



Growing and growing...

**Revenue up by 74.6%
to R220,5 million**

**Profit attributable to ordinary
shareholders up 70.3%
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% to 16

ANNUAL REPORT 2008

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DIRECTORATE

I M J Senar

Executive Chairman (B.Com)

Ivan has worked within the building materials retail industry for 12 years. His previous experience includes working in the marketing and human resource divisions for SA Breweries and Mercedes-Benz in Johannesburg. Ivan has developed a number of business and property interests.

S C Miller

Chief Executive Officer (B.Compt. FQE. CTA)

Shaun worked in public practice as a chartered accountant until 2001 when he joined Hardware Warehouse as their financial director. He became the company's chief executive officer in 2004. While in public practice Shaun was the accounting officer of Hardware Warehouse since its incorporation.

L A Rhind

Financial Director

Lesley joined Hardware Warehouse in 2003 as the company's financial accountant, having previously completed her articles at PricewaterhouseCoopers, where she gained substantial financial management and supervisory experience including the preparation of management accounts and annual financial statements. Lesley now carries out all financial aspects on behalf of the business.

N E Woolgar

Non-executive director (B.Com, Practising attorney at law)

Neville has 36 year's experience in the commercial law sector and has been Hardware Warehouse's attorney for 11 years, giving him full insight into its operations.

Neville has vast experience, serving on high level boards of public companies and institutions as chairman or long serving board member. Amongst others are: Unibank Limited (chairman and audit committee member); Income Tax Appeal Court: Eastern Cape; Transkei and Ciskei Small Business Development Corporation Limited; Rhodes University (chairman of finance committee, vice chairman of council, member of audit committee and others), a number of pension funds as trustee, and member/trustee of numerous educational councils. Neville has held a number of directorships and sat on many governing bodies within the local community, giving him knowledge of the Hardware Warehouse customer base.

H A Long

Non-executive director CA(SA)

Tony qualified as a Chartered Accountant in 1972 and has approximately 20 years experience as a partner in a medium-sized auditing firm. He has also acted as financial director in the retail industry. Currently he is Registrar: Finance and Operations at Rhodes University and a director of GBS Mutual Bank, chairing the audit committee. He is also a director of a number of small companies associated with the higher education sector.

EXECUTIVE CHAIRMAN'S REPORT

financial year ended June 2008

TURNOVER GREW BY 74,6% TO R220,5 MILLION.

HEADLINE EARNINGS UP 95,9% TO R10,3 MILLION.

HEADLINE EARNINGS PER SHARE INCREASED BY 47% TO 15,5 CENTS PER SHARE.

NUMBER OF STORES INCREASED BY 45%.

We are positively pleased with our maiden results as a listed company. Despite the exceptional time and effort attendant to the listing, management were capable of achieving pleasing results within many areas of our business.

Our company results attest to the unique yet simplistic business model our company has adopted since 1996.

THE LISTING

We believe that with the prudently limited funds that were raised at listing, we have applied these funds in an efficient and effective manner. Our results attest to the listings primary objective of sustained and exceptional growth.

Our secondary objective of listing has given rise to numerous national opportunities as a result of our raised profile within Alt-X.

Despite the current economic environment, specifically within the equity markets, our long term strategy, which included listing, is still sound and we continue to leverage opportunities as a result of the benefits of listings. At the time of writing this report, negotiations to acquire three On Tap plumbing and sanitary ware stores had been concluded along with the expansionary rights to this franchise within much of the Eastern Cape.

We look forward to management's time and effort moving away from the listing issues and concentrating during this next year on operational improvements and synergies.

FINANCIAL RESULTS

Our overhead base increased as a result of indirect costs related to being a listed company, coupled with personnel and systems expenses to support current and future growth. Notwithstanding this overhead burden our Headline Earnings increase of 95,9% to R10,3 million is noteworthy.

The increase in Revenue of 74,6% to R220,5 million should see further benefits during the next year in our Gross Profits as a result of strengthened buying power benefits.

With due consideration to the negative effects visited upon the retail sector during early 2008, as a result of elevated fuel and electricity costs, coupled with increased inflation and interest rates, we are pleased to present these results.

PROSPECTS

During the next year we intend to concentrate on bedding in our acquisitions of 45° and On Tap and growing our Bath & Tile Warehouse brand regionally within the Eastern Cape.

The abovementioned objective will be coupled with continued expansion of Hardware Warehouse stores within Kwa-Zulu Natal, Mpumalanga and Swaziland.

The short to medium-term strategy of selective expansion within SADC continues to receive senior management attention. We are currently seeking strong alliances for this expansionary objective during late 2009 and 2010. It is within Africa that we strongly believe our unique and simplistic business model will enable growth specifically for margins.

APPRECIATION

The commitment and dedication of our management team and staff coupled with the numerous service providers has positioned us well for sustainable growth. I would like to thank our company's board members, personnel, suppliers and advisors and look forward to the coming year with enthusiasm.



IVAN SENAR

CORPORATE GOVERNANCE REPORT

financial year ended June 2008

Hardware Warehouse endorses the Code of Corporate practices and Conduct as contained in the second King Report on Corporate Governance for South Africa 2002. The company has established mechanisms and policies appropriate to the company's business in keeping with its commitment to best practices in corporate governance. The directors are committed to the implementation of, and have complied with the principles to the following extent:

Directorate

The board of directors is responsible for effective control over the affairs of the company including strategic and policy decision-making, financial control, risk management, planning and acquisitions.

Hardware Warehouse retains a unitary board structure. The board consists of three executive directors and two independent non-executive directors. Both non-executive directors are experienced professionals who make a significant contribution towards the board's deliberations and decisions. In accordance with the articles of association, one-third of the directors retire by rotation at every annual general meeting and their re-appointment is subject to shareholders' approval. All directors are subject to re-election by shareholders at the first opportunity after their initial appointment.

The roles of the chairman and chief executive officer are separate with a clear division of responsibilities to ensure a balance of power and authority between them. Although the chairman is an executive director, he together with the chief executive officer, provides leadership and guidance to the board and encourages proper deliberation on all matters requiring the board's attention while obtaining input from the other directors.

The board retains overall accountability for the day-to-day management and strategic direction of the company, as well as for attending to the legislative, regulatory and the best practice requirements. Accountability to shareholders remains paramount in board decisions and this is balanced against the demands of the regulatory environment in which the company operates and the concern of its other stakeholders. To assist the board in discharging its collective responsibility towards corporate governance, an audit committee has been established. Although the board delegates certain functions to the audit committee, it retains ultimate responsibility for audit committee activities.

The board is of the opinion that the audit committee as detailed below has effectively discharged its responsibilities.

Audit committee

The audit committee meets at least twice a year and is chaired by an independent non-executive director. Its role is to assist the board by performing an objective and independent review of the company's finance, risk and accounting control mechanisms.

The committee comprises two non-executive directors and an independent representative being the designated advisor. The company's external auditors and certain senior executives attend meetings by invitation.

The company maintains accounting, risk and administrative controls systems required for the current levels of operations. The audit committee reviews and monitors the following:

- the effectiveness of the company's information systems and other systems of internal control
- the reports of external auditors
- the annual report and specifically the annual financial statements included therein
- the accounting policies of the company and the proposed revisions thereto
- the external audit findings, reports and fees and the approval thereof; and
- compliance with applicable legislation and requirements of regulatory authorities.

By virtue of the fact that the company's external auditors attend all audit committee meetings, they have unrestricted access to the audit committee and its chairperson with a view to ensuring that their independence is not impaired.

CORPORATE GOVERNANCE REPORT

financial year ended June 2008

Board and committee meetings attendance

The board meets on a regular basis where possible, but at a minimum every three months. The directors receive information timeously so that full consideration is given to all issues under discussion.

Three board meetings were held during the financial year ended June 2008 and two after year end until the date of this report. One audit committee meeting was held during the year and two after year end.

The attendance of the directors as at 30 June 2008 for the year under review, taking into account their dates of appointment, was as follows:

Director	No. of Board Meetings attended	No. of Audit Committee meetings attended
IMJ Senar	3/3	
SC Miller	3/3	
LA Rhind	3/3	
NE Woollgar	3/3	1/1
HA Long	3/3	1/1

Code of Ethics

All employees of the company are required to maintain the highest ethical standards in ensuring that the company's business practices are conducted in a manner, which in all circumstances is above reproach.

Communication with Stakeholders

The company is committed to ongoing and effective communication with stakeholders. It subscribes to a policy of sound corporate governance and open and timeous communication in line with JSE guidelines.

Employment Equity

The company upholds and supports the objectives of the Employment Equity Act. Hardware Warehouse has implemented an Empowerment Trust for the benefit of its employees, the majority of which come from previously disadvantaged backgrounds, strengthening its position as an employer of choice.

The company's employment policies are designed to provide equal opportunities, without discrimination, to all employees.

CONSOLIDATED GROUP ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

Reports and statements set out below comprise the consolidated group annual financial statements presented to the shareholders:

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DIRECTORS' RESPONSIBILITIES AND APPROVAL

FOR THE YEAR ENDED 30 JUNE 2008

The directors are required by the Companies Act of South Africa, 1973, as amended, to maintain adequate accounting records and are responsible for the content and integrity of the consolidated group annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated group annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, 1973, as amended. The external auditors are engaged to express an independent opinion on the consolidated group annual financial statements.

The consolidated group annual financial statements are prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, 1973, as amended and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated group annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the year to 30 June 2009 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the group's consolidated group annual financial statements. The consolidated group annual financial statements have been examined by the group's external auditors and their report is presented on page 3.

The consolidated group annual financial statements set out on pages 4 to 45, which have been prepared on the going concern basis, were approved by the board on 12 November 2008 and were signed on its behalf by:



S C MILLER
Chief Executive Officer



L A RHIND
Financial Director

EAST LONDON
12 November 2008

STATEMENT FROM SECRETARY

In terms of section 268G(d) of the Companies Act 61 of 1973, as amended, we certify that, to the best of our knowledge and belief, the group has lodged with the Registrar of Companies for the financial year ended 30 June 2008, all such returns as are required of a public company in terms of the Companies Act 61 of 1973, as amended, and that all such returns are true, correct and up to date.

