Appendix 4D

The Reject Shop Limited

(ABN 33 006 122 676)

Consolidated preliminary half year report

For the 26 weeks ended 30 December 2012
Compared to the 26 weeks ended 25 December 2011

				$A'000
Revenues from continuing operations	up	11.9%	to	327,518
Profit from continuing operations after tax attributable to members	up	21.2%	to	20,058
Net profit for the period attributable to members	up	21.2%	to	20,058

Dividends	Amount per share	Franked amount per share
Interim dividend	24.0¢	100%

Record date for determining entitlements to the dividend	27 March 2013
Dividend payment date	15 April 2013

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 by 11.9% from $292.8m to $327.5m against the corresponding period last year. Comparable stores sales grew by 2.1%. The first quarter comparable store sales were up 4.2% and the second quarter sales were up 0.7%. The peak seasonal months of November and December showed positive comparable sales of 1.0%.

Overall sales growth was driven by 17 new store openings in the half, as well as growth from stores opened in the prior year. Two stores were successfully relocated during the half.

Gross margin (inclusive of logistics and warehousing costs) was maintained as a result of a combination of:

- Continual improvements within the existing supply chain and fully operational Distribution Centres for the period;
- Reductions in shipping costs derived from a change in overseas forwarding services; and
- Balancing our product sourcing, mix and price points with an underlying strong Australia dollar.

Store expenses inclusive of store wages, new store opening costs, operating costs and marketing expenditure grew, as a percentage of sales, against the corresponding period last year. This reflects continued investment in the Company's brand through maintaining superior store standards and customer service coupled with increased TV advertising investment. The Company also absorbed significant increases in the cost of utilities such as electricity while supporting a strong store opening program.

Depreciation and amortisation expense, as a percentage of sales, increased from 2.0% to 2.1% during the half, reflecting some store refurbishments and the depreciation of the restored Ipswich Distribution Centre for the full half.

Interest expense decreased from the prior half based on significantly reduced debt levels.

The Company's tax expense ratio reduced from 29.6% to 29.1% reflecting the tax offset received from a higher level of qualifying research and development expenditure.

The Company reduced its debt considerably during the period. The Board considers a conservative approach to capital management will be maintained given the accelerated store opening program in the second half. The Board has therefore declared an interim fully franked dividend of 24.0 cents per share, which reflects a continuation of the recent dividend payout ratio of 50% which is expected to remain until at least the end of the financial year.

Overview of Operational Performance

Seventeen new stores were opened during the period with the Company finishing the half with 253 stores. The store openings were widespread with five in both Queensland and New South Wales, three in Victoria and two in both Western Australia and Tasmania.

During the half the Company also relocated two stores. These were a result of continually reviewing the portfolio to ensure optimal profitability in all stores.

The performance of the new stores was more than pleasing and a trial of a temporary second store in an existing major shopping centre provided significant learnings for future store growth potential. Overall trading in the majority of the Company's existing stores was extremely strong, with only a small number of stores, primarily in larger centres, dragging down overall sales growth.

The Company continues to manage its occupancy costs through strong negotiations with Landlords with the outcomes achieved to date positive. The Company remains prepared to exit stores where occupancy costs become unrealistic or the long term viability of the retail precinct is questionable.

During the second half two store closures are forecast as a result of centre redevelopments as well as the closure of the temporary store. The two closed stores will re-open at the completion of the centre works, likely in FY2014. The Bundaberg store, damaged in the recent Queensland floods, is likely to remain closed for the bulk of the second half.

The Company also progressed a number of initiatives during the half which had been deferred as a result of the flood, including the enhancement of the merchandise planning processes and systems as well as revising the end to end supply chain. The Company believes the work to date will provide benefits in years to come. Further work on defining the Company's digital and social media strategy, and the longer term potential in e-tailing, was also undertaken.

The Company also continued to explore the potential in other store formats. This is to leverage off the Company's base strengths and infrastructure, which has the potential for significant future growth.

Outlook for the FY2013 and Beyond

The first 7 weeks of the second half have yielded positive comparable sales. The Company believes there are opportunities to grow sales in existing stores albeit in a retail environment which remains hard to predict. Continued focus remains on all areas of the business to drive profitability, with particular emphasis in the short term on both occupancy costs and supply chain improvements.

