of strategic initiatives. The first merchandise orders to be sent via overseas consolidation centres were placed, which is a significant step towards improving the quantification and timing of stock purchasing, as well as a core need to service our new Queensland Distribution Centre. The new SAP system is approaching the 'go-live' stage with testing well underway.

The detailed planning for the internal design of the new Queensland Distribution Centre has commenced with an opening date scheduled for July 2010.

Outlook for the remainder of FY2009

Despite the extremely volatile trading conditions and market uncertainty, the Company is confident of achieving its full year guidance of NPAT between $18.6m to $18.8m, reflecting the strong first half result and a prudent second half plan. In light of current market conditions, the Company has moderated its sales and margin expectations for the reminder of the year, however, has accordingly aligned its cost structure.

Despite uncertain market conditions the Company still believes in its business model and is continuing with its long term growth plans. Eight new stores are planned in the second half although immediate profit contribution from these stores is not expected to cover their opening costs. SAP is scheduled for implementation in the latter part of the half, and further investment will be made towards the new Queensland Distribution Centre.

The Company still plans to open approximately 20 new stores per annum with a long term projected national footprint of up to 400 stores. This will be supported by significant investment in all areas, with particular focus in the short term on Information Technology and Logistics.

Given the sound financial position, the Board has declared a fully franked interim dividend of 32 cents per share reflecting the full year guidance and the current interim dividend payout ratio.

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entity for the half year ended 28 December 2008.

Directors
The names of the directors in office during the whole of the half year and up to the date of this report are:

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

AC McMorron was a non-executive director from beginning of the financial year until his retirement on 15 October 2008.

Review of operations
The profit of the consolidated entity for the half year after providing for income tax amounted to $15,560,912.

The half year ended 28 December 2008, incorporates 26 weeks trading compared to 27 weeks for the corresponding period last year. This impacts on the comparability between the periods including sales, net profit after tax, cash flows and balance sheet.

A review of the operations of the consolidated entity during the half year and the results of these operations are set out on pages 2 and 3 of the Appendix 4D and the Company's media release.

Seasonality
The half year reflects trading results that cannot be reasonably expected for the remainder of the year, due to the seasonal nature of the consolidated entity's activities.

The balance sheet as at 28 December 2008 reflects a reduced level of borrowings as compared to other times during the year due to the seasonal nature of the consolidated entity's activities.

Dividends
On 13 October 2008, a final fully franked dividend of 19 cents per share totalling $4,905,357 was paid. On 18 February 2009, the directors declared a fully franked interim dividend of 32 cents per share to be paid on 17 April 2009.

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

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

Rounding off amounts to nearest thousand dollars
The consolidated entity is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

Signed in accordance with a resolution of the directors:

BJ Beattie	GJ Masters
Chairman	Managing Director
18 February 2009	

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

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

Auditor's Independence Declaration

As lead auditor for the review of The Reject Shop Limited for the half year ended 28 December 2008, I declare that to the best of my knowledge and belief, there have been:

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

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

Dale McKee
Partner
PricewaterhouseCoopers

Melbourne
18 February 2009

Consolidated Income Statement
For the Half Year Ended 28 December 2008

	Note	**28 December 2008 $'000 (26 weeks)**	30 December 2007 $'000 (27 weeks)
Revenues from continuing operations			
Sales revenue	2	**221,616**	190,126
Other income	2	**67**	66
		221,683	190,192
Cost of sales		**116,733**	97,774
Store expenses		**63,355**	55,565
Administrative expenses		**11,905**	10,128
Warehousing expenses		**6,530**	5,806
		198,523	169,273
Finance costs	3	**812**	645
Profit before income tax		**22,348**	20,274
Income tax expense	4	**6,787**	6,141
Profit Attributable To Members Of The Reject Shop Limited		**15,561**	14,133

Earnings per Share		**Cents**	**Cents**
Basic Earnings Per Share	22	60.3	55.0
Diluted Earnings Per Share	22	59.5	54.2