CHARTERIS & BARNES ADMINISTRATIVE SERVICES CC
SECRETARIES

PER: IGNATIUS WALTER WAIT
GROUP COMPANY SECRETARY

12 November 2008

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF HARDWARE WAREHOUSE GROUP

We have audited the accompanying consolidated group annual financial statements of Hardware Warehouse Group, which comprise the directors' report, the balance sheet as at 30 June 2008, the income statement, the statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 45.

Directors' Responsibility for the Financial Statements

The group's directors are responsible for the preparation and fair presentation of these consolidated group annual financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, 1973 as amended. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated group annual financial statements that are 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated group annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated group annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated group annual financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated group annual financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated group annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated group annual financial statements.

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

Opinion

In our opinion, the consolidated group annual financial statements present fairly, in all material respects, the financial position of the group as of 30 June 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, 1973 as amended.

CHARTERIS & BARNES (SA)

Registered Auditors

PER: G J Le Roux

Chartered Accountant (SA)

Registered Auditor

Partner

17 Vincent Road

Vincent, East London, South Africa

12 November 2008

DIRECTORS' REPORT

for the year ended 30 June 2008

The directors take pleasure in submitting their annual report, together with the audited consolidated group annual financial statements for the year ended 30 June 2008.

1. PRINCIPAL ACTIVITIES OF THE GROUP

The group carries on the business of a building materials retailer.

2. GENERAL REVIEW OF OPERATIONS AND PERFORMANCE

Hardware Warehouse's business and operations, and the results thereof, are reflected in the attached consolidated group annual financial statements and no other fact or circumstance, material to a fair assessment of the financial position of Hardware Warehouse has occurred, save as disclosed elsewhere in the financial statements and in subsequent events below.

3. SHARE CAPITAL

Full details of the authorised, issued and unissued capital of the group at 30 June 2008 are contained in note 6 to the financial statements.

4. DIVIDENDS

An ordinary dividend of R3 515 861 was declared in the previous financial year. No dividend has been declared or paid during the year and the directors do not recommend one.

5. DIRECTORS AND SECRETARY

The directors of the group during the year and to the date of this report are as follows:

Name	Nationality	Changes
<i>Executive Directors</i>		
I M J Senar	South African	–
S C Miller	South African	–
L A Rhind	South African	–
<i>Non Executive Directors</i>		
N E Woollgar	South African	–
H A Long	South African	Appointed June 2008

DIRECTORS' REPORT

for the year ended 30 June 2008

6. DIRECTORS' SHAREHOLDINGS

At 30 June 2008, the directors of the group held the following shares in Hardware Warehouse Limited:

	Shares held directly	Shares held indirectly	Total percentage held directly	Total percentage held indirectly	Total percentage holding
S C Miller	6,042,700	14,625,000	7,55%	18,28%	25,83%
I M J Senar	13,203,500	9,407,025	16,50%	11,76%	28,26%
L A Rhind	1,412,500	–	1,77%	–	1,77%
N E Woollgar	10,000	–	0,01%	–	0,01%

At 30 June 2007, the directors of the group held the following shares in Hardware Warehouse Limited:

	Shares held directly	Shares held indirectly	Total percentage held directly	Total percentage held indirectly	Total percentage holding
S C Miller	930,000	2,250,000	9,30%	22,50%	31,80%
I M J Senar	2,031,000	1,350,000	20,31%	13,50%	33,81%
L A Rhind	200,000	–	2,00%	–	2,00%

7. DIRECTORS' INTEREST IN CONTRACTS

Certain directors are interested in a number of contracts. A register of these interests is maintained by the group's secretary and is available for inspection at the registered office.

8. PROPERTY, PLANT AND EQUIPMENT

The group has undertaken various acquisitions during the year. Refer to note 1 for further information.

No major changes have occurred in the use of the property, plant and equipment of the group during the year.

DIRECTORS' REPORT

for the year ended 30 June 2008

9. INTEREST IN SUBSIDIARIES

Name of subsidiary	% Held	Net income after tax
In Line Trading 142 (Pty) Ltd – February 2008	100%	58,137
Yongani Business Development (Pty) Ltd	100%	–
Hardware Warehouse Share Purchase Scheme	Effective control	–
Hardware Warehouse Empowerment Trust	Effective control	–

All the subsidiaries were acquired in the current year. Yongani Business Developments (Pty) Ltd was dormant in the current year.

Details of the group's investment in subsidiaries are set out in note 27.

10. BORROWING LIMITATIONS

The directors have unrestricted authorisation to exercise the borrowing powers of the group.

11. GOING CONCERN

The directors are not aware of any matter or circumstance negatively affecting the ability of the group to continue trading as a going concern.

12. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

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 had entered into negotiations with a business in the Eastern Cape area. The matter is still pending, inter alia, Competition Committee approval.

13. CONTINGENCIES

The group did not have any contingent liabilities at year end. In the prior year, the group provided sureties for companies with common directorship.

DIRECTORS' REPORT

for the year ended 30 June 2008

14. AUDITORS

Charteris & Barnes CA (SA) are currently the auditors of the group but shall retire at the annual general meeting of the group. Appointment of the succeeding auditor will be determined at the annual general meeting of the group.

15. LEGAL ADVISORS

The Legal Advisors of the group are Messrs Hutton & Cook, King William's Town.

16. GROUP SECRETARY

The secretary of the group is Charteris & Barnes Administrative Services CC. Their business and postal address is as follows:

Business address: 17 Vincent Road, Vincent, East London, 5247

Postal address: P O Box 19728, Tecoma, East London, 5214

17. PHYSICAL ADDRESS AND REGISTERED OFFICE (INCORPORATED IN RSA)

Physical address: 69 Devereux Avenue, Vincent, East London, 5247

Registered address: 17 Vincent Road, Vincent, East London, 5247

CONSOLIDATED GROUP BALANCE SHEET

for the year ended 30 June 2008

	Notes	2008 R'000	2007 R'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	11,664	6,052
Goodwill	2	9,491	2,500
		21,155	8,552
CURRENT ASSETS			
Inventories	3	55,485	32,905
Trade and other receivables	4	5,672	2,663
Cash and cash equivalents	5	761	1,416
		61,918	36,984
TOTAL ASSETS		83,073	45,536
EQUITY AND LIABILITIES			
EQUITY			
Share capital	6	14	10
Share premium	6	10,991	–
Retained earnings		17,922	7,462
		28,927	7,472
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest bearing borrowings	7	3,733	2,202
Deferred tax	8	11	74
		3,744	2,276
CURRENT LIABILITIES			
Interest bearing borrowings	7	2,226	1,061
Operating lease accrual	9	752	589
Related party loans	10	1,555	–
Taxation payable		4,123	3,287
Provisions	11	1,780	1,145
Trade and other payables	12	30,285	24,787
Bank overdraft	5	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)		40	74,720
TOTAL NET ASSET VALUE		28,927	7,472

CONSOLIDATED GROUP INCOME STATEMENT

for the year ended 30 June 2008

	Notes	2008 R'000	2007 R'000
REVENUE	13	220,504	126,285
Cost of sales	14	(170,802)	(98,313)
Gross profit		49,702	27,972
Other operating income		210	1,040
Personnel costs		(17,073)	(10,348)
Administration expenses		(800)	(586)
Other operating expenses		(16,759)	(8,405)
Profit from operations	15	15,280	9,673
Investment income	16	452	84
Finance costs	17	(1,304)	(665)
Profit before taxation		14,428	9,092
Taxation	18	(3,968)	(2,952)
Profit for the year		10,460	6,140
Attributable to equity holders		10,460	6,140
Minority interest		–	–
Earnings per share (expressed in cents per share)			
– basic and diluted earnings per share	19	15.69	12.28
– dividends per ordinary share	19	–	35,159

CONSOLIDATED GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2008

	Share capital R'000	Treasury share capital R'000	Share premium R'000	Treasury shares R'000	Total share capital R'000	Retained earnings R'000	Total Equity R'000
Balance at 1 July 2006	10	–	–	–	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	10	–	–	–	10	7,462	7,472
Profit for the year	–	–	–	–	–	10,460	10,460
Issue of shares							
– private placement	3	–	14,997	–	15,000	–	15,000
Issue of shares							
– share trust	1	(1)	6,499	(6,499)	–	–	–
Acquisition of treasury shares	–	(1)	–	(1,999)	(2,000)	–	(2,000)
Rights issue	2	–	–	–	2	–	2
Share issue expenses	–	–	(2,007)	–	(2,007)	–	(2,007)
Total changes	6	(2)	19,489	(8,498)	10,995	10,460	21,455
Balance at 30 June 2008	16	(2)	19,489	(8,498)	11,005	17,922	28,927
Note	6			6	6		

CONSOLIDATED GROUP CASH FLOW STATEMENT

for the year ended 30 June 2008

	Notes	Audited 2008 R'000	Audited 2007 R'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		14,428	9,092
Adjustments for:			
Depreciation of property, plant and equipment		1,964	764
Profit on disposal of property, plant and equipment		(186)	(20)
Interest received		(452)	(84)
Finance costs paid		1,304	665
Movements in operating lease accruals		163	313
Movements in provisions		635	(91)
		17,856	10,638
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 from operations		(2,235)	11,404
Interest received		452	84
Finance costs paid		(1,304)	(665)
Taxation paid	24	(3,194)	(1,766)
NET CASH (ABSORBED BY) / GENERATED FROM OPERATING ACTIVITIES		(6,281)	9,057
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	1	(7,797)	(4,496)
Proceeds on disposal of property, plant and equipment	1	407	36
Acquisition of businesses	26	(6,992)	(2,500)
NET CASH ABSORBED BY INVESTING ACTIVITIES		(14,382)	(6,960)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in loans from related parties	10	1,555	–
Increase in interest bearing borrowings		2,696	1,223
Acquisition of treasury shares		(2,000)	–
Issue of shares – private placement		15,000	–
Issue of shares – rights issue		2	–
Share issue expenses		(2,007)	–
Dividends paid	25	–	(3,516)
NET CASH FROM / (ABSORBED BY) FINANCING ACTIVITIES		15,246	(2,293)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(5,417)	(196)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(3,503)	(3,307)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	(8,920)	(3,503)

CONSOLIDATED GROUP ACCOUNTING POLICIES

for the year ended 30 June 2008

ACCOUNTING POLICIES

Hardware Warehouse Limited (the company) is a South African registered company. The consolidated financial statements of the group for the year ended 30 June 2008 comprise the company and its subsidiaries (together referred to as the “group”).

