



HARDWARE WAREHOUSE
ALWAYS THE LOWEST PRICES!

INTERIM RESULTS

FOR THE SIX MONTHS ENDED
31 DECEMBER 2009
(UNAUDITED)

Group revenue up:	▲ 20,02%
Group HEPS down:	▼ 11,19 cents
Group NTAV up:	▲ 2,84%
Company operating profit down:	▼ 60,37%

Hardware Warehouse Limited

Incorporated in the Republic of South Africa

Registration number: 2007/004302/06

Share code: HWW ISIN: ZAE000104253

("the group")

UNAUDITED INTERIM RESULTS

for the Six Months Ended 31 December 2009

Group revenue up:	▲ 20,02%
Group HEPS down:	▼ 11,19 cents
Group NTAV up:	▲ 2,84%
Company operating profit down:	▼ 60,37%

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	% Change	Unaudited	Audited
	Six months to 31 December 2009		Six months to 31 December 2008	12 months to 30 June 2009
	R' 000		R' 000	R' 000
Revenue	198 894	20,02	165 711	317 067
Cost of sales	(159 054)	24,70	(127 547)	(243 204)
Gross profit	39 840	4,39	38 164	73 863
Other operating income	221	(40,43)	371	3
Depreciation	(2 255)	66,42	(1 355)	(3 432)
Operating leases	(5 199)	50,22	(3 461)	(8 845)
Employee benefits	(17 237)	44,12	(11 960)	(28 568)
Other expenses	(12 115)	27,16	(9 527)	(18 712)
Operating profit	3 255	(73,39)	12 232	14 309
Investment income	382	203,17	126	578
Finance costs	(3 322)	214,58	(1 056)	(3 262)
Profit before taxation	315	(97,21)	11 302	11 625
Taxation	(150)	(95,28)	(3 180)	(3 301)
Total comprehensive income for the period	165	(97,97)	8 122	8 324
Profit attributable to:				
– Owners of the parent	165	(97,97)	8 122	8 324
– Non-controlling interest	-	-	-	-
Total number of shares in issue ('000)	77 900	-	77 900	77 900
Weighted average number of shares in issue ('000)	70 217	-	71 150	70 217
Earnings per share (cents)	0,23	(97,98)	11,42	11,85
Headline earnings per share (cents)	0,23	(97,98)	11,42	11,86

RECONCILIATION OF HEADLINE EARNINGS

	Unaudited	% Change	Unaudited	Audited
	Six months to 31 December 2009		Six months to 31 December 2008	12 months to 30 June 2009
	R' 000		R' 000	R' 000
Profit attributable to owners of the parent	165		8 122	8 324
Re-measurements	-		-	(3)
Profit on sale of property, plant and equipment	-		-	(3)
Tax effect of re-measurements	-		-	1
Headline earnings	165		8 122	8 322
Earnings per share (cents)	0,23	(97,98)	11,42	11,85
Headline earnings per share (cents)	0,23	(97,98)	11,42	11,86

NOTES TO THE CONDENSED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

1. BASIS OF PREPARATION

The condensed interim consolidated financial results ("interim results") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the Companies Act, 1973 (Act 61 of 1973), as amended, ("the Act") and the Listings Requirements of the JSE Limited ("Listings Requirements"). These interim results contain the information required in terms of IAS 1 – Presentation of Financial Statements and IAS 34 – Interim Financial Reporting.

The interim results incorporate accounting policies which have been consistently applied with those in the annual financial statements of the group for the year ended 30 June 2009.

The board of directors ("the Board") acknowledges its responsibility for the preparation of the interim results in accordance with IFRS, the Act, and the Listings Requirements.

The interim results have not been audited or reviewed by the group's auditors.

2. COMMENTARY ON RESULTS

The group is divided into two main businesses being, Hardware Warehouse Limited ("the company") and On-Tap Border (Proprietary) Limited ("On-Tap Border").

The recession and the economic climate under which the businesses traded during the six months to December 2009 had a severe negative impact on the results of the group.