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

Consolidated Balance Sheet
As at 28 December 2008

	Note	28 December 2008 $'000	29 June 2008 $'000
Current Assets			
Cash assets	5	8,151	5,363
Receivables	6	62	155
Inventories	7	44,347	35,317
Other	8	1,027	911
Total Current Assets		53,587	41,746
Non-Current Assets			
Property, plant and equipment	9	47,811	40,082
Deferred tax assets	10	5,498	4,558
Total Non-Current Assets		53,309	44,640
Total Assets		106,896	86,386
Current Liabilities			
Payables	11	22,529	15,342
Borrowings	12	10,198	9,786
Tax liabilities	13	5,729	2,837
Provisions	14	6,381	6,876
Derivative financial instruments		593	356
Other	15	6,683	5,990
Total Current Liabilities		52,113	41,187
Non-Current Liabilities			
Borrowings	16	2,618	4,189
Provisions	17	5,434	4,977
Total Non-Current Liabilities		8,052	9,166
Total Liabilities		60,165	50,353
Net Assets		46,731	36,033
Equity			
Contributed equity	18	4,403	4,241
Reserves	19	1,061	1,181
Retained profits	20	41,267	30,611
Total Equity		46,731	36,033

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

Consolidated Statement of Recognised Income and Expense
For the Half Year Ended 28 December 2008

	Note	28 December 2008 $'000	30 December 2007 $'000
Total equity at the beginning of the period		36,033	29,485
Net revaluation of cash flow hedges	19	(237)	1,073
Deferred tax credited directly to equity	18	4	55
Net income recognised directly in equity		(233)	1,128
Profit for the period	20	15,561	14,133
Share based remuneration	19	275	196
Dividends provided for or paid	20	(4,905)	(3,599)
Total equity at the end of the period		46,731	41,343

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

Consolidated Cash Flow Statement
For the Half Year Ended 28 December 2008

	Note	**28 December 2008 $'000 (26 weeks)**	30 December 2007 $'000 (27 weeks)
Cash Flows from Operating Activities			
Receipts from customers (inclusive of goods and services tax)		243,339	208,807
Payments to suppliers and employees (inclusive of goods and services tax)		(217,638)	(185,328)
Interest received		67	66
Borrowing costs paid		(812)	(645)
Income tax paid		(4,831)	(3,524)
Net cash inflows from operating activities	21	20,125	19,376
Cash Flows from Investing Activities			
Proceeds from sale of property, plant and equipment		138	45
Payments for property, plant and equipment		(11,316)	(8,487)
Net cash used in investing activities		(11,178)	(8,442)
Cash Flows from Financing Activities			
Sale and leaseback		-	1,651
Payments under finance lease		(1,580)	(288)
Repayment net of borrowings		-	(3,000)
Dividends paid		(4,905)	(3,599)
Net cash used in financing activities		(6,485)	(5,236)
Net increase/(decrease) in cash held		2,462	5,698
Cash at the beginning of the period		5,363	5,102
Cash at the end of the period	21	7,825	10,800

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

Note 1: Basis of preparation of half-year report

This general purpose financial report for the interim half year reporting period ended 28 December 2008 has been prepared in accordance with Accounting Standard *AASB 134 Interim Financial Reporting* and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 29 June 2008 and any public announcements made by The Reject Shop Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

	28 December 2008 $'000	30 December 2007 $'000
Note 2: Revenue From Continuing Operations		
Sales Revenue		
Sales of goods	221,616	190,126
Revenue from non-operating activities		
Interest	67	66
	67	66
	221,683	190,192

Note 3: Expenses

Profit before income tax expense includes the following expenses:

	28 December 2008 $'000	30 December 2007 $'000
Interest and finance charges paid/payable	812	645
Depreciation and amortisation	3,551	3,255
Net (profit)/loss on disposal of property, plant and equipment	(6)	6
Rental expenses relating to operating leases:		
Minimum lease payments	24,209	19,538
Provision for rent escalations	624	574
Rent paid on percentage of sales basis	120	150
Employee benefits expenses	42,172	36,874