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the interpretation adopted by the International Accounting Standards Board (IASB) and the requirements of the Companies Act of South Africa, as amended and are consistent with the previous period except for the fact that during the current year the Group adopted IFRS 7 – “Financial instruments – Disclosure”. This has not resulted in any amendment to the measurement of amounts reflected in the financial statements, but has led to additional disclosure – refer to note 23.

The group has early adopted IFRS 8 as it believes that IFRS 8 will provide more relevant information to shareholders.

Basis of preparation

The financial statements are presented in South African Rands. They are prepared on the historical cost basis except for measurement of certain financial instruments which are stated at fair value.

The accounting policies set out below have been applied consistently by all Group entities. The financial statements have been prepared on a going concern basis. The entity’s owners do not have the power to amend the financial statements after issue.

Basis of consolidation

Subsidiaries

Subsidiaries are those entities, including special purpose entities, over which the group has the power to, directly or indirectly, exercise control over the financial and operating policies, so as to obtain benefits from their activities:

In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Eliminations on consolidation

Intragroup balances and transactions, and any unrealized gains or losses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Property, Plant and Equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the group; and
- the cost of the item can be measured reliably

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

CONSOLIDATED GROUP ACCOUNTING POLICIES

for the year ended 30 June 2008

Property, plant and equipment is stated at historical cost less depreciation less accumulated impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful lives, as follows:

Plant and machinery	5 years
Furniture, fixtures and shelving	10 – 25 years
Motor vehicles	4 years
Office equipment	5 years
Computer equipment	3 years
Computer software	2 years
Leasehold improvements	over the period of the applicable lease
Signage	10 years

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately, if the useful life or depreciation method of that part is different to the remainder of the asset.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other operating income or expenses in profit and loss.

Goodwill

All business combinations are accounted for by applying the "purchase method". Goodwill represents the difference between the cost of the acquisition and the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is measured at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units and is tested at least annually for impairment or more frequently if there is an indicator of impairment.

Negative goodwill arising on an acquisition is recognised directly in the profit or loss.

CONSOLIDATED GROUP ACCOUNTING POLICIES

for the year ended 30 June 2008

Premiums and discounts arising on subsequent purchases from, or sales to, minority interest in subsidiaries

Any increase and decreases in ownership interests in subsidiaries without a change in control, are recognised as equity transactions in the group financial statements.

Accordingly, any premiums or discounts on subsequent purchases of equity instruments from, or sales of equity instruments to, minority interests are recognised directly in the equity of the parent shareholder.

Impairment of assets

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the group estimates the recoverable amount of the asset in order to determine the extent of the impairment loss.

Irrespective of whether there is any indication of impairment, the group also:

- tests goodwill acquired in a business combination for impairment at least annually.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

Where an impairment loss subsequently reverses, the carrying amount of the asset, other than goodwill attributable to a reversal of an impairment loss, is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

Taxation

Current taxation

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity, or
- a business combination.

CONSOLIDATED GROUP ACCOUNTING POLICIES

for the year ended 30 June 2008

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Current tax for current and prior period is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred tax is recognised using the balance sheet method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in transactions that is not a business combination and that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries and joint ventures to the extent that they will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Secondary tax on companies (STC)

STC is recognised as part of the current tax charge in profit and loss when the related dividend is declared. STC is provided in respect of dividends declared net of dividends received or receivable. Unused STC credits are accounted for in deferred taxation to the extent that it is probable that the entity will declare dividends against which the STC credits can be utilised.

Investment in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment. The group recognises income from the investment only to the extent that distributions are made from accumulated profits of the subsidiary arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

CONSOLIDATED GROUP ACCOUNTING POLICIES

for the year ended 30 June 2008

Inventory

Inventories are measured at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in-first-out (FIFO) method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the group reacquires its own equity instruments, those treasury shares are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments. Consideration paid or received is recognised directly in equity.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligations.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

CONSOLIDATED GROUP ACCOUNTING POLICIES

for the year ended 30 June 2008

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

(a) Sales of goods – retail

The group operates a chain of retail outlets for selling hardware and related building products. Sales of goods are recognised when a branch sells a product to the customer. Retail sales are usually in cash, credit card or through retail credit providers.

It is the group's policy to sell its products to the retail customer with a right of exchange. Purchases are refundable in certain circumstances or exchangeable for similar goods. The group does not operate any loyalty programmes.

(b) Interest income

Interest is recognised, in profit or loss, using the effective interest rate method.

Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Long-term employee benefits

The group has no obligations relating to long-term employee benefits.

Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership to the lessee.

Finance leases are recognised as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period in which they are incurred.

CONSOLIDATED GROUP ACCOUNTING POLICIES

for the year ended 30 June 2008

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Dividends per share

Dividends per share are calculated by dividing the dividends declared or proposed for the period by the number of shares actually in issue at the date of each dividend declaration.

Financial instruments

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value, which includes transaction costs, except for those instruments that are classified as at fair value through profit or loss, which are recognised initially at fair value. Financial instruments include cash and cash equivalents, trade and other receivables, financial assets, trade and other payables and other liabilities.

A gain or loss arising from change in a financial asset or liability is recognised as follows:

- a gain or loss on a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss;
- a gain or loss on an available-for-sale financial asset is recognised directly in equity, through the statement of changes in equity, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss; and
- a gain or loss on financial assets and financial liabilities, carried at amortised cost, is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Subsequent to initial recognition, financial instruments are measured on the basis set out below:

Trade and other receivables

Trade and other receivables are classified as loans and receivables and are measured at initial recognition at fair value, including transaction costs. They are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Trade and other receivables are written off as unrecoverable when there is certainty of unrecoverability.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are subsequently recorded at amortised cost which approximates fair value.

CONSOLIDATED GROUP ACCOUNTING POLICIES

for the year ended 30 June 2008

Loans from related entities

These are classified as loans and receivables and include loans from related parties and are carried at amortised cost less any accumulated impairment.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

Interest bearing borrowings

Borrowings are classified as loans and receivables and are initially measured at fair value, including transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Trade and other payables

Trade payables are classified as loans and receivables and are initially measured at fair value including transaction costs. They are subsequently measured at amortised cost, using the effective interest rate method.

Bank overdraft

Bank overdrafts comprise demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are subsequently recorded at amortised cost which approximates fair value.

Loans from directors and loans to employees

These financial assets and liabilities are classified as loans and receivables and are carried at amortised cost less any accumulated impairment.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Offset

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously or to settle on a net basis, all related financial effects are offset.

Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

CONSOLIDATED GROUP ACCOUNTING POLICIES

for the year ended 30 June 2008

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers have been identified as the executive directors committee that makes strategic decisions.

Intersegment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise corporate assets, liabilities and results, as well as assets under construction and related expenses.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Business combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

NOTES TO CONSOLIDATED GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2008

1. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery R'000	Furniture, fixtures and shelving R'000	Motor vehicles R'000	Office equipment R'000	Computer equipment R'000	Computer software R'000	Leasehold improve- ments R'000	Signage R'000	Total R'000
Carrying value – 30 June 2007	105	1,183	3,613	127	261	–	671	92	6,052
Cost	108	1,346	4,979	136	789	–	746	96	8,200
Accumulated depreciation	(3)	(163)	(1,366)	(9)	(528)	–	(75)	(4)	(2,148)
Additions – purchased	45	2,194	3,301	107	408	40	153	1,227	7,475
Additions – business combinations	5	58	200	34	25	–	–	–	322
Disposals	–	(2)	(210)	–	(9)	–	–	–	(221)
Depreciation	(16)	(470)	(960)	(12)	(204)	(8)	(203)	(91)	(1,964)
Carrying value – 30 June 2008	139	2,963	5,944	256	481	32	621	1,228	11,664
Cost	158	3,595	7,660	277	1,211	40	899	1,323	15,163
Accumulated depreciation	(19)	(632)	(1,716)	(21)	(730)	(8)	(278)	(95)	(3,499)
Carrying value – 30 June 2006	109	214	1,831	30	152	–	–	–	2,336
Cost	192	289	2,965	34	678	–	–	–	4,158
Accumulated depreciation	(83)	(75)	(1,134)	(4)	(526)	–	–	–	(1,822)
Additions – purchased	11	1,057	2,255	102	229	–	746	96	4,496
Additions – business combinations	–	–	–	–	–	–	–	–	–
Disposals	–	–	(16)	–	–	–	–	–	(16)
Depreciation	(15)	(88)	(457)	(5)	(120)	–	(75)	(4)	(764)
Carrying value – 30 June 2007	105	1,183	3,613	127	261	–	671	92	6,052
Cost	108	1,346	4,979	136	789	–	746	96	8,200
Accumulated depreciation	(3)	(163)	(1,366)	(9)	(528)	–	(75)	(4)	(2,148)

NOTES TO CONSOLIDATED GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2008

Pledged as security

Motor vehicles and furniture and fittings with a carrying value of R6,371,239 (2007: R3,424,829) have been encumbered as security for the interest bearing borrowings to ABSA Bank Limited and Wesbank as reflected in note 7.

