HARDWARE WAREHOUSE LIMITED
Incorporated in the Republic of South Africa
(Registration number: 2007/004302/06)
Share code: HWW ISIN: ZAE000104253
("Hardware Warehouse" or "the group")

REVIEWED REULTS FOR THE YEAR ENDED 30 JUNE 2008

- Revenue up by 74.6% to R220.5 million
- Profit attributable to ordinary shareholders up 70.4% to R10.5 million
- Headline earnings up 95.9% to R10.3 million
- Headline earnings per share up 47% to 15.5 cents per share
- Number of stores up by 45%

CONDENSED CONSOLIDATED GROUP BALANCE SHEET

	Reviewed at 30 June 2008 R'000	Audited at 30 June 2007 R'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	11 664	6 052
Goodwill	9 491	2 500
	21 155	**8 552**
CURRENT ASSETS		
Inventories	55 485	32 905
Trade and other receivables	5 672	2 663
Cash and cash equivalents	761	1 416
	61 918	**36 984**
TOTAL ASSETS	**83 073**	**45 536**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	14	10
Share premium	10 991	-
Retained earnings	17 922	7 462
	28 927	**7 472**
LIABILITIES		
NON-CURRENT LIABILITIES		
Interest bearing borrowings	3 733	2 202
Deferred tax	11	74
	3 744	**2 276**
CURRENT LIABILITIES		
Interest bearing borrowings	2 226	1 061
Operating lease liability	752	589
Related party loans	1 555	-

Taxation payable	4 123	3 287
Provisions	1 780	1 145
Trade and other payables	30 285	24 787
Bank overdraft	9 681	4 919
	50 402	**35 788**
TOTAL LIABILITIES	**54 146**	**38 064**
TOTAL EQUITY AND LIABILITIES	**83 073**	**45 536**
NET ASSET VALUE PER SHARE (cents) – 2008: shares in issue / 2007: proforma number of shares per prospectus	40	15
TOTAL NET ASSET VALUE	28 927	7 472

CONDENSED CONSOLIDATED GROUP INCOME STATEMENT

	Reviewed 12 months ended 30 June 2008 R'000	Audited 12 months ended 30 June 2007 R'000
REVENUE	**220 504**	**126 285**
Cost of sales	(170 802)	(98 313)
Gross profit	**49 702**	**27 972**
Other operating income	210	1 040
Personnel costs	(17 073)	(10 348)
Administrative costs	(800)	(586)
Other operating expenses	(16 759)	(8 405)
Profit from operations	**15 280**	**9 673**
Investment income	452	84
Finance costs	(1 304)	(665)
Profit before taxation	**14 428**	**9 092**
Taxation	(3 968)	(2 952)
Profit for the year attributable to equity holders	**10 460**	**6 140**
Earnings per share (expressed in cents per share)		
- basic and diluted earnings per share	**15.69**	**12.28**
- headline and diluted headline earnings per share	**15.49**	**10.54**

- dividends per ordinary share	-	35 159

CONDENSED CONSOLIDATED GROUP STATEMENT OF CHANGES OF EQUITY

	Share capital R'000	Treasury share capital R'000	Share premium R'000	Treasury shares R'000
Balance at 1 July 2006	10	**-**	-	-
Profit for the year	-	-	-	-
Dividend paid	-	-	-	-
Total changes	**-**	**-**	**-**	**-**
Balance at 1 July 2007 – Audited	**10**	**-**	**-**	-
Profit for the year	-	-	-	-
Issue of shares – private placement	3	-	14 997	-
Issue of shares – share trust	1	(1)	6 499	(6 499)
Purchase of shares – share scheme	-	(1)	-	(1 999)
Rights issue	2	-	-	-
Share issue expenses	-	-	(2 007)	-
Total changes	**6**	**(2)**	**19 489**	**(8 498)**
Balance at 30 June 2008 – Reviewed	**16**	**(2)**	**19 489**	**(8 498)**

	Total share capital R'000	Retained earnings R'000	Total equity R'000
Balance at 1 July 2006	10	4 838	4 848
Profit for the year	-	6 140	6 140
Dividend paid	-	(3 516)	(3 516)
Total changes	**-**	**2 624**	**2 624**
Balance at 1 July 2007 – Audited	**10**	**7 462**	**7 472**
Profit for the year	-	10 460	10 460
Issue of shares – private placement	15 000	-	15 000
Issue of shares – share trust	-	-	-
Purchase of shares – share scheme	(2 000)	-	(2 000)
Rights issue	2	-	2
Share issue expenses	(2 007)	-	(2 007)
Total changes	**10 995**	**10 460**	**21 455**
Balance at 30 June 2008 – Reviewed	**11 005**	**17 922**	**28 927**