Note 4: Income Tax

	28 December 2008 $'000	30 December 2007 $'000
(a) Income tax expense		
Current tax	7,727	6,861
Deferred tax	(940)	(720)
	6,787	6,141
Deferred income tax expense included in income tax expense comprises:		
Increase in net deferred tax assets	(940)	(720)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	22,348	20,274
Tax at the Australian tax rate of 30% (2008 – 30%)	6,704	6,082
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	83	59
	6,787	6,141
Under / (Over) provided in prior years	-	-
Income tax expense	6,787	6,141

	28 December 2008 $'000	29 June 2008 $'000
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited in equity		
Current tax – credited directly to equity	4	55

Note 5: Current Assets – Cash Assets

Cash on hand	547	478
Cash at bank	7,604	4,885
	8,151	5,363

Note 6: Current Assets – Receivables

Other debtors	62	155

Note 7: Current Assets – Inventories

Inventory at cost	44,238	35,067
Inventory at net realisable value	109	250
	44,347	35,317

Note 8: Current Assets – Other

Prepayments	417	541
Other current assets	610	370
	1,027	911

Note 9: Non-Current Assets – Property, Plant And Equipment

Leasehold improvements		
At cost	18,233	15,008
Less accumulated depreciation	(6,943)	(6,301)
	11,290	8,707
Under finance lease and hire purchase	4,541	4,541
Less accumulated amortisation	(1,129)	(917)
	3,412	3,624
Plant and equipment*		
At cost	48,177	40,260
Less accumulated depreciation	(21,746)	(19,709)
	26,431	20,551
Under finance lease and hire purchase	14,604	14,509
Less accumulated amortisation	(7,926)	(7,309)
	6,678	7,200
Total property, plant and equipment	47,811	40,082

*Plant and equipment includes fixtures, fittings and motor vehicles, as well as $3,563,896 of work in progress cost associated with the implementation of the new ERP system and a further $1,608,136 associated with the new DC in Queensland.

	28 December 2008 $'000	29 June 2008 $'000

Note 10: Non Current Assets – Deferred Tax Assets

The balance comprises temporary differences attributable to:

Amounts recognised in profit or loss		
Employee benefits	2,195	1,725
Non deductible accruals	1,753	1,512
Inventories	784	698
Lease incentives	509	488
Sundry items	301	164
	5,542	4,587
Set-off of deferred tax liabilities of consolidated entity pursuant to set-off provisions:		
Finance leases	(20)	(26)
Sundry items	(24)	(3)
Net deferred tax assets	5,498	4,558

Note 11: Current Liabilities – Payables

Unsecured liabilities		
Trade creditors	16,387	12,892
Sundry creditors and accruals	6,142	2,450
	22,529	15,342

Note 12: Current Liabilities –Borrowings

Secured Liabilities		
Bank overdraft	326	-
Commercial bills	6,500	6,500
Finance lease liability	43	18
Hire purchase liability	3,329	3,268
	10,198	9,786

Note 13: Current Liabilities – Tax Liabilities

Income tax	5,729	2,837

Note 14: Current Liabilities – Provisions

Employee entitlements	6,381	6,876

Note 15: Current Liabilities – Other

Accrued expenses	4,986	4,123
Deferred income	1,697	1,867
	6,683	5,990

	28 December 2008 $'000	29 June 2008 $'000
Note 16: Non-Current Liabilities –Borrowings		
Secured liabilities		
Finance lease liability	20	55
Hire purchase liability	2,598	4,134
	2,618	4,189
Note 17: Non-Current Liabilities – Provisions		
Employee entitlements	1,200	1,200
Provision for rent escalation	4,234	3,777
	5,434	4,977

Note 18: Equity – Contributed Equity

Movements on ordinary share capital

Date	Details	No. of 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 of share-based payments reserve on exercise of performance rights	105,000	-	201
	Deferred tax credits	-		55
29 June 2008 Closing balance		25,708,295		4,241
1 July 2008	Exercise of performance rights including transfer of share-based payments reserve on exercise of performance rights	109,375	-	158
	Deferred tax credits	-		4
28 December 2008 Closing balance		25,817,670		4,403