2. GOODWILL

	Total R'000
Carrying value – 30 June 2007	2,500
Cost	2,500
Accumulated impairments	–
Additions through business combinations	6,991
Carrying Value – 30 June 2008	9,491
Cost	9,491
Accumulated impairment	–

The goodwill relates to specific branches and subsidiaries which have been purchased. Details of these acquisitions have been reflected in note 26.

Impairment test for cash-generating units containing goodwill.

The following units have significant carrying amounts of goodwill

	2008 R'000	2007 R'000
Mthatha region	2,500	2,500
Queenstown region	1,011	–
Mthubathuba region	5,972	–
Other units with insignificant goodwill	8	–
	9,491	2,500

Description of impairment tests and key assumptions

Impairment tests are conducted on an annual basis (or more frequently where impairment indicators have been identified). The method used is a discounted cash flow valuation model on the basis of value-in-use. The impairment tests are prepared on the basis of forecast profits generated by the cash-generating unit. Forecasts typically cover a one year period due to the high growth experienced by these acquisitions. Where acquisitions are concluded less than three months before year end, management does not perform any impairment tests. The profit generated from each unit is determined and capitalised using an after-tax discount rate which represents the weighted average cost of capital applicable to the group, which is currently 11.73% (2007: 10.74%).

Impairment losses

No impairment losses have been recognised to date.

Useful lives

Useful lives are reflected under accounting policies on page 13.

NOTES TO CONSOLIDATED GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2008

3. INVENTORIES

	2008 R'000	2007 R'000
Finished goods	55,457	32,905
Consumables	28	–
	55,485	32,905

Any inventory damaged to the extent that no amount is recoverable is not included in the values above.

Inventory pledged as security

	2008 R'000	2007 R'000
Inventory pledged as security for group's overdraft facilities	14,500	5,100

4. TRADE AND OTHER RECEIVABLES

	2008 R'000	2007 R'000
Trade receivables	4,256	1,428
Allowance for doubtful debts	(278)	(109)
Staff loans	134	105
Deposits	62	219
Receivables from related parties	378	607
Sundry debtors	1,120	413
	5,672	2,663

Staff loans bear interest at the ruling SARS rates and are repayable over 6 months. Related party loans have arisen in the normal course of trade and therefore are classified as current. Interest is charged on any overdue amounts, in line with the treatment of other trade receivables.

Reconciliation of allowance for doubtful debts:

	2008 R'000	2007 R'000
Opening balance	(109)	–
Bad debts written off	12	–
Additional receivables provided for	(181)	(109)
Closing balance	(278)	(109)

NOTES TO CONSOLIDATED GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2008

Trade and other receivables pledged as security

Trade receivables with a carrying amount of R4 256 732 (2007: R1 428 869) have been pledged as security for the group's bank overdraft facilities. At year end the overdraft amounted to R9 681 291 (2007: R4 919 691).

The allowance for doubtful debts has been determined by providing for specific debtors who have been identified and by considering the specific recoverability of each debtor.

The directors consider that the carrying amount of trade and other receivables approximates their fair value due to the short term nature of receivables.

5. CASH AND CASH EQUIVALENTS

	2008 R'000	2007 R'000
Cash on hand	761	816
Short-term deposits	–	600
Bank overdraft	(9,681)	(4,919)
	(8,920)	(3,503)
Current assets	761	1,416
Current liabilities	(9,681)	(4,919)
	(8,920)	(3,503)

The carrying amount of these assets approximates their fair value.

The principal features of the group's overdraft are as follows:

Bank overdrafts are repayable on demand. Overdrafts of R9 681 291 (2007: R4 919 691) have been secured by:

Unlimited suretyship by I M J Senar, S C Miller, M J Willard and W L Miller

Cession of trade receivables of R4 256 732 (2007: R1 428 869)

General notarial bond of R7 500 000 (2007: R5 100 000) over all moveable assets.

The company has the following undrawn borrowing facilities:

	2008 R'000	2007 R'000
Bank overdraft		
• Expiring within one year	2,430	180

The facilities expiring within one year are annual facilities subject to review at various dates during 2009.

Subsequent to year end, the bank overdraft has been secured by a general notarial bond of R12 500 000 over all moveable assets.

NOTES TO CONSOLIDATED GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2008

6. SHARE CAPITAL

	2008 R'000	2007 R'000
Issued and fully paid:		
80,000,000 Ordinary shares of 0.02c each (2007: 10,000 ordinary shares of R1 each)	16	10
Treasury shares at cost	(2)	–
	14	10
Reconciliation of share capital:		
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
Reconciliation of share premium		
Share premium	21,496	–
Share issue costs written off against share premium	(2,007)	–
Treasury shares at cost	(8,498)	–
Balance as at 30 June 2008	10,991	–
Reconciliation of number of shares issued		
Report at incorporation	10	10
September 2007 – share split – 1: 5,000	50,000	–
September 2007 – issue of shares – rights issue at R1 per share	8,500	–
September 2007 – issue of shares – Hardware Warehouse Empowerment Trust at R1 per share	6,500	–
September 2007 – issue of shares – private placement at R1 per share	15,000	–
Shares in issue – 30 June 2008	80,000	10

The treasury share capital of R2 000 relates to the purchase by the Hardware Warehouse Share Purchase Scheme of 2,000,000 ordinary shares at R1 per share from the previous shareholders. The purchase took place in September 2007.

7. INTEREST BEARING BORROWINGS

	2008 R'000	2007 R'000
Held at amortised cost		
ABSA Bank Limited Secured by instalment sale agreements from ABSA Bank Limited over the property, plant and equipment of the group disclosed in note 1.	5,809	2,957
Wesbank Secured by instalment sale agreements from Wesbank over the property, plant and equipment of the group disclosed in note 1.	150	306
	5,959	3,263

NOTES TO CONSOLIDATED GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2008

	2008 R'000	2007 R'000
Non-current liabilities		
At amortised cost	3,733	2,202
Current portion included with current liabilities		
At amortised cost	2,226	1,061
	5,959	3,263

Repayment terms and conditions

The instalment sales are repayable in instalments of debit orders R237 870 (2007: R80 956) on a monthly basis. The interest rates on the instalment sales vary from prime less 1,5 to prime, average 14% (2007: 12%).

8. DEFERRED TAX

The deferred tax liability comprises:

	2008 R'000	2007 R'000
Property, plant and equipment	(346)	(267)
Operating lease accruals	210	170
Accruals	67	–
Provisions for doubtful debts	58	23
	(11)	(74)

Reconciliation of deferred tax liability

	2008 R'000	2007 R'000
Balance at beginning of the year	(74)	(108)
Property, plant and equipment	(87)	(80)
Operating lease accruals	45	91
Accruals	67	–
Provision for doubtful debts	36	23
Reduction due to rate change	2	–
Balance at the end of the year	(11)	(74)

9. OPERATING LEASE ACCRUAL

At the balance sheet date, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008 R'000	2007 R'000
Operating lease accrual	752	589

NOTES TO CONSOLIDATED GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2008

Operating lease arrangements

	2008 R'000	2007 R'000
Within one year	5,737	4,448
In the second to fifth years inclusive	11,548	7,929
	17,285	12,377
Less amount recognised as an accrual	(752)	(589)
	16,533	11,788

Operating lease payments represent rentals payable by the group for certain of its trading premises. Leases are negotiated for an average term of five years.

Leases are entered into with various entities for the rentals of the trading premises of the group.

10. LOANS FROM RELATED PARTIES

	2008 R'000	2007 R'000
I M J Senar	523	–
S C Miller	232	–
Shaun Miller Family Trust	500	–
IMJS Family Trust	300	–
	1,555	–

The amounts are unsecured. The loans are repayable at the discretion of the group and are interest free for 1 year from 30 September 2007.

The amounts arose from the sale by the directors to the Hardware Warehouse Share Purchase Scheme. To date, no shares have been allocated to participants.

11. PROVISIONS

	2008 R'000	2007 R'000
Provisions consist of:		
Provisions for lay-byes	1,780	1,145

Reconciliation of provisions – 2008

	Opening balance R'000	Additions R'000	Utilised during the year R'000	Total R'000
Provision for lay-byes	1,145	1,780	(1,145)	1,780

Reconciliation of provision – 2007

	Opening balance R'000	Additions R'000	Utilised during the year R'000	Total R'000
Provision for lay-byes	1,236	1,145	(1,236)	1,145

NOTES TO CONSOLIDATED GROUP ANNUAL FINANCIAL STATEMENTS

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The group sells goods to customers on "lay-by". It is expected that all amounts deposited as lay-byes will be realised in the next year when the customer receives the goods. The carrying value approximates the fair value due to the short term nature of the lay-byes.

12. TRADE AND OTHER PAYABLES

	2008 R'000	2007 R'000
Trade payables	28,782	21,475
Dividends payable	–	339
Other payables	1,503	2,973
	30,285	24,787

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The carrying value of trade and other payables approximates its fair value due to the short term nature of trade payables.

13. REVENUE

	2008 R'000	2007 R'000
Sale of goods	220,504	126,285

14. COST OF SALES

	2008 R'000	2007 R'000
Cost of goods sold	170,802	98,313

15. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging / (crediting):

	2008 R'000	2007 R'000
Auditors' remuneration – audit services	163	–
Auditors' remuneration – tax and secretarial services	4	20
Profit on disposal or scrapping of property, plant and equipment	(186)	(20)
Bad debts written off	183	96
Legal fees	11	18
Operating lease charges	5,881	2,907
Depreciation on property, plant and equipment	1,964	764
Employee costs – short term benefits	17,072	10,347
Sale of trade name – Builders Warehouse	–	(1,000)

The group had no post retirement employee benefit obligations.