Even though the number of stores in the group did not increase during the period under review, no stores were closed during this difficult recessionary period either.

a) Hardware Warehouse Limited

The company is a retailer of low cost building materials and associated products. Notwithstanding the fact that the company caters to predominantly cash paying customers, the depth of the recession has impacted severely on its earnings.

THE EFFECT ON EARNINGS IS ATTRIBUTED TO THE FOLLOWING FACTORS:

REVENUE

Revenue increased marginally to R164.3 million in the reporting period from R163.9 million in the previous corresponding period. However, the recession has affected employment to the extent that remittances of earnings in the rural markets within which the company operates have been negatively impacted. In addition, the political instability in the Eastern Cape during this period led to a negative decline in government and municipal tendering around service delivery areas.

GROSS PROFIT MARGIN

The sector within the building material industry under which the company operates experienced approximately 0.5% product inflation during the six months to December 2009, thereby having a substantial effect on gross profit margin. This inflationary impact accounted for 1% of the comparable drop in the gross profit margin from 23% to 19.6%.

A further 1.5% of this negative adjustment in gross profit margin was due to a dramatic increase in the cement content of sales versus other products.

Cement has very little or no gross profit margin and large changes in the mix of sales therefore affects the overall gross profit margin substantially. The current period's mix of sales is more representative of the normal position.

CONDENSED OPERATING SEGMENT INFORMATION

	Unaudited Six months to 31 December 2009	% Change	Unaudited Six months to 31 December 2008	Audited 12 months to 30 June 2009
	R' 000		R' 000	R' 000
REVENUE:				
Hardware Warehouse Limited	164 329	0,28	163 878	292 131
On Tap Border (Proprietary) Limited	35 135	1 816,80	1 833	26 475
Inter segment	(570)	100,00	-	(2 164)
Other operating segments	-	-	-	625
	198 894	20,02	165 711	317 067
OPERATING PROFIT:				
Hardware Warehouse Limited	4 850	(60,37)	12 239	15 766
On Tap Border (Proprietary) Limited	(2 293)	32 657,14	(7)	(1 450)
Other operating segments	698	100,00	-	(7)
	3 255	(73,39)	12 232	14 309

CONDENSED GROUP STATEMENT OF CASH FLOWS

	Notes	Unaudited Six months to 31 December 2009	Unaudited Six months to 31 December 2008	Audited 12 months to 30 June 2009
		R' 000	R' 000	R' 000
Cash generated by operations		6 586	14 474	11 936
Operating profit		3 255	12 232	14 309
Non-cash items	1	2 576	1 135	3 754
Working capital changes	2	755	1 107	(6 127)
Finance costs		(3 322)	(1 056)	(3 262)
Taxation paid		(733)	(2 941)	(6 560)
Cash effect of operating activities		2 531	10 477	2 114
Cash effect of investing activities		(2 041)	(8 870)	(24 079)
Purchase of property, plant and equipment and intangible assets		(2 423)	(8 996)	(22 555)
Proceeds on disposal of property, plant and equipment		-	-	115
Acquisition of operations		-	-	(2 217)
Other investment activities		382	126	578
Cash effect of financing activities		(4 771)	7 932	19 821
Share buy-back		-	(1 619)	(1 691)
Other financing activities		(4 771)	9 551	21 512
Net cash change for period		(4 281)	9 539	(2 144)
Cash at beginning of period		(11 064)	(8 920)	(8 920)
Net cash at end of period		(15 345)	619	(11 064)

NOTES:

1. NON-CASH ITEMS:				
Depreciation of property, plant and equipment		2 255	1 355	3 432
Loss on disposals of property, plant and equipment		-	-	4
Movement in long-term share incentives		102	-	176
Movement in fixed escalation operating lease accrual		219	(220)	142
		2 576	1 135	3 754
2. WORKING CAPITAL CHANGES:				
Inventories		4 549	(10 445)	(17 388)
Trade and other receivables		(6 358)	(3 435)	(7 655)
Trade and other payables		2 564	14 987	18 916
		755	1 107	(6 127)