Note 19: Equity - Reserves

	28 December 2008 $'000	29 June 2008 $'000
Capital profits reserve	739	739
Share based payments reserve	915	798
Hedging reserve – cash flow hedges	(593)	(356)
	1,061	1,181

Note 20: Equity – Retained Profits

	28 December 2008 $'000	29 June 2008 $'000
Retained profits at the beginning of the financial period	30,611	
Net profit attributable to members of the consolidated entity	15,561	
Dividends provided for or paid	(4,905)	
Retained profits at reporting date	41,267	

Note 21: Cash Flow Information

Reconciliation of Cash

Cash at the end of the half year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	28 December 2008 $'000	30 December 2007 $'000
Cash on hand	547	574
Cash at bank	7,604	10,226
Bank overdrafts	(326)	-
	7,825	10,800

Reconciliation of cash flow from operations with profit from ordinary activities

	28 December 2008 $'000	30 December 2007 $'000
Profit from ordinary activities after income tax	15,561	14,133
Non-cash flows in profit from ordinary activities		
Amortisation of leased assets	16	119
Depreciation	3,535	3,136
(Profit)/Loss on sale of property, plant and equipment	(6)	6
Non-cash share based expense	275	196
Fair value adjustment to derivatives	(237)	1,073
Current tax credited directly to equity	4	55
Changes in assets and liabilities, net of effects of purchase and disposal of subsidiaries		
Increase in receivables and other assets	(23)	(759)
Increase in inventories	(9,030)	(7,549)
Increase in trade and other creditors and other provisions	8,079	6,405
Increase in income tax payable	2,891	3,281
Increase in deferred taxes	(940)	(720)
Net cash provided by operations	20,125	19,376

Note 22:Earnings per share	**28 December 2008 Cents**	30 December 2007 Cents
Basic earnings per share	60.3	55.0
Diluted earnings per share	59.5	54.2
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	25,816,468	25,700,006
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	26,151,956	26,070,887

Note 23:Net Tangible Assets Per Share	**28 December 2008 Cents**	29 June 2008 Cents
Net tangible asset backing per ordinary share	181.0	140.2
Total shares outstanding as at end of period	25,817,670	25,708,295

	28 December 2008 $'000	30 December 2007 $'000
Note 24: Dividends		
Final fully franked dividend paid on 13 October 2008	4,905	3,599
Balance of franking account at half year 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	25,175	21,326

Note 25: Contingent Liabilities

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

Letters of credit established for acquisition of goods for resale	-	165
ANZ Bank indemnity guarantee to landlords	1,489	1,489
	1,489	1,654

Note 26: Segment

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

Note 27: Dividend Reinvestment Plan

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

Note 28: Matters Subsequent to the End of the Half Year

No matters or circumstances have arisen since the end of the half year which have significantly affected or may significantly affect the operations of the consolidated entity, the results of 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 6 to 16 are in accordance with the *Corporations Act 2001*, including:
  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  (ii) giving a true and fair view of the consolidated entity's financial position as at 28 December 2008 and of it's performance, as represented by the results of it's operations and it's cash flows, for the half year ended on that date; and

(b) there are reasonable grounds to believe that The Reject Shop Limited will be able to pay its debts as and when they become due and payable.

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

BJ Beattie
Chairman

GJ Masters
Managing Director

Melbourne
18 February 2009

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of The Reject Shop Limited, which comprises the balance sheet as at 28 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for The Reject Shop Limited (the consolidated entity). The consolidated entity comprises both The Reject Shop Limited and the entities it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 control relevant to the preparation and fair presentation of the half-year 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.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 28 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of The Reject Shop Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

For further explanation of a review, visit our website http:/www.pwc.com/au/financialstatementaudit.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

PRICEWATERHOUSECOOPERS

Independent Auditor's Review Report to the members of The Reject Shop Limited (continued)

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 28 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001.*

PricewaterhouseCoopers

PricewaterhouseCoopers

Dale McKee

Dale McKee
Partner

Melbourne
18 February 2009