CONDENSED CONSOLIDATED GROUP CASHFLOW STATEMENT

	Reviewed 12 months ended 30 June 2008 R'000	Audited 12 months ended 30 June 2007 R'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**14 428**	**9 092**
Adjustments for:		
Depreciation of property, plant and equipment	1 965	762
Profit on disposal of property, plant and equipment	(187)	(19)
Interest received	(452)	(84)
Finance costs paid	1 304	665
Movements in operating lease assets and accruals	163	313
Increase / (Decrease) in provisions	635	(91)
Changes in working capital:		
Inventories	(22 580)	(11 003)
Trade and other receivables	(3 009)	(320)
Trade and other payables	5 498	12 089
Cash (absorbed by) / generated by operations	**(2 235)**	**11 404**
Interest received	452	84
Finance costs paid	(1 304)	(665)
Taxation paid	(3 194)	(1 766)
NET CASH (ABSORBED BY) / FROM OPERATING ACTIVITIES	**(6 281)**	**9 057**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(7 797)	(4 496)
Proceeds on disposal of property, plant and equipment	407	36
Goodwill paid on acquisition of businesses	(6 991)	(2 500)
NET CASH ABSORBED BY INVESTING ACTIVITIES	**(14 381)**	**(6 960)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in interest bearing borrowings	2 696	1 223
Increase in loans from related parties	1 555	-
Acquisition of treasury shares	(2 000)	-
Issue of shares	12 995	-
Dividends paid	-	(3 516)
NET CASH FROM / (ABSORBED BY) FINANCING ACTIVITIES	**15 246**	**(2 293)**

NET DECREASE IN CASH AND CASH EQUIVALENT	**(5 416)**	**(196)**
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	(3 504)	(3 308)
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	**(8 920)**	**(3 504)**

COMMENTARY

1. OVERVIEW

It is with pleasure that the Board announces a set of results that exceeds our prospectus pre-listing forecasts. These welcome results are pleasing, specifically given the current challenging retail market environment, senior management's time allocation to the listing process and a 45% growth in our retail branch complement. We believe this performance is indicative of sound operational management throughout the company. Our unique yet simple business model, we are certain, contributed to these results.

2. FINANCIAL PERFORMANCE

The retail sector has begun to exhibit the effects of higher interest rates and elevated fuel and electricity costs, coupled with electricity supply disruptions. This scenario is largely negatively underscored by the current global credit crisis. Our customer base, however, is not extensively exposed to these current economic disruptions and is significantly historically immune to interest rate cycles. Housing at this level of the market is largely a need, and any downturns are offset by government spend.

Despite the inflationary conditions of late 2007 and early 2008, we achieved satisfactory real growth, and the positive effects of this inflationary period are expected to filter through in the first six months of our 2009 results.

Revenue grew to R220.5 million. This exceeds the forecast per the prospectus despite the economic downturn in the retail sector. The increase is as a result of both new and existing stores. New stores added 43.4% to revenue, and pre-existing stores contributed 31.2% to this performance. This organic growth is pleasing on an industry-comparative basis, specifically as it reflects an 11% real growth.

Strict fiscal discipline and management of overheads contributed to controlled expenditure on operating expenses. This is despite additional overheads attributable to being listed. The company also invested substantially in infrastructure, gearing itself for expansion opportunities. These additional costs did not have a negative impact on Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") to revenue ratio, which remained at 6.8% (EBITDA adjusted by R1 million for headline earnings in the prior year).

Headline earnings grew by 95.9% to R10.3 million.

Inventory Holdings - At the financial year-end, the company had extraordinary large inventory holdings. This is as a result of buy-ins of products prior to price increases during the three months leading up to the financial year–end. The prices of steel and timber related products rose between 20% and 80%. These items make up a large part of our sales, and therefore it was essential to take advantage of buying in inventory at the old prices. The positive effect of these buy-ins is mentioned in our financial performance above.

These buy-ins will be worked out of the system by the end of the busy December trading period, thus generating cash of at least R10 million and strengthening the liquidity position.