NOTES TO CONSOLIDATED GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2008

16. INVESTMENT INCOME

Loans and receivables:

	2008 R'000	2007 R'000
Bank deposits	418	84
Interest charged on trade and other receivables	34	–
	452	84

17. FINANCE COSTS

Financial liabilities:

	2008 R'000	2007 R'000
Finance charges for interest bearing borrowings	789	300
Bank overdrafts	508	359
Interest paid on trade payables	7	6
	1,304	665

18. TAXATION

	2008 R'000	2007 R'000
South African normal tax		
Current year	4,109	2,547
Deferred tax		
Current year	(63)	(34)
Secondary tax on companies – (overprovision) / provision	(78)	439
Tax expense per income statement	3,968	2,952
Company tax is calculated at 28% (2007: 29%) of the estimated assessable profit for the year		
Reconciliation of the tax rate:	%	%
Tax at the South African company tax rate	28,00	29,00
Capital profit on sale of trading name	–	(1,59)
Non deductible donations	0,05	0,04
Legal fees and other capital expenditure	0,01	0,19
Secondary Tax on Companies	–	4,83
Over provisions	(0,54)	–
Change in tax rate	(0,02)	–
Effective tax rate for the year	27,50	32,47

NOTES TO CONSOLIDATED GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2008

19. BASIC AND DILUTED EARNINGS AND HEADLINE EARNINGS PER SHARE

The calculation of basic and diluted earnings and headline earnings per share is based on the following:

	2008 R'000	2007 R'000
Attributable earnings – basic earnings	10,460	6,140
Attributable earnings – headline earnings	10,325	5,272
Weighted average and diluted weighted average number of shares in issue (excluding treasury shares)	66,667	50,000
<i>Reconciliation between earnings and headline earnings</i>		
Attributable earnings – basic earnings	10,460	6,140
Adjustments for:		
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
Minority shareholders' interest	–	–
Attributable earnings – headline earnings	10,325	5,272
The weighted average number of shares has been calculated based on the details of the changes in share capital as reflected in Note 6.		
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The group has no categories of dilutive potential ordinary shares.		
Earnings and fully diluted earnings per share (cents)	15,69	12,28
Headline and fully diluted headline earnings per share (cents)	15,49	10,54

20. DIRECTORS' REMUNERATION

	Basic salary and bonus R'000	Expenses and traveling allowance R'000	Total R'000
20.1 Directors' emoluments, for the year ended 30 June 2008 are:			
Executive director			
I M J Senar	137	137	274
S C Miller	366	182	548
L A Rhind	297	51	348
Non-executive director			
N E Woollgar	–	–	–
H A Long	–	–	–
Total directors' emoluments at 30 June 2008	800	370	1,170

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for the year ended 30 June 2008

	Basic salary and bonus R'000	Expenses and traveling allowance R'000	Total R'000
20.2 Directors' emoluments, for the year ended 30 June 2007 are:			
Executive directors			
I M J Senar	134	297	431
S C Miller	223	192	415
L A Rhind	138	55	193
M J Willard	127	120	247
I A J Senar	174	–	174
E G Senar	219	–	219
Non-executive director			
N E Woollgar	–	–	–
Total directors' emoluments at 30 June 2007	1,015	664	1,679

21. AUDITORS' REMUNERATION

	2008 R'000	2007 R'000
Audit services	163	–
Tax and secretarial services	4	20
	167	20

22. RELATED PARTIES

The directors consider all amounts to be recoverable.

The entities as mentioned below are related parties due to the fact that they all share common shareholders and / or directors.

Other than the amounts included under trade and other receivables (as per note 4 above), the amounts have been reflected under related party loans. (Note 10).

EG Senar, IAJ Senar and MJ Willard are past directors of the group. Hardware Warehouse Share Empowerment Trust is a related party because the trust is controlled by the group.

Novate Property Investments acts as lessor to Hardware Warehouse for many of the branches. Novate Property Investments is owned and operated by similar shareholders and directors as Hardware Warehouse. Novate Property Investments represents a property portfolio of approximately 50 companies. All rentals are market related and formal lease agreements have been entered into between the parties. Novate Property Investments also leases property to non Hardware Warehouse related tenants.

NOTES TO CONSOLIDATED GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2008

The following balances owing have been included under trade and other receivables and relates to debts arising in the ordinary course of trade:

		Sales to related parties R'000	Purchases from related parties R'000	Amounts owed by related parties R'000	Amounts owed to related parties R'000
Downstream Trading 34 CC	2008	406	–	167	–
	2007	168	–	277	–
Novate Property Investments Portfolio	2008	–	–	211	–
	2007	–	–	–	–
I M J Senar	2008	–	–	–	523
	2007	–	–	–	–
S C Miller	2008	–	–	–	232
	2007	–	–	–	–
Shaun Miller Family Trust	2008	–	–	–	500
	2007	–	–	–	–
IMJS Family Trust	2008	–	–	–	300
	2007	–	–	–	–

The loans arose in the ordinary course of trade.

The value of the lease rentals were as follows:

	Branch	2008 R'000	2007 R'000
Platinum Mile Investments 588 (Pty) Ltd	Mdantsane	183	211
Spring Romance Properties 48 (Pty) Ltd	Port Alfred	230	140
Golden Harvest Bakery (Pty) Ltd	Fleet Street	714	224
Sevenstone Investments 124 (Pty) Ltd	Elliott Street	779	779
Bubesi Investments 127 (Pty) Ltd	Alice	186	186
Senar Investments 151 (Pty) Ltd	Butterworth	407	366
Amber Mountain Investments 111 (Pty) Ltd	Head Office	159	103
		2,658	2,009

The reason for the change is that last year many of the stores were only used by the entity for a portion of the year and certain additional storage was let by the group from the entity for portion of the prior year. All transactions with related parties have been concluded at arm's length.

23. RISK MANAGEMENT

Financial instrument risk exposure and management

Risk management is fundamental to the group's business and plays a crucial role in enabling management to operate more effectively in a changing environment. Over time it has evolved into one of the group's core capabilities and is integral to the evaluation of strategic alternatives and the setting of objectives, all within a risk management framework that ensures alignment with the group's risk appetite and overall strategy.

The approach followed by the group to manage risk is to ensure that all significant risks are identified and managed. The group remains committed to the objective of increasing shareholder value by developing and growing business that is consistent with the chosen risk appetite, and through building more effective risk management capabilities.

NOTES TO CONSOLIDATED GROUP ANNUAL FINANCIAL STATEMENTS

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The group's trading and financing activities expose it to various financial risks that if left unmanaged, could adversely impact on current or future earnings. Although not necessarily mutually exclusive, these financial risks include credit risk, liquidity risk and market risk, of which comprises, interest rate risk.

This note describes the group's overall risk management programme, focusing on the unpredictability of the financial markets and how management seeks to minimise the potential adverse effects on the financial performance of the group. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods, unless otherwise stated in this note.

Principle financial instruments

The principle financial instruments used by the group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Interest bearing borrowings
- Loans from related entities
- Trade and other payables
- Bank overdraft

The directors have an overall responsibility for the determination of the group's risk management objectives and policies, and whilst retaining ultimate responsibility for them, they ensure that excess cash as generated from operations is invested with recognised financial institutions. Finance is provided by counterparties that are well-recognised financial institutions, and only trades with customers of suitable credit worthiness are accepted. The directors, on a monthly basis, monitor their collections from customers and movements in the prime lending rates. Risks are not hedged through the direct use of derivative or other financial instruments. Furthermore, financial instruments are not used for speculative purposes.

The overall objective of the board of directors is to set policies that seek to reduce risk that the group is directly exposed to as far as possible without unduly affecting the group's general business operations.

Categories of financial instruments

2008	Loans and receivables R'000	Total R'000	Fair value R'000	Type of risk R'000
Financial assets				
Trade receivables	5,672	5,672	5,672	Credit risk Interest rate risk
Cash and cash equivalents	761	761	761	Credit risk Interest rate risk
Total	6,433	6,433	6,433	

NOTES TO CONSOLIDATED GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2008

2007	Loans and receivables R'000	Total R'000	Fair value R'000	Type of risk R'000
Financial assets				
Trade and receivables	2,663	2,663	2,663	Credit risk Interest rate risk
Cash and cash equivalents	1,416	1,416	1,416	Credit risk Interest rate risk
Total	4,079	4,079	4,079	
2008	Amortised cost R'000	Total R'000	Fair value R'000	Type of risk R'000
Financial liabilities				
Interest bearing borrowings	5,959	5,959	5,959	Cash flow interest rate risk Liquidity risk
Trade payables	30,285	30,285	30,285	Cash flow interest rate risk Liquidity risk
Bank overdraft	9,681	9,681	9,681	Cash flow interest rate risk Liquidity risk
Total	45,925	45,925	45,925	
2007	Amortised cost R'000	Total R'000	Fair value R'000	Type of risk R'000
Financial liabilities				
Interest bearing borrowings	3,263	3,263	3,263	Cash flow interest rate risk Liquidity risk
Trade payables	24,787	24,787	24,787	Cash flow interest rate risk Liquidity risk
Bank overdraft	4,919	4,919	4,919	Cash flow interest rate risk Liquidity risk
Total	32,969	32,969	32,969	

NOTES TO CONSOLIDATED GROUP ANNUAL FINANCIAL STATEMENTS

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Credit Risk

The group's credit risk is mainly confined to the risk of customers defaulting on sales invoices raised. Any credit risk arising from cash deposits is deemed to be insignificant on the basis that all relevant counterparties are recognised financial institutions. The group's financial instruments that are exposed to concentrations of credit risk consist primarily of trade and other receivables, however this exposure is not considered excessive due to its diverse customer base and product lines. The group has policies in place to ensure that all sales are made to customers with an appropriate credit history. Trade debtors that are neither past due nor impaired are considered to be of a high credit quality with a historic default rate of 1% (2007: 1%). The group does not request collateral or other guarantees from existing or potential trade debtors, except where appropriate. To date, the group does not hold any collateral with regards to trade and loans receivable.