CASH AND CASH EQUIVALENTS INCLUDE THE FOLLOWING FOR THE PURPOSES OF THE STATEMENT OF CASH FLOWS

	Unaudited Six months to 31 December 2009	Unaudited Six months to 31 December 2008	Audited 12 months to 30 June 2009
	R' 000	R' 000	R' 000
Cash and cash equivalents	151	3 741	2 197
Bank overdraft	(15 496)	(3 122)	(13 261)
	(15 345)	619	(11 064)

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited At 31 December 2009	Unaudited At 31 December 2008	Audited At 30 June 2009
	R' 000	R' 000	R' 000
ASSETS			
Non-current assets	45 310	28 792	43 350
– Property, plant and equipment	30 804	16 958	30 668
– Intangible assets	11 740	11 834	11 708
– Related entity loans	874	-	-
– Deferred taxation	1 892	-	974
Current assets	88 160	78 779	88 397
– Inventories	68 324	65 930	72 873
– Trade and other receivables	19 685	9 108	13 327
– Cash and cash equivalents	151	3 741	2 197
Total assets	133 470	107 571	131 747
EQUITY AND LIABILITIES			
Shareholders' equity	36 003	35 430	35 736
Capital and reserves attributable to equity holders	36 003	35 430	35 736
Non-controlling interest	-	-	-
Non-current liabilities	22 867	15 091	26 242
– Borrowings	21 754	12 452	23 557
– Deferred taxation	-	72	-
– Related entity loans	-	2 036	1 791
– Fixed escalation operating lease accrual	1 113	531	894
Current liabilities	74 600	57 050	69 769
– Trade and other payables	53 544	47 053	50 980
– Other current liabilities	5 560	6 875	5 528
– Bank overdraft	15 496	3 122	13 261
Total liabilities	97 467	72 141	96 011
Total equity and liabilities	133 470	107 571	131 747
Net asset value per share (cents)	46,22	45,48	45,87
Net tangible asset value per share (cents)	31,15	30,29	30,84

The increase in the sales mix of cement was as a result of cement producers' capacity problems during the last half of the 2008 calendar year. The balance of the decline is attributed to lower margins required to retain sales in a highly competitive market, especially during a recessionary period.

OVERHEADS

The company has, since its listing in 2007, adhered to its objectives as a growth company, operating in what will remain a rewarding market segment. Group revenue of R102 million for the six months to 31 December 2007 has increased to R199 million for the six months to 31 December 2009.

Prior to the commencement of the economic downturn, the company strategically increased management, infrastructure and capacity in anticipation of substantiate store growth in the two new provinces, Kwa-Zulu Natal and Mpumalanga, where it had established single branch footholds. The resultant additional expenditure was mainly in personnel, specifically internal auditing, purchasing, central ordering, IT and accounting departments.

A senior operations manager and store development team were also appointed. These services departments are now well positioned and have the appropriate capacities for the company's next phase of expansion which is anticipated to occur during the course of the following twelve months.

The Board decided to limit cost cutting of these additional expenses in favour of the ability to take advantage of growth opportunities once the recession recedes.

The store growth in the provinces of Kwa-Zulu Natal and Mpumalanga will feed positively into the 2011 financial year.

b) On-Tap Border

The subsidiary, On-Tap Border, that operates under the Hardware Warehouse Group of companies, is a Franchisee of the National Franchisor "On-Tap". These reported financial results are for the four branches in the Border area of the Eastern Cape only, and do not represent financial results of the National Franchisor or any of the other 36 franchisees nationally.

The operating loss of R2.3 million by On-Tap Border for the period under review has negatively affected the group's interim results. This financial position is largely due to the costs associated with the turnaround measures identified at the time of the acquisition of On-Tap Border franchised area. However, the recessionary period clearly amplifies the negative effects of a turnaround strategy subsequent to an acquisition.

Management has now completed the restructuring of the plumbing retail business and all indicators for the first ten weeks of the second half of the financial year are that the changes are producing positive results, both in revenue and earnings.

3. PROSPECTS FOR THE FUTURE

Notwithstanding the effects of the recession on earnings, the Board is satisfied with the group's progress in continuing with its growth strategy. Whilst the Board is cognisant of the effects on earnings of growing a business through a recession, the Board is also cognisant that "staying the course" will result in benefits in the short to medium term.

