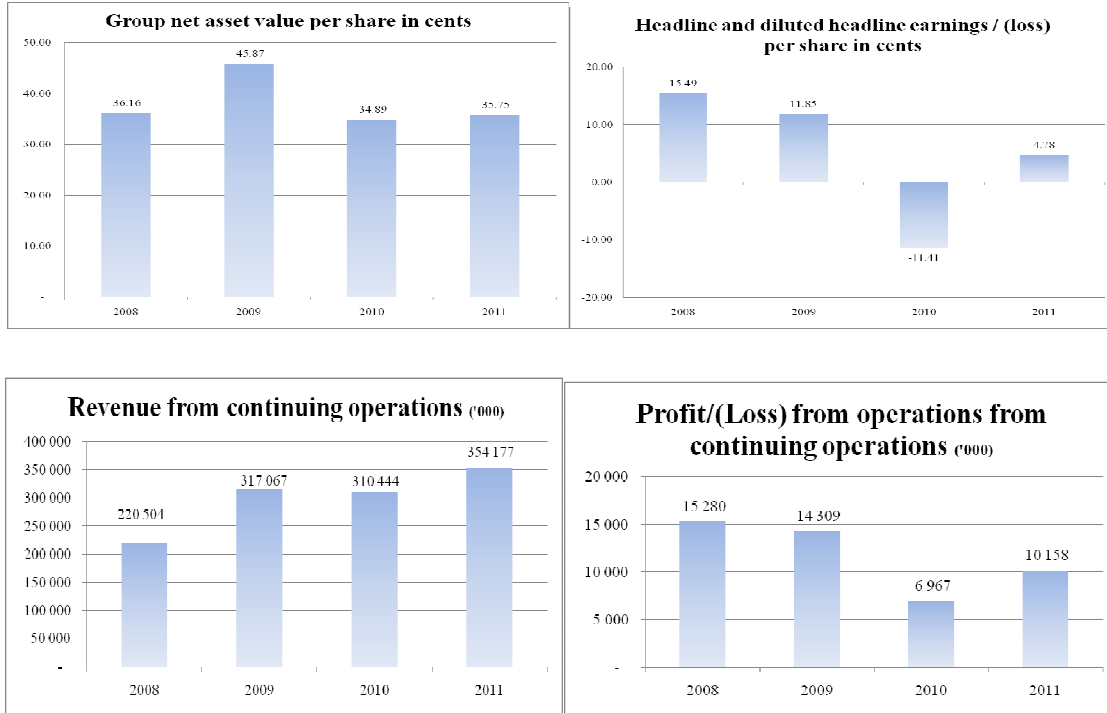




Hardware Warehouse Limited
Incorporated in the Republic of South Africa
(Company registration no: 2007/004302/06)
Share code: HWW ISIN: ZAE000104253
("Hardware Warehouse" or "the group")

PROVISIONAL REVIEWED RESULTS for the year ended 30 June 2011



Revenue from continuing operations up 14.09%
Profit from operations from continuing operations up 45.80%
Headline and diluted headline earnings from continuing operations per share in cents is 5.11 in 2011 (2010: 2.27)
Group net asset value per share in cents is 35.75 in 2011 (2010: 34.89)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	GROUP	
	Reviewed 12 months ended 30 June 2011	Audited 12 months ended 30 June 2010
	R'000	R'000
Continuing operations :		
REVENUE	354 177	310 444
Cost of sales	282 363	250 626
Gross profit	71 814	59 818
Other income	906	223
Personnel costs	30 055	24 815