At each balance sheet date, the group determines on a case-by-case basis whether there is objective evidence of an impairment loss. The following factors are considered in determining whether an impairment loss should be provided for:

- The number of days that the debt is in arrears
- Whether the debtor has been liquidated or has closed down the business
- If provisional liquidation has been sought against the debtor
- Any litigation proceedings against the debtor and the likely outcomes
- Any communication from the debtor indicating an inability to pay within the agreed credit terms
- Any evidence of liquidity difficulties experienced by the debtor

The group does not provide for impairment losses on a general basis. Debts that are past due are impaired based on evidence of the factors cited above. Impairment losses on trade receivables amounted to R278 941 (2007: R109 510).

The maximum exposure of financial assets to credit risk equates to the carrying amounts as presented on the balance sheet and notes thereto.

	Carrying amount R'000	Of which is not impaired on the reporting date but past due			
		30 days R'000	60 days R'000	90 days R'000	Greater than 120 days R'000
2008					
Trade receivables	3,978	1,301	541	289	1,120
	Carrying amount R'000	30 days R'000	60 days R'000	90 days R'000	Greater than 120 days R'000
2007					
Trade receivables	1,319	132	–	58	147

NOTES TO CONSOLIDATED GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2008

Financial assets that are individually impaired:

	Carrying amount before impairment R'000	Impairment loss R'000	Fair value R'000
2008			
Trade receivables	5,950	(278)	5,672
	Carrying amount before impairment R'000	Impairment loss R'000	Fair value R'000
2007			
Trade receivables	2,772	(109)	2,663

The group does not have any foreign trade receivables.

Liquidity Risk

Liquidity risk arises from the group's management of working capital, the finance charges and the principal repayments on the debt instruments as well as operating lease payments. It is the risk that the group will experience financial difficulty in meeting its obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, and the availability of funding through an adequate amount of committed facilities. The group remains confident that the available cash resources and borrowing facilities will be sufficient to meet its funding requirements. There have been no defaults or breaches on the loan from interest bearing borrowings, loans from related entities, bank overdraft and trade payables during the course of the financial year. Furthermore, no security has been provided on the trade payables. Interest bearing borrowings have been secured with the related leased assets with a value of R6 371 239 (2007: R3 424 829). The bank overdraft has been secured as detailed in note 5.

The following table presents the group's outstanding contractual maturity profile for financial liabilities. The analysis presented is based on the undiscounted contractual maturities of the group's financial liabilities.

NOTES TO CONSOLIDATED GROUP ANNUAL FINANCIAL STATEMENTS

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Contractual maturity Analysis:

2008	Nett undiscounted cash flow			
	Due on demand/ less than 1 year R'000	Due between year 2 to year 5 R'000	Due after 5 years R'000	Total R'000
Financial liabilities				
Interest bearing borrowings	2,226	3,733	–	5,959
Trade and other payables	30,285	–	–	30,285
Bank overdraft	9,681	–	–	9,681
Operating lease commitments	5,737	11,548	–	17,285
Total	47,929	15,281	–	63,210
2007	Nett undiscounted cash flow			
	Due on demand/ less than 1 year R'000	Due between year 2 to year 5 R'000	Due after 5 years R'000	Total R'000
Financial liabilities				
Interest bearing borrowings	1,061	2,202	–	3,263
Trade and other payables	24,787	–	–	24,787
Bank overdraft	4,919	–	–	4,919
Operating lease commitments	4,448	7,929	–	12,377
Total	35,215	10,131	–	45,346

Market Risk

Interest Rate Risk

Market risk arises as a result of the group's use of variable interest rate borrowings and bank overdraft carried at amortised cost. It is the risk that the future cash flow relating to a financial instrument will fluctuate because of changes in interest rates. Future changes to the prime lending rates will have a direct impact on the future cash payments towards the settlement of the financial obligations. The risk remains un-hedged at the reporting date. Exposure to cash flow interest rate risk on financial assets and liabilities is monitored on a continuous basis. The benefits of fixing or capping interest rates on the group's various financing activities is considered on a case-by-case basis and project-by-project basis, taking the specific and overall risk profile into consideration.

The group also holds cash and cash equivalents, which earns interest at variable rates and has variable rate loans. Consequently, the group is exposed to cash flow interest rate risk.

Cash and cash equivalents comprise cash on hand and bank balances. Excess funds are deposited with reputable financial institutions on a rate quotation basis. This ensures that the group earns the most advantageous rates of interest available.

NOTES TO CONSOLIDATED GROUP ANNUAL FINANCIAL STATEMENTS

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Sensitivity Analysis

The group is sensitive to the movements in the ZAR interest rates which are the only interest rates to which the group is exposed. The group has used a sensitivity analysis technique that measures the estimated change to the income statement of an instantaneous increase or decrease of 2% (200 basis points) in market interest rates on financial liabilities from the applicable rate as at 30 June, for each class of financial instrument with all other variables remaining constant. The calculations were determined with reference to the outstanding balances for the year. This represents no change from the prior period in the method and assumptions used. This analysis is for illustrative purposes only and represents management's best estimate of reasonably possible changes in interest rates.

Contractual maturity Analysis:

	2008		2007	
	After tax effect on profit & loss		After tax effect on profit & loss	
	2% Increase R'000	2% Decrease R'000	2% Increase R'000	2% Decrease R'000
Variable interest bearing borrowings	(119)	119	(65)	65
Bank overdraft	(193)	193	(98)	98

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

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

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

24. TAX PAID

	2008 R'000	2007 R'000
Balance at beginning of the year	(3,287)	(2,068)
Current tax for the year	(4,030)	(2,985)
Balance at end of the year	4,123	3,287
	(3,194)	(1,766)

25. DIVIDENDS PAID

	2008 R'000	2007 R'000
Dividends	–	(3,516)

NOTES TO CONSOLIDATED GROUP ANNUAL FINANCIAL STATEMENTS

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26. ACQUISITION OF BUSINESSES

The book and fair value of the net assets acquired, the consideration paid and goodwill arising on these transaction were:

	Mthubathuba Branch R'000	Queenstown Branch R'000	Mthatha Branches R'000	In Line Trading 142 (Pty) Ltd R'000	Total R'000
Property, plant and equipment	103	219	–	–	322
Trade and other receivables	–	–	–	281	281
Cash and cash equivalents	–	–	–	(1)	(1)
Interest bearing borrowings	(175)	–	–	–	(175)
Trade and other payables	–	–	–	(288)	(288)
Net assets acquired	(72)	219	–	(8)	139
Goodwill	5,972	1,011	2,500	8	9,491
Purchase consideration	5,900	1,230	2,500	–	9,630
Cash and cash equivalents	–	–	–	1	1
Paid by issue of shares	–	–	–	–	–
Cash outflow on acquisition	5,900	1,230	2,500	1	9,631

Had all transaction occurred at 1 July 2007, the group would have recognised revenue of R236 340 000 and profit attributable to equity shareholders of R11 187 000. The amounts include the results of the acquired companies and depreciation of the acquired property, plant and equipment recognised on acquisition. The results of the acquired companies for the period before acquisition have not been adjusted to reflect the group accounting policies nor to reflect the fair value adjustments made on acquisition. The information is provided for comparative purposes only and does not necessarily reflect the actual results that would have occurred, nor is it necessarily indicative of the future results from operations of the combined companies.

NOTES TO CONSOLIDATED GROUP ANNUAL FINANCIAL STATEMENTS

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27. INVESTMENTS IN SUBSIDIARIES

	Country of incorporation	% Holding 2008	% Holding 2007
In Line Trading 142 (Pty) Ltd	South Africa	100%	–%
Yongani Business Development (Pty) Ltd	South Africa	100%	–%
Hardware Warehouse Empowerment Trust	South Africa	–%	–%
Hardware Warehouse Share Purchase Scheme	South Africa	–%	–%

28. CONTINGENT LIABILITIES

The group did not have any contingent liabilities at year end. In the prior year, the group provided sureties for companies with common directorship.

Bank	Company	Amount
Investec Bank	Downstream Trading 34 CC	3,000,000
Investec Bank	Sevenstone Investments 124 (Pty) Ltd	3,290,000
ABSA Corporate	Erf 453 KWT CC	200,000
ABSA Corporate	Senar Investments 151 (Pty) Ltd	2,400,000
ABSA Corporate	Platinum Mile Investments 588 (Pty) Ltd	Unlimited
Nedbank	Golden Harvest Bakery (Pty) Ltd	250,000

29. 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 had entered into negotiations with a business in the Eastern Cape area. The matter is still pending, inter alia, Competition Committee approval.

NOTES TO CONSOLIDATED GROUP ANNUAL FINANCIAL STATEMENTS

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30. SIGNIFICANT JUDGEMENTS

Significant judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not apparent from other sources.

Significant estimates are required in the determination of future cash flows, probabilities in assessing net recoverable amounts and fair value disclosure purposes. The estimate and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. Significant judgements include:

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items

Provision

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the balance sheet date could be impacted.

Impairment

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including ability of market to purchase goods, together with economic factors such as inflation and prevailing interest rates.

NOTES TO CONSOLIDATED GROUP ANNUAL FINANCIAL STATEMENTS

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31. STATEMENTS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE

New standards issued but not yet effective, comprises:

IFRS 8 – Operating Segments – Effective for annual periods beginning on or after 1 January 2009

This standard requires an entity to report financial and descriptive information about its reportable segments or aggregation of operating segments that meet specified criteria.

New standards issued but not yet effective, comprises:

IFRIC 13 – Customer Loyalty Programmes – Effective for annual periods beginning on or after 1 July 2008

This interpretation addresses accounting by entities that grant loyalty award credits (such as “point” or travel miles) to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services (“awards”) to customers who redeem award credits. This interpretation requires the allocation of some of the proceeds of the initial sale to the award credits and recognises these proceeds as revenue only when they have fulfilled their obligations. They may fulfill their obligations by supplying awards themselves or engaging (and paying) a third party to do so.