The group is now well poised to substantially increase store count and store geographic spread, and to bring to book the synergies of the On-Tap Border acquisition. The group believes this growth will be well supported by the additional personnel, capacities and infrastructure acquired prior to, and retained during, the recession.

The group remains optimistic about the future performance of new and expanded departments such as Importing and Government Tendering.

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months ended 31 December 2009	Unaudited Six months ended 31 December 2008	Unaudited For the year ended 30 June 2009
	R' 000	R' 000	R' 000
Balance at beginning of July	35 736	28 927	28 927
Share buy-back	-	(1 619)	(1 691)
Profit for the period	165	8 122	8 324
Long term share incentives	102	-	176
Balance at end of December/June	36 003	35 430	35 736

CONDENSED COMPANY STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months to 31 December 2009	% Change	Unaudited Six months to 31 December 2008	Audited 12 months to 30 June 2009
	R' 000		R' 000	R' 000
Revenue	164 329	0,28	163 878	292 131
Cost of sales	(132 136)	4,77	(126 120)	(223 631)
Gross profit	32 193	(14,74)	37 758	68 500
Other operating income	14	(73,08)	52	3
Depreciation	(2 020)	49,08	(1 355)	(3 138)
Operating leases	(4 791)	38,43	(3 461)	(7 831)
Employee benefits	(12 292)	2,78	(11 960)	(25 354)
Other expenses	(8 254)	(6,15)	(8 795)	(16 414)
Operating profit	4 850	(60,37)	12 239	15 766
Investment income	1 549	1 159,35	123	1 592
Finance costs	(2 712)	156,82	(1 056)	(3 153)
Profit before taxation	3 687	(67,39)	11 306	14 205
Taxation	(1 044)	(67,16)	(3 179)	(4 022)
Total comprehensive income for the period	2 643	(67,48)	8 127	10 183

CONDENSED COMPANY STATEMENT OF CASH FLOWS

	Notes	Unaudited	Unaudited	Audited
		Six months to 31 December 2009	Six months to 31 December 2008	12 months to 30 June 2009
		R' 000	R' 000	R' 000
Cash generated by operations		9 885	5 543	26 129
Operating profit		4 850	12 239	15 766
Non-cash items	1	2 263	1 135	3 460
Working capital changes	2	2 772	(7 831)	6 903
Finance costs		(2 712)	(1 056)	(3 153)
Taxation paid		(593)	(2 946)	(6 589)
Cash effect of operating activities		6 580	1 541	16 387
Cash effect of investing activities		860	(3 852)	(8 773)
Purchase of property, plant and equipment and intangible assets		(776)	(3 930)	(6 574)
Proceeds on disposal of property, plant and equipment		87	-	115
Acquisition of operations		-	(45)	(3 906)
Other investment activities		1 549	123	1 592
Cash effect of financing activities		(11 089)	(800)	(7 259)
Share buy-back		-	(1 673)	(1 691)
Other financing activities		(11 089)	873	(5 568)
Net cash change for period		(3 649)	(3 111)	355
Cash at beginning of period		(8 557)	(8 912)	(8 912)
Net cash at end of period		(12 206)	(12 023)	(8 557)

NOTES:

1. NON-CASH ITEMS:			
Depreciation of property, plant and equipment	2 020	1 355	3 138
Loss on disposals of property, plant and equipment	-	-	4
Movement in long-term share incentives	102	-	176
Movement in fixed escalation operating lease accrual	141	(220)	142
	2 263	1 135	3 460
2. WORKING CAPITAL CHANGES:			
Inventories	6 559	(1 586)	(5 573)
Trade and other receivables	(2 224)	(1 519)	13
Trade and other payables	(1 563)	(4 726)	12 463
	2 772	(7 831)	6 903

CASH AND CASH EQUIVALENTS INCLUDE THE FOLLOWING FOR THE PURPOSES OF THE STATEMENT OF CASH FLOWS

	Unaudited	Unaudited	Audited
	Six months to 31 December 2009	Six months to 31 December 2008	12 months to 30 June 2009
	R' 000	R' 000	R' 000
Cash and cash equivalents	151	3 717	1 798
Bank overdraft	(12 357)	(15 740)	(10 355)
	(12 206)	(12 023)	(8 557)

4. CASH FLOW

The cash flow position during the period under review was under pressure due to sales being flat and increased overheads.