The Company has an accelerated store expansion over the coming half. At the date of this report the Company has already opened six stores in the second half, with a further ten planned to open before Easter. Additional stores will open post Easter, with the full year delivering approximately 40 new stores. Given the timing of these new stores, the opening costs will outweigh their profit contribution in the second half. Nonetheless, these stores will provide a higher store base to start FY2014.

Given the accelerated new store opening program and the potential for further growth in the near term, the Company has significantly bolstered its Human Resources capability. This is in addition to investments made in the prior years to strengthen its buying, merchandise planning, business process transformation and store operations teams. The Company now has the necessary organisational structure to underpin long term growth in its business as well as the ability to explore other growth opportunities into the future.

The Company is not providing definitive guidance for the year given the influence and impact the new store opening program will have on the overall profit for the second half. The Company expects to deliver continuing growth in sales and a solid baseline profit growth overall from its existing stores. However, the opening costs of the new stores in the second half will outweigh the profit contribution of these additional stores in this half; however they will provide a significantly higher store base to start FY2014.

Looking beyond this year, the Company expects the retail environment to remain challenging. However, the Company remains extremely confident in its business and with further development of supply chain opportunities, the Company remains confident in its ability to drive long term profitable growth.

DIRECTORS' REPORT

Your directors present their report on the Company and its controlled entities for the half year ended 30 December 2012.

Directors

The following persons were directors of The Reject Shop Limited during the whole of the half year and up to the date of this report, unless otherwise stated:

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

Chris J Bryce
Managing Director

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

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

Melinda Conrad
Non-executive Director
Member of the Audit Committee and a member of the Remuneration Committee.

Review of operations

The profit of the consolidated entity for the half year after providing for income tax amounted to $20,057,659.

The half year ended 30 December 2012, incorporates 26 weeks trading.

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 30 December 2012 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 15 October 2012, a fully franked final ordinary dividend of 9.5 cents per share and a fully franked special dividend of 8.5 cents per share totalling $4,696,600 was paid. On 20 February 2013, the directors declared a fully franked interim dividend of 24.0 cents per share to be paid on 15 April 2013.

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 6.

Rounding of 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:

William J Stevens	Chris J Bryce
Chairman	Managing Director

20 February 2013

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Auditor's Independence Declaration

As lead auditor for the review of The Reject Shop Limited for the half year ended 30 December 2012, 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 entities it controlled during the period.

D Rosenberg

Daniel Rosenberg
Partner
PricewaterhouseCoopers

Melbourne
20 February 2013

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Consolidated Statement of Comprehensive Income
For the Half Year Ended 30 December 2012

	Note	Half Year 2012 $'000	2011 $'000
Revenues from continuing operations			
Sales revenue	2	**327,518**	292,794
Other income	2	**3,194**	2,093
		330,712	294,887
Cost of sales		**177,411**	161,742
Store expenses		**105,446**	91,056
Administrative expenses		**18,441**	16,793
		301,298	269,591
Finance costs	3	**1,088**	1,794
Profit before income tax		**28,326**	23,502
Income tax expense	5	**8,268**	6,949
Profit for the half year		**20,058**	16,553
Other comprehensive income			
Items that may be re-classified to profit or loss			
Changes in the fair value of cash flow hedges		**(646)**	2,623
Income tax relating to components of other comprehensive income		**194**	(787)
Other comprehensive income for the half-year, net of tax		**(452)**	1,836
Total Comprehensive Income for the Half Year Attributable To Members Of The Reject Shop Limited		**19,606**	18,389

Earnings per Share		**Cents**	**Cents**
Basic Earnings Per Share	25	**76.9**	63.5
Diluted Earnings Per Share	25	**76.0**	62.8

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

Consolidated Statement of Financial Position
As at 30 December 2012

	Note	30 December 2012 $'000	1 July 2012 $'000
Current Assets			
Cash	6	**2,412**	9,043
Receivables	7	**859**	5,604
Inventories	8	**77,062**	62,222
Derivative financial instruments	15	**-**	397
Other	9	**1,615**	1,184
Total Current Assets		**81,948**	78,450
Non-Current Assets			
Property, plant and equipment	10	**79,687**	74,319
Deferred tax assets	11	**8,188**	5,621
Total Non-Current Assets		**87,875**	79,940
Total Assets		**169,823**	158,390
Current Liabilities			
Payables	12	**37,768**	26,464
Borrowings	13	**30**	19,400
Tax liabilities		**8,420**	2,898
Provisions	14	**8,828**	9,332
Derivative financial instruments	15	**249**	-
Other	16	**11,006**	7,734
Total Current Liabilities		**66,301**	65,828
Non-Current Liabilities			
Borrowings	17	**7,000**	12,000
Provisions	18	**11,249**	10,380
Other	19	**1,550**	1,667
Total Non-Current Liabilities		**19,799**	24,047
Total Liabilities		**86,100**	89,875
Net Assets		**83,723**	68,515
Equity			
Contributed equity	20	**3,366**	3,366
Reserves	21	**4,834**	4,987
Retained profits	22	**75,523**	60,162
Total Equity		**83,723**	68,515