3. REVIEW OF OPERATIONS

During the year under review, five stores were added to close on 16 stores. This included two by way of acquisition and three new sites. Our first footprint into the Kwazulu-Natal province was made when an existing 20 year old business was bought in Mtubatuba, near Richards Bay. Revenue contribution from this branch has exceeded expectations. The second acquisition, also a family owned business of over 20 years, was made in Queenstown. Both businesses are currently being rebranded and revamped with the Hardware Warehouse touch.

The Board remains confident of achieving further acquisitive growth.

Significant effort was also put into the Bath and Tile Warehouse Brand, and the first concept store was opened in November 2007. The first stand-alone store started trading towards the end of the financial year. An additional two sites have been secured, and these stores will be opening during the 2009 financial year. Where full stand alone stores are not warranted, a store within a store concept will be rolled out over the next financial year in current Hardware Warehouse stores.

The product range has been expanded across all categories in general, including tiles and sanitary ware. There remains large scope for growth across the building material/hardware range, but the overall range will remain limited, in line with our business model of simplicity.

Urban and product diversification will continue following expansion into new regions. The demand for the products we sell is strong, and we are confident of continued, steady growth.

The Rebranding project was completed in most of the stores during this year. Two of the more mature stores still require refurbishing, and this will be done in the 2009 financial year.

4. SIGNIFICANT EVENTS

The company listed on the Alternative Exchange of the JSE Limited ("JSE"), on 28 September 2007. A relatively small amount of R15 million was raised by way of private placement. The purpose of listing was to lay the foundation to raise further funds when required for rapid expansion by way of acquisitions.

5. PROSPECTS

It is our intention to couple organic with acquisitive growth, favouring acquisitive growth, given the current value opportunities in the market.

Over the next 12 months, we intend to grow on our base in Kwazulu-Natal and to aggressively seek acquisitive opportunities in Limpopo and Mpumalanga. This would extend our footprint to four provinces and about 70% of our potential South African customer base in a relatively short period.

Following expansion of our South African customer base, we are currently seeking strong alliances for SADC expansion in late 2009 and early 2010. It is within Africa that we strongly believe our unique and simplistic business model will enable further growth, specifically for margins.

6. DIVIDENDS

In line with the prospectus, no dividends have been paid during the period under review, nor do the directors recommend payment of a dividend.

7. CHANGES TO THE BOARD

An additional independent non-executive director, Tony Long, was appointed to the board on 4 June 2008. His experience and input has already been most valuable to the Board and as Chairman of the Audit Committee.

8. APPRECIATION

The directors would like to thank the management and staff of the group for their hard work and dedication during the past, extremely busy year, as well as the shareholders and suppliers for their continued invaluable support. We will continue to add value to all the stakeholders of Hardware Warehouse Limited.

NOTES TO THE CONSOLIDATED CONDENSED RESULTS

1. BASIS OF PREPARATION

The condensed consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), the Companies Act (Act 61 of 1973) of South Africa, as amended, and the JSE Listings Requirements. The condensed consolidated annual financial statements contain the information required in terms of IAS 34 – Interim Financial Reporting.

The condensed consolidated financial statements incorporate accounting policies which have been consistently applied. The group has adopted IFRS 7 Financial instruments: Disclosure, which became effective for this financial year.

The board acknowledges its responsibility for the preparation of the condensed annual financial statements in accordance with IFRS, the Companies Act (Act 61 of 1973) of South Africa, as amended, and the JSE Listings Requirements.

2. REVIEW REPORT

The condensed consolidated annual financial statements have been reviewed by Charteris & Barnes CA (SA), Registered Auditors. Their unqualified review report is available for inspection at the group’s registered office.

3. SEGMENT INFORMATION

Segment information has not been presented as the group is at present a single segment business. All stores are collectively managed and, as such, management does not review performance based on separate segments.