IFRIC 14 – IAS 19 – The Limited on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Effective for annual periods beginning on or after 1 January 2008 (actually is effective already but included here so all in sequence)

This interpretation provides general guidance on how to assess the limit in IAS 19 Employee benefits on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement. No additional liability need be recognised by the employer under this interpretation unless the contributions that are payable under the minimum funding requirement cannot be returned to the company. IFRIC 14 is likely to have the most impact in countries that have a minimum funding requirement and where there are restrictions on a company’s ability to get funds or reduce contributions.

IFRIC 15 – Agreements for the Construction of Real Estate – Effective for annual periods beginning on or after 1 January 2009

The interpretation addresses the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. Agreements within the scope of IFRIC 15 are described as “agreements for the construction of real estate”, and may include the delivery of other goods or services. IFRIC 15 addresses two (related) issues being determined whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction of real estate should be recognised.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation – Effective for annual periods beginning on or after 1 October 2008

The interpretation provides guidance on net investment hedging, including: which foreign currency risks qualify for hedge accounting, and what amount can be designated; where within the group the hedging instrument can be held; and what amount should be reclassified to profit or loss when the hedged foreign operation is disposed of.

NOTES TO CONSOLIDATED GROUP ANNUAL FINANCIAL STATEMENTS

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Amendments to existing standards issued, but not yet effective comprises:

IFRS 1 – First-time Adoption of International Financial Reporting Standards

This amendment deals with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRS for the first time. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IFRS 2 – Share Based Payment

This amendment deals with vesting conditions and cancellations. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IFRS 3 – Business Combinations

This amendment deals with the accounting for business combinations. This amendment to the standard is effective from annual periods beginning on or after 1 July 2009.

IFRS 5 – Non-current Assets held for Sale and Discontinued Operations

This amendment deals with plans to sell the controlling interest in a subsidiary. This amendment to the standard is effective for annual periods beginning on or after 1 July 2009.

IFRS 7 – Financial Instruments: Disclosures

This amendment deals with presentation of finance costs. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 1 – Presentation of Financial Statements

This amendment deals with amendments to structure of Financial Statements and current/non-current classification of derivatives. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

This amendment deals with the status of implementation guidance. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 10 – Events after the Reporting Period

This amendment deals with dividends declared after the end of the reporting period. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 16 – Property, Plant and Equipment

This amendment deals with recoverable amount and sale of assets held for rental. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 18 – Revenue

This amendment deals with costs of originating a loan. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

NOTES TO CONSOLIDATED GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2008

IAS 19 - Employee Benefits

This amendment deals with curtailments and negative past service cost, plan administration costs, replacement of term "fall due" and guidance on contingent liabilities. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance

This amendment deals with government loans with a below-market rate of interest and consistency of terminology with other IFRS's. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 23 – Borrowing Costs

This amendment only allows the capitalisation model and components of borrowing costs. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 27 – Consolidated and Separate Financial Statements

This amendment deals with the measurement of the cost of investments when adopting IFRS for the first time, consequential amendments from changes to Business Combinations and measurement of a subsidiary held for sale in the separate financial statements. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 28 – Investments in Associates

This amendment deals with consequential amendments from changes to Business Combinations, required disclosures when investments in associates are accounted for at fair value through profit or loss and impairment of investment in associate. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 29 – Financial Reporting in Hyperinflationary Economies

This amendment deals with description of measurement basis in financial statements and consistency of terminology with other IFRS's. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 31 – Interest in Joint Ventures

This amendment deals with consequential amendments from changes to Business Combinations and required disclosures when interests in jointly controlled entities are accounted for at fair value through profit or loss. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 32 – Financial Instruments: Presentation

This amendment deals with certain financial instruments that will be classified as equity whereas, prior to these amendments, they would have been classified as financial liabilities. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 34 – Interim Financial Reporting

This amendment deals with earnings per share disclosures in interim financial reports. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

NOTES TO CONSOLIDATED GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2008

IAS 36 – Impairment of Assets

This amendment deals with disclosure of estimates used to determine the recoverable amount. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 38 – Intangible Assets

This amendment deals with advertising activities, promotional activities and unit of production method of amortisation. This amendment to the standard is effective an annual periods beginning on or after 1 January 2009.

IAS 39 – Financial Instruments: Recognition and Measurement

This amendment deals with reclassification of derivatives into or out of the classification of at fair value through profit or loss, designating and documenting hedges at the segment level and applicable effective interest rate on cessation of fair value hedge accounting. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 40 – Investment Property

This amendment deals with property under construction or development for future use as investment property, consistency of terminology with IAS 8 and investment property held under lease. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 41 – Agriculture

This amendment deals with discount rate for fair value calculations, additional biological transformation, examples of agricultural produce and products and point-of-sale costs. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

HARDWARE WAREHOUSE LIMITED

Incorporated in the Republic of South Africa

(Registration number 2007/004302/06)

Share code: HWW ISIN: ZAE000104253("Hardware Warehouse" or "the company")

RESOLUTION IN WRITING SIGNED BY THE DIRECTORS OF THE COMPANY IN TERMS OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

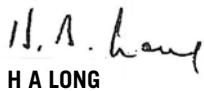
RESOLVED: THAT the financial statements for the year ended 30 June 2008 be and are hereby adopted and approved.




I M J SENAR



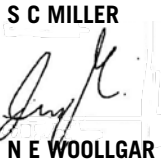
L A RHIND



H A LONG



S C MILLER



N E WOOLLGAR

12 November 2008

SHAREHOLDER SPREAD

Range of shareholders	Number of shareholders	%	Number of shares	% of issued capital
1 – 999	3	1.00	2,649	0.003
1 000 – 9 999	62	19.70	278,389	0.35
10 000 – 99 999	206	65.30	5,637,301	7.05
100 000 shares and over	44	14.00	74,081,661	92.60
Total	315	100.00	80,000,000	100.00
Category of Shareholders				
Major shareholders (over 10 000 000 shares)	–	–	–	–
Directors	4	1.26	44,700,725	55.88
Other individuals and trusts	291	92.38	30,251,132	37.81
Institutions and other Companies	20	6.35	5,048,143	6.31
Total	315	100.00	80,000,000	100.00
Beneficial shareholders holding 5% or more of share capital				
Shaun Craig Miller			6,042,700	7.50
Neville Woollgar as nominee for the Hardware Warehouse Empowerment Trust			6,500,000	8.10
Michael John Willard			6,681,700	8.30
IMJS Family Trust			8,996,500	11.20
Ivan Merrick John Senar			13,203,500	16.50
Shaun Miller Family Trust			14,625,000	18.30
Total			56,049,400	69.90
Shareholder spread				
Public	303	96.19	25,895,750	32.37
Non-Public	1	0.32	6,500,000	8.13
Directors	9	2.86	45,104,250	56.38
Designated Advisors	2	0.63	2,500,000	3.13
Total	315	100.00	80,000,000	100.00

HARDWARE WAREHOUSE LIMITED

Incorporated in the Republic of South Africa

(Registration number 2007/004302/06)

Share code: HWW ISIN: ZAE000104253("Hardware Warehouse" or "the company")

NOTICE OF ANNUAL GENERAL MEETING

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant ("CSDP"), broker, banker, attorney, accountant or other professional adviser immediately.

Notice is hereby given that the 1st annual general meeting of shareholders of the company will be held at Charteris & Barnes, 17 Vincent Road, East London at 11h00 on Thursday, 18 December 2008 to conduct the following business:

1. To receive, consider and adopt the annual financial statements of the company and the group for the financial year ended 30 June 2008, including the directors' report and the report of the auditors therein.
2. To re-elect, Ivan Merrick John Senar who, in terms of Article 117 of the company's articles of association, retires by rotation at this annual general meeting but, being eligible to do so, offers himself for re-election.
3. To re-elect, Lesley Ann Rhind who, in terms of Article 117 of the company's articles of association, retires by rotation at this annual general meeting but, being eligible to do so, offers herself for re-election.

An abbreviated curriculum vitae in respect of each director offering himself for re-election appears on page 2 of the annual report to which this notice is attached.

4. To confirm the retirement of Charteris & Barnes (SA) as independent auditors of the company and to authorise the directors to appoint new auditors.

As special business, to consider and, if deemed fit, to pass, with or without modification, the following resolutions:

ORDINARY RESOLUTION NUMBER 1

Control of authorised but unissued ordinary shares

5. "**Resolved** by way of a general authority that the authorised but unissued ordinary shares in the capital of Hardware Warehouse Limited ("the company") be and are hereby placed under the control and authority of the directors of the company ("directors") and that the directors be and are hereby authorised and empowered to allot and issue all or any of such ordinary shares, or to issue any options in respect of all or any of such ordinary shares, to such person/s on such terms and conditions and at such times as the directors may from time to time and in their discretion deem fit, subject to the provisions of sections 221 and 222 of the Companies Act 61 of 1973, as amended, the articles of association of the company and the Listings Requirements of JSE Limited from time to time."

NOTICE OF ANNUAL GENERAL MEETING

ORDINARY RESOLUTION NUMBER 2

Approval to issue ordinary shares, and to sell treasury shares, for cash

6. “Resolved that the directors of Hardware Warehouse Limited (“the company”) and/or any of its subsidiaries from time to time be and are hereby authorised, by way of a general authority, to -

- ❑ allot and issue, or to issue any options in respect of, all or any of the authorised but unissued ordinary shares in the capital of the company; and/or
- ❑ sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the company purchased by subsidiaries of the company,

for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the Companies Act 61 of 1973, as amended, the articles of association of the company and its subsidiaries and the Listings Requirements of JSE Limited (“the JSE Listing Requirements”) from time to time.