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the Half Year Ended 30 December 2012

2012	Contributed Equity $'000	Capital Profits $'000	Share Based Payments $'000	Hedging Reserve $'000	Retained Earnings $'000	Total $'000
Balances as at 2 July 2012	**3,366**	**739**	**3,971**	**277**	**60,162**	**68,515**
Profit for the period	-	-	-	-	20,058	20,058
Other comprehensive income	-	-	-	(452)	-	(452)
Transaction with owners in their capacity as owners:						
Dividends Paid	-	-	-	-	(4,697)	(4,697)
Share based remuneration	-	-	289	-	-	289
Tax credited directly to equity	-	-	10	-	-	10
Balances as at 30 December 2012	**3,366**	**739**	**4,270**	**(175)**	**75,523**	**83,723**

2011	Contributed Equity $'000	Capital Profits $'000	Share Based Payments $'000	Hedging Reserve $'000	Retained Earnings $'000	Total $'000
Balances as at 27 June 2011	**3,366**	**739**	**3,731**	**(1,368)**	**46,582**	**53,050**
Profit for the period	-	-	-	-	16,553	16,553
Other comprehensive income	-	-	-	1,836	-	1,836
Transaction with owners in their capacity as owners:						
Dividends Paid	-	-	-	-	(2,086)	(2,086)
Share based remuneration	-	-	350	-	-	350
Tax credited directly to equity	-	-	4	-	-	4
Balances as at 25 December 2011	**3,366**	**739**	**4,085**	**468**	**61,049**	**69,707**

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

Consolidated Cash Flow Statement
For the Half Year Ended 30 December 2012

	Note	Half Year 2012 $'000	Half Year 2011 $'000
Cash Flows from Operating Activities			
Receipts from customers (inclusive of goods and services tax)		**359,858**	321,585
Payments to suppliers and employees (inclusive of goods and services tax)		**(327,508)**	(282,670)
Insurance claims received		**7,854**	6,200
Interest received		**27**	27
Borrowing costs paid		**(642)**	(1,411)
Income tax paid		**(5,093)**	(2,479)
Net cash inflows from operating activities	24	**34,496**	41,252
Cash Flows from Investing Activities			
Proceeds from sale of property, plant and equipment		**405**	322
Payments for property, plant and equipment		**(12,465)**	(8,992)
Net cash outflows used in investing activities		**(12,060)**	(8,670)
Cash Flows from Financing Activities			
Repayment net of finance leases / hire purchases		**-**	(659)
Proceeds from borrowings		**101,100**	127,000
Repayment of borrowings		**(125,500)**	(154,000)
Dividends paid	27	**(4,697)**	(2,086)
Net cash outflows used in financing activities		**(29,097)**	(29,745)
Net (decrease) / increase in cash held		**(6,661)**	2,837
Cash at the beginning of the half year		**9,043**	4,894
Cash at the end of the half year	24	**2,382**	7,731

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

Note 1: Basis of preparation of half-year report

This general purpose interim financial report for the half year reporting period ended 30 December 2012 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 1 July 2012 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.