Other expenses	30 628	26 044
Profit from operations	10 158	6 967
Investment income	167	258
Finance costs	5 592	5 319
Profit before taxation	4 733	1 906
Taxation	(1 365)	(583)
Profit for the year from continuing operations	3 368	1 323
Discontinued operations		
Loss for the year from discontinued operations	(2 775)	(10 055)
Profit / (Loss) for the year	593	(8 732)
Attributable to:		
Owners of parent		
Profit for the year from continuing operations	3 369	1 323
Loss for the year from discontinued operations	(2 775)	(10 055)
Profit / (Loss) for the year attributable to owners of the parent	594	(8 732)
Non-controlling interest :		
Loss for the year from continuing operations	(1)	-
Loss for the year attributable to non-controlling interest	(1)	-
	593	(8 732)
Earnings / (Loss) per share (expressed in cents per share)		
Total basic and diluted earnings / (loss) per share	0.85	(12.58)
- basic and diluted earnings per share from continuing operations	4.85	1.91
- basic and diluted loss per share from discontinuing operations	(4.00)	(14.49)
Additional information :		
Headline and diluted headline earnings from continuing operations per share in cents	5.11	2.27

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2011

	GROUP	
	Reviewed 2011 R'000	Audited 2010 R'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	34 220	29 857
Goodwill	9 807	11 663
Related party loans	3 544	-
Deferred tax	5 585	878
	53 156	42 398





CURRENT ASSETS

Inventories	51 993	66 634
Trade and other receivables	8 567	13 829
Taxation receivable	668	-
Cash and cash equivalent	2 975	3 780
	<u>64 203</u>	<u>84 243</u>

TOTAL ASSETS

117 359 **126 641**

EQUITY AND LIABILITIES
EQUITY

Share capital	14	14
Share premium	9 300	9 300
Non-controlling interest	-	-
Share based payment reserve	427	349
Retained earnings	18 108	17 514
	<u>27 849</u>	<u>27 177</u>

LIABILITIES
NON-CURRENT LIABILITIES

Interest bearing borrowings	10 857	24 839
Related party loans	214	396
Deferred tax	836	84
	<u>11 907</u>	<u>25 319</u>

CURRENT LIABILITIES

Related party loans	20	7
Interest bearing borrowings	19 884	3 339
Taxation payable	122	2 594
Operating lease accruals	1 068	1 297
Trade and other payables	40 641	46 868
Provisions	3 160	2 998
Bank overdraft	12 708	17 042
	<u>77 603</u>	<u>74 145</u>

TOTAL LIABILITIES

89 510 **99 464**

TOTAL EQUITY AND LIABILITIES

117 359 **126 641**

NET ASSET VALUE PER SHARE (CENTS)

35.75 **34.89**

TOTAL NET ASSET VALUE

27 849 **27 177**





CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2011

	Share capital R'000	Treasury share capital R'000	Share premium R'000	Treasury shares R'000
Balance at 1 July 2009 – Audited	16	(2)	17 798	(8 498)
Total comprehensive loss for the year	-	-	-	-
Long term share incentives	-	-	-	-
Total changes	-	-	-	-
Balance at 30 June 2010 – Audited	16	(2)	17 798	(8 498)
Total comprehensive profit for the year	-	-	-	-
Long term share incentives	-	-	-	-
Non-controlling interest acquired	-	-	-	-
Total changes	-	-	-	-
Balance at 30 June 2011 – Reviewed	16	(2)	17 798	(8 498)

	Total share capital R'000	Retained earnings R'000	Share based payment reserve R'000	Equity attributable to parent R'000
Balance at 1 July 2009 – Audited	9 314	26 246	176	35 736
Total comprehensive loss for the year	-	(8 732)	-	(8 732)
Long term share incentives	-	-	173	173
Total changes	-	(8 732)	173	(8 559)
Balance at 30 June 2010 – Audited	9 314	17 514	349	27 177
Total comprehensive profit for the year	-	594	-	594
Long term share incentives	-	-	78	78
Non-controlling interest acquired	-	-	-	-
Total changes	-	594	78	672
Balance at 30 June 2011 - Reviewed	9 314	18 108	427	27 849

	Non-controlling interest R'000	Total equity R'000
Balance at 1 July 2009 – Audited	-	35 736
Total comprehensive loss for the year	-	(8 732)





Long term share incentives	-	173
Total changes	-	(8 559)
Balance at 30 June 2010 - Audited	-	27 177
Total comprehensive profit for the year	(1)	593
Long term share incentives	-	78
Non-controlling interest acquired	1	1
Total changes	-	672
Balance at 30 June 2011 - Reviewed	-	27 849

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	GROUP	
	Reviewed