4. BASIC AND DILUTED EARNINGS AND HEADLINE EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings and headline earnings per share are as follows:

Reconciliation of total earnings to headline earnings attributable to equity holders

	2008	**2007**
	R’000	**R’000**

Total earnings attributable to equity holders	**10 460**	**6 140**
Non headline earnings		
Less profit on sale of property, plant and equipment	(187)	(19)
Less profit on sale of trading name	-	(1 000)
Tax effect of adjustments	52	151
Headline earnings	**10 325**	**5 272**
Weighted average number of ordinary shares in issue (‘000)	**66 667**	**50 000**

5. ACQUISITION OF BUSINESSES

	2008 R’000	2007 R’000
Mthatha		
Fair value	-	-
Mtubatuba		
Assets		
Property, plant and equipment	102	-
Liabilities		
Interest bearing borrowings	(174)	-
Fair value	(72)	-
In-Line Trading 142 (Proprietary) Limited		
Assets		
Trade and other receivables	297	-
Cash and cash equivalents	1	-
Liabilities		
Trade and other payables	(290)	-
Fair value	8	-
Queenstown		
Assets		
Property, plant and equipment	219	-

Fair value	219	-
Goodwill	6 991	2 500
Total acquisitions	7 146	2 500

2008

On 15 October 2007, the group acquired the business of an existing hardware retailer in Mtubatuba. The acquisition was paid for in cash.

On 23 January 2008 the group acquired 100% of the shares in In-Line Trading 142 (Proprietary) Limited. This company historically traded at a loss and the price for the acquisition was set at the par value of the shares acquired.

The fair value of the receivables acquired is:

	2008 **R'000**
Contractual amounts receivable	339
Estimated cash flows not recoverable	(42)
Fair value	297

On 12 May 2008, the group acquired the business of an existing hardware retailer in Queenstown. The acquisition was paid for in cash.

Goodwill of R6 990 663 has been recognised on these additions which relates to the group's estimates of the favourable returns to be generated from these acquisitions.

The acquisitions were made for strategic growth reasons.

2007

On 1 September 2006 the group entered into a joint venture to operate a hardware store in Mthatha. On 1 February 2007 the group paid R2 500 000 to acquire full control over the joint venture.

Goodwill of R2 500 000 has been recognised on this addition which relates to the group's estimate of the favourable returns to be generated from this acquisition.

The acquisition was made for strategic growth reasons.

6. CHANGES IN SHARE CAPITAL AND SHARE PREMIUM

	2008 **R'000**	**2007** **R'000**
Issued and fully paid:		

80 000 000 ordinary shares of 0.02 cents each (2007: 10 000 ordinary shares of R1 each)	16	10
Treasury share capital	(2)	-
	14	**10**
Share premium	21 496	-
Share issue costs written off against share premium	(2 007)	-
Treasury shares at cost	(8 498)	-
	10 991	**-**
	11 005	**10**
Reconciliation of shares issued:		
Reported at incorporation	10	10
Issue of shares – rights issue	2	-
Issue of shares – Hardware Warehouse Empowerment Trust	1	-
Issue of shares – private placement	3	-
Balance as at 30 June 2008	**16**	**10**

The company increased its authorised share capital and undertook a 1 : 5 000 share split which changed the share capital from 10 000 ordinary R1 shares to 80 000 000 ordinary shares of 0.02 cents each.

The company undertook a rights issue in September 2007 to existing shareholders of 8 500 000 shares.

The company then issued 6 500 000 shares to the Hardware Warehouse Empowerment Trust in September 2007. The shareholders of the company also sold 2 000 000 shares to the Hardware Warehouse Share Purchase Scheme

Subsequent to this, the company pursued a private placement of its shares in terms of which 15 000 000 shares were issued at a premium of 99.98 cents per share for R15 000 000.

7. RELATED PARTY TRANSACTIONS

Other than disclosed above, there has been no significant change in related party relationships since the previous year or significant transactions during the year other than in the normal course of business.

8. COMMITMENTS AND POST-BALANCE SHEET EVENTS

Subsequent to year end the group concluded an agreement to purchase an existing business in Gonubie. This is not a material acquisition.

Subsequent to year end the group has entered into negotiations with a business in the Eastern Cape area. The matter is still pending, inter alia, Competition Committee approval.

SC MILLER
Chief Executive Officer

LA RHIND
Financial Director

25 September 2008

Registered office

17 Vincent Road, Vincent, East London, 5247

Postal address

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Directors

IMJ Senar (*Chairman),* SC Miller (*Chief Executive Officer),* LA Rhind (*Financial Director)*, NE Woollgar (*Independent Non-executive Director)*, HA Long (*Independent Non-executive Director)*

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Transfer secretaries

Computershare Investor Services (Proprietary) Limited

Auditors

Charteris & Barnes CA (SA)

Designated Advisor

Merchantec (Proprietary) Limited