The JSE Listings Requirements currently provide, *inter alia*, that:

- ❑ the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- ❑ any such issue may only be made to “public shareholders” as defined in the JSE Listings Requirements and not to related parties;
- ❑ the number of ordinary shares issued for cash shall not in any one financial year in the aggregate exceed 50% (fifty percent) of the number of issued ordinary shares. The number of ordinary shares which may be issued shall be based, *inter alia*, on the number of ordinary shares in issue, added to those that may be issued in future (arising from the conversion of options/convertibles) at the date of such application, less any ordinary shares issued, or to be issued in future arising from options/convertible ordinary shares issued during the current financial year; plus any ordinary shares to be issued pursuant to a rights issue which has been announced, is irrevocable and is fully underwritten, or an acquisition which has had final terms announced;
- ❑ this general authority will be valid until the earlier of the company’s next annual general meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given;
- ❑ an announcement giving full details, including the impact on net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share and, if applicable, diluted earnings and headline earnings per share, will be published when the company has issued ordinary shares representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of ordinary shares in issue prior to the issue;
- ❑ in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on the JSE Limited of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities; and
- ❑ whenever the company wishes to use ordinary shares, held as treasury stock by a subsidiary of the company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares.”

Under the JSE Limited (“the JSE”) Listings Requirements, ordinary resolution number 2 must be passed by a 75% (seventy five percent) majority of the votes cast in favour of the resolution by all members present or represented by proxy at the annual general meeting.

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL RESOLUTION NUMBER 1

General approval to acquire shares

7. “Resolved, by way of a general approval that Hardware Warehouse Limited (“the company”) and/or any of its subsidiaries from time to time be and are hereby authorised to acquire ordinary shares in the company in terms of sections 85 to 89 of the Companies Act 61 of 1973, as amended, the articles of association of the company and its subsidiaries and the Listings Requirements of JSE Limited (“the JSE”) from time to time.

The JSE Listings Requirements currently provide, *inter alia*, that:

- ❑ the acquisition of the ordinary shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter party;
- ❑ this general authority shall only be valid until the earlier of the company’s next annual general meeting or the expiry of a period of 15 (fifteen) months from the date of passing of this special resolution;
- ❑ in determining the price at which the company’s ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten per cent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date on which the transaction is effected;
- ❑ the acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty per cent) of the company’s issued ordinary share capital;
- ❑ the company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- ❑ the repurchase of ordinary shares may only be undertaken if, after such repurchase, the company will still comply with paragraphs 3.37 to 3.41 of the JSE Listing Requirements concerning shareholder spread;
- ❑ an announcement will be published once the company has cumulatively repurchased 3% (three per cent) of the number of the ordinary shares in issue at the time this general authority is granted (“initial number”), and for each 3% (three per cent) in aggregate of the initial number acquired thereafter; and
- ❑ at any point in time, the company may only appoint one agent to effect any acquisition/s on its behalf.”

7.1 Reason for and effect of Special Resolution Number 1

The reason for and effect of this special resolution number 1 is to obtain an authority for, and to authorise, the company and the company’s subsidiaries, by way of a general authority, to acquire the company’s issued ordinary shares.

It is the intention of the directors of the company to use such authority should prevailing circumstances (including tax dispensations and market conditions) in their opinion warrant it.

7.2 Other disclosure in terms of Section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosure, which are contained in the annual report of which this notice forms part:

- directors and management – page 4 (AFS);
- major shareholders of Hardware Warehouse Limited – page 46 (AFS);
- directors’ interests in securities – page 5 (AFS); and
- share capital of the company – page 25 (AFS).

7.3 Material change

There have been no material changes in the affairs or financial position of the company and its subsidiaries since its financial year end and the date of this notice

7.4 Litigation Statement

There are no legal or arbitration proceedings, pending or threatened, of which the company is aware, that may have or have had in the last 12 months, a material effect on the company’s financial position.

NOTICE OF ANNUAL GENERAL MEETING

7.5 Directors' responsibility statement

The directors, whose names are given on page 2 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 1 and certify that to the best of their knowledge and belief there are no facts in relation to special resolution number 1 that have been omitted which would make any statement in relation to special resolution number 1 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 1 together with this notice contains all information required by law and the JSE Listings Requirements in relation to special resolution number 1.

7.6 Adequacy of working capital

At the time that the contemplated repurchase is to take place, the directors will ensure that after considering the effect of the maximum repurchase and for a period of twelve months after the date of this notice of annual general meeting:

- the company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business;
- the consolidated assets of the company and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the company and its subsidiaries;
- the issued share capital and reserves of the company and its subsidiaries will be adequate for the purpose of the ordinary business of the company and its subsidiaries; and
- the working capital available to the company and its subsidiaries will be sufficient for the group's requirements.

The company may not enter the market to proceed with the repurchase until its Designated Adviser, Merchantec (Proprietary) Limited, has discharged of all of its responsibilities in terms of the JSE Listings Requirements insofar as they apply to working capital statements for the purposes of undertaking an acquisition of its issued ordinary shares.

ORDINARY RESOLUTION NUMBER 3

Signature of documents

8. "Resolved that each director of Hardware Warehouse Limited ("the company") be and is hereby individually authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of those resolutions to be proposed at the annual general meeting convened to consider this resolution which are passed, in the case of ordinary resolutions, or are passed and registered by the Companies and Intellectual Property Registration Office (formerly the Registrar of Companies), in the case of special resolutions."

9. Other business

To transact such other business as may be transacted at the annual general meeting of the company.

Voting and proxies

A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company. For the convenience of registered members of the company, a form of proxy is enclosed herewith.

NOTICE OF ANNUAL GENERAL MEETING

The attached form of proxy is only to be completed by those ordinary shareholders who:

- hold ordinary shares in certificated form; or
- are recorded on the sub-register in “own name” dematerialised form.

Ordinary shareholders who have dematerialised their ordinary shares through a CSDP or broker without “own name” registration and who wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with the relevant Letter of Representation to attend the meeting in person or by proxy and vote. If they do not wish to attend in person or by proxy, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Proxy forms should be forwarded to reach the transfer secretaries, Computershare Investor Services (Proprietary) Limited, at least 48 hours, excluding Saturdays, Sundays and public holidays, before the time of the meeting.

By order of the Board

CHARTERIS & BARNES ADMINISTRATIVE SERVICES CC
SECRETARIES

PER: IGNATIUS WALTER WAIT
GROUP COMPANY SECRETARY

25 November 2008

HARDWARE WAREHOUSE LIMITED

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

FORM OF PROXY

For use only by ordinary shareholders who:

- hold ordinary shares in certificated form ("certificated ordinary shareholders"); or
- have dematerialised their ordinary shares ("dematerialised ordinary shareholders") and are registered with "own-name" registration,

at the 1st annual general meeting of ordinary shareholders of the company to be held at Charteris & Barnes, 17 Vincent Road, East London, at 11h00 on Thursday, 18 December 2008.

Dematerialised ordinary shareholders holding ordinary shares other than with "own-name" registration who wish to attend the annual general meeting must inform their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the relevant Letter of Representation to attend the annual general meeting in person or by proxy and vote. If they do not wish to attend the annual general meeting in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. **These ordinary shareholders must not use this form of proxy.**

I/We (BLOCK LETTERS please) _____

Of (address) _____

Telephone work () _____

Telephone home () _____

being the holder/custodian of _____ ordinary shares in the capital of the company do hereby appoint (see note):

1. _____ or failing him / her, _____
2. _____ or failing him / her, _____

3. the Chairperson of the meeting,
as my/our proxy to attend and act for me/us on my/our behalf at the annual general meeting of the company convened for purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat ("resolutions") and at each postponement or adjournment thereof and to vote for and/or against such resolutions, and/or abstain from voting, in respect of the ordinary shares in the issued share capital of the company registered in my/our name/s in accordance with the following instructions:

		Number of ordinary shares		
		For	Against	Abstain
1.	To receive, consider and adopt the annual financial statements of the company and group for the financial year ended 30 June 2008			
2.	To approve the re-election as director of Ivan Merrick John Senar who retires by rotation			
3.	To approve the re-election as director of Lesley Ann Rhind who retires by rotation			
4.	To confirm the retirement of Charteris & Barnes (SA) as auditors of the company and to authorise directors to appoint new auditors			
5.	Ordinary Resolution Number 1 Control of authorised but unissued ordinary shares			
6.	Ordinary Resolution Number 2 Approval to issue ordinary shares, and to sell treasury shares, for cash			
7.	Special Resolution Number 1 General approval to acquire shares			
8.	Ordinary Resolution Number 3 Signature of documents			

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.

A member entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend and act in his stead. A proxy so appointed need not be a member of the company.

Signed at _____ on _____ 2008

Signature _____

Assisted by (if applicable) _____

Each ordinary shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, speak and vote in place of that shareholder at the annual general meeting.

Notes

1. The form of proxy must only be completed by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the annual general meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
3. A shareholder entitled to attend and vote at the annual general meeting may insert the name of a proxy or the names of two alternate proxies of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the meeting". The person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those proxy(ies) whose names follow.
4. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholders or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
5. A vote given in terms of an instrument of proxy shall be valid in relation to the annual general meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries not less than forty eight hours before the commencement of the annual general meeting.
6. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the annual general meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.
7. The Chairperson of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
8. A shareholder's authorisation to the proxy including the Chairperson of the annual general meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the annual general meeting.
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company's transfer secretaries or waived by the Chairperson of the annual general meeting.
11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the company.
12. Where there are joint holders of ordinary shares:
 - any one holder may sign the form of proxy;
 - the vote(s) of the senior ordinary shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
13. **Forms of proxy should be lodged with or mailed to Computershare Investor Services (Proprietary) Limited:**

Hand deliveries to: Computershare Investor Services (Proprietary) Limited Ground Floor, 70 Marshall Street Johannesburg, 2001	Postal deliveries to: Computershare Investor Services (Proprietary) Limited PO Box 61051 Marshalltown, 2107
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to be received by no later than 11h00 on Monday, 15 December 2008 (or 48 hours before any adjournment of the annual general meeting which date, if necessary, will be notified on SENS).
14. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