	Half Year 2012 $'000	Half Year 2011 $'000
Note 2: Revenue From Continuing Operations		
Sales Revenue		
Sales of goods	**327,518**	**292,794**
Other Income		
Interest	**27**	**27**
Income from insurance claims	**3,167**	**2,066**
	3,194	**2,093**
	330,712	**294,887**

Note 3: Expenses
Profit before income tax expense includes the following expenses:

	2012 $'000	2011 $'000
Interest and finance charges paid/payable	**1,088**	1,794
Depreciation and amortisation	**6,750**	5,679
Unrealised foreign exchange (gain)	**(6)**	(131)
Net (gain) on disposal of property, plant and equipment	**(58)**	(10)
Rental expenses relating to operating leases:		
Minimum lease payments	**40,560**	36,891
Provision for rent escalations	**499**	189
Rent paid on percentage of sales basis	**250**	294
Employee benefits expenses	**66,673**	59,106

Note 4: Accounting for Insurance Claims

Losses recognised in the Consolidated Statement of Comprehensive Income which are the subject of insurance recoveries are as follows:

	2012 $'000	2011 $'000
Cost of sales	**13**	1,702
Store expenses	**70**	-
Administrative expenses	**-**	364
Total insured expenses	**83**	2,066

	2012 $'000	2011 $'000
Recoveries from insurance claims relate to:		
Inventory write-offs	**13**	-
Loss of gross profits	**3,084**	615
Property, plant and equipment	**-**	163
Expenses	**70**	1,288
	3,167	2,066

	Half Year 2012 $'000	Half Year 2011 $'000
Note 5: Income Tax		
(a) Income tax expense		
Current tax	**10,543**	9,189
Deferred tax	**(2,275)**	(2,240)
	8,268	6,949
Deferred income tax expense included in income tax expense comprises:		
(Increase) in net deferred tax assets	**(2,275)**	(2,240)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	**28,326**	23,502
Tax at the Australian tax rate of 30% (2011 – 30%)	**8,498**	7,050
Tax effect of amounts which are deductible in calculating taxable income:		
Research and development	**(230)**	(101)
	8,268	6,949
Under provided in prior years	**-**	-
Income tax expense	**8,268**	6,949
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited in equity		
Current tax – credited / (debited) directly to equity	**204**	(783)
(d) Tax (expense) / income relating to items of other comprehensive income		
Cash flow hedges	**194**	(787)

	Note	30 December 2012 $'000	1 July 2012 $'000
Note 6: Current Assets – Cash			
Cash on hand	24	**1,111**	1,024
Cash at bank	24	**1,301**	8,019
		2,412	9,043
Note 7: Current Assets – Receivables			
Other debtors		**89**	308
Insurance receivable		**770**	5,296
		859	5,604

	30 December 2012 $'000	1 July 2012 $'000
Note 8: Current Assets – Inventories		
Inventory at cost	**76,663**	61,867
Inventory at net realisable value	**399**	355
	77,062	62,222
Note 9: Current Assets – Other		
Prepayments	**1,598**	1,172
Other current assets	**17**	12
	1,615	1,184
Note 10: Non-Current Assets – Property, Plant And Equipment		
Leasehold improvements		
At cost	**37,929**	33,243
Less accumulated depreciation	**(14,646)**	(12,837)
	23,283	20,406
Plant and equipment		
At cost	**99,766**	92,571
Less accumulated depreciation	**(43,362)**	(38,658)
	56,404	53,913
Total property, plant and equipment	**79,687**	74,319
Note 11: Non-Current Assets – Deferred Tax Assets		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Employee benefits	**3,379**	2,715
Lease escalation	**2,631**	2,482
Non-deductible accruals	**446**	577
Inventories	**762**	998
Lease incentives	**849**	709
Sundry items	**646**	375
Employee share trust	**325**	289
Hedging reserve	**194**	-
	9,232	8,145
Set-off of deferred tax liabilities of consolidated entity pursuant to set off provisions:		
Depreciation	**(811)**	(813)
Sundry items	**(2)**	(3)
Insurance receivable	**(231)**	(1,589)
Hedging reserve	**-**	(119)
	8,188	5,621
Deferred tax assets expected to be recovered within 12 months	**4,813**	2,507
Deferred tax assets expected to be recovered after more than 12 months	**3,375**	3,114
	8,188	5,621

Note 12: Current Liabilities – Payables

Unsecured liabilities		
Trade creditors	**29,163**	21,563
Sundry creditors and accruals	**8,605**	4,901
	37,768	26,464

Note 13: Current Liabilities – Borrowings

Secured Liabilities		
Bank overdraft	**30**	-
Commercial bills	**-**	19,400
	30	19,400

Note 14: Current Liabilities – Provisions

Employee entitlements	**8,828**	9,332

Note 15: Current Liabilities – Derivative Financial Instruments

Forward foreign exchange contracts- cash flow hedges	**249**	(397)