However, the effect of low group profits on cash flow was compensated by a large reduction in stock levels that were higher during past inflationary periods. Correct stock level management, which remains a strong focus of the business, enabled the group to continue paying suppliers on time to ensure discounts and rebates were not affected.

Re-gearing of fixed property in the new year, which was previously impossible due to turmoil in the banking industry, will ensure that growth prospects can be funded. This is expected to inject cash into the system by the end of April 2010.

5. DIVIDENDS

The Board has made a decision that no dividend will be declared for the period under review.

6. DIRECTORATE

There have been no changes to the Board during the period under review.

7. SUBSEQUENT EVENTS

The Board is not aware of any material matters or circumstances arising since the end of the interim period and up to the date of this report.

8. APPRECIATION

The commitment and dedication of our management team and staff, coupled with numerous service providers, have ensured that our results remained in a profitable position during relatively hard times. We would also like to thank the group's board members and advisers for guidance over the past year and look forward to the year ahead with enthusiasm.

IMJ Senar
Executive Chairman

SC Miller
Chief Executive Officer

23 March 2010

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(Executive Chairman)

Shaun Craig Miller
(Chief Executive Officer)

Lesley Ann Rhind
(Financial Director)

Neville Errol Woollgar
(Non-Executive Director)

Hamilton Anthony Long
(Non-Executive Director)

COMPANY SECRETARY:
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DESIGNATED ADVISER:

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CONDENSED COMPANY STATEMENT OF FINANCIAL POSITION

	Unaudited At 31 December 2009	Unaudited At 31 December 2008	Audited At 30 June 2009
	R' 000	R' 000	R' 000
ASSETS			
Non-current assets	65 724	38 075	60 164
– Property, plant and equipment	13 618	14 239	14 982
– Available-for-sale investments	3 864	-	3 862
– Related entity loans	38 482	14 308	31 580
– Deferred taxation	200	-	212
– Intangible assets	9 560	9 528	9 528
Current assets	62 516	67 963	68 498
– Inventories	54 499	57 072	61 058
– Trade and other receivables	7 866	7 174	5 642
– Cash and cash equivalents	151	3 717	1 798
Total assets	128 240	106 038	128 662
EQUITY AND LIABILITIES			
Total equity	48 842	43 874	46 097
Capital and reserves attributable to equity holders	48 842	43 874	46 097
Non-current liabilities	18 522	14 798	22 544
– Borrowings	17 487	14 195	18 835
– Deferred taxation	-	72	-
– Related entity loans	-	-	2 815
– Fixed escalation operating lease accrual	1 035	531	894
Current liabilities	60 876	47 366	60 021
– Other current liabilities	5 569	4 297	5 156
– Trade and other payables	42 950	27 329	44 510
– Bank overdraft	12 357	15 740	10 355
Total liabilities	79 398	62 164	82 565
Total equity and liabilities	128 240	106 038	128 662
Net asset value per share (cents)	62,70	56,32	59,17
Net tangible asset value per share (cents)	50,43	44,09	46,94

CONDENSED COMPANY STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months ended 31 December 2009	Unaudited Six months ended 31 December 2008	Unaudited For the year ended 30 June 2009
	R' 000	R' 000	R' 000
Balance at beginning of July	46 097	37 429	37 429
Share buy-back	-	(1 682)	(1 691)
Profit for the period	2 643	8 127	10 183
Long term share incentives	102	-	176
Balance at end of December/June	48 842	43 874	46 097

HARDWARE WAREHOUSE & ON TAP STORES:

**ALICE • BUTTERWORTH • COFIMVABA • KING WILLIAM'S TOWN • LUSIKISIKI
MDANTSANE • MTHATHA • NGCOBO • PORT ALFRED • STERKSPRUIT • QUEENSTOWN
GONUBIE • MTUBATUBA (KWAZULU-NATAL) • NELSPRUIT**