Note 16: Current Liabilities – Other

Accrued expenses	**9,100**	6,039
Deferred income	**1,906**	1,695
	11,006	7,734

Note 17: Non-Current Liabilities – Borrowings

Secured liabilities		
Commercial bills	**7,000**	12,000

Note 18: Non-Current Liabilities – Provisions

Employee entitlements	**2,478**	2,108
Provision for rent escalation	**8,771**	8,272
	11,249	10,380

Note 19: Non-Current Liabilities – Other

Deferred income	**1,550**	1,667

Note 20: Equity – Contributed Equity

Movements in ordinary share capital

Date	Details	No. of shares	Issue Price per share $	Contributed Equity $'000
26 June 2011	**Closing balance**	**26,033,570**		**3,366**
15 July 2011	Exercise of performance rights	37,600	-	-
1 July 2012	**Closing balance**	**26,071,170**		**3,366**
1 August 2012	Exercise of performance rights	21,050	-	-
30 December 2012	**Closing balance**	**26,092,220**		**3,366**

	30 December 2012 $'000	1 July 2012 $'000
Note 21: Equity – Reserves		
Capital profits reserve	**739**	739
Share based payments reserve	**4,270**	3,971
Hedging reserve – cash flow hedges	**(175)**	277
	4,834	4,987

Note 22: Equity – Retained Profits

	30 December 2012 $'000	1 July 2012 $'000
Retained profits at the beginning of the financial period	**60,162**	46,582
Net profit attributable to members of the consolidated entity	**20,058**	21,923
Dividends provided for or paid	**(4,697)**	(8,343)
Retained profits at reporting date	**75,523**	60,162

Note 23: Contingent Liabilities

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

	30 December 2012 $'000	1 July 2012 $'000
Letters of credit established for acquisition of goods for resale	**-**	55
ANZ Bank indemnity guarantee to landlords	**1,438**	1,298
	1,438	1,353

Note 24: 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:

	Half Year 2012 $'000	Half Year 2011 $'000
Reconciliation of cash flow from operations with profit from ordinary activities		
Profit from ordinary activities after income tax	**20,058**	16,553
Non-cash flows in profit from ordinary activities:		
Depreciation	**6,750**	5,679
(Profit) on sale of property, plant and equipment	**(58)**	(10)
Non-cash share based expense	**289**	350
Tax credited directly to equity	**10**	4
Changes in operating assets and liabilities, net of effects of purchase and disposal of subsidiaries		
Decrease in receivables and other assets	**4,314**	3,909
(Increase) in inventories	**(14,840)**	(321)
Increase in trade and other creditors and other provisions	**15,018**	9,835
Increase in income tax payable	**5,522**	6,590
(Increase) in deferred taxes	**(2,567)**	(1,337)
Net cash provided by operations	**34,496**	41,252

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:

Cash on hand	**1,111**	1,076
Cash at bank	**1,301**	6,812
Bank overdrafts	**(30)**	(157)
	2,382	7,731

	Half Year	
	2012	2011
Note 25: Earnings per share	**Cents**	Cents
Basic earnings per share	**76.9**	63.5
Diluted earnings per share	**76.0**	62.8
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**26,088,539**	26,070,137
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**26,398,523**	26,356,597

Note 26: Net Tangible Assets	**30 December 2012 Cents**	1 July 2012 Cents
Net tangible asset backing per ordinary share	**320.9**	262.8
Total shares outstanding as at end of period	**26,092,220**	26,071,170

	Half Year	
	2012	2011
	$'000	$'000
Note 27: Dividends		
Fully franked final dividend paid on 15 October 2012 (2011: 10 October 2011)	**4,697**	2,086
Balance of franking account at half year adjusted for franking credits arising from payment of 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	**41,047**	33,873

Note 28: Segment Information

The Reject Shop operates within the one reportable segment (retailing of discount variety merchandise). Total revenues of $327,517,719 all relate to the sale of discount variety merchandise in the Company's country of domicile (Australia), in this single reportable segment. The Company is not reliant on any single customer.

Note 29: Dividend Reinvestment Plan

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

Note 30: 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 7 to 18 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 30 December 2012 and of its 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.

William J Stevens
Chairman

Chris J Bryce
Managing Director

Melbourne
20 February 2013

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 consolidated statement of financial position as at 30 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, 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 Reject Shop Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

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 30 December 2012 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. 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.

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 30 December 2012 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

Daniel Rosenberg
Partner

Melbourne
20 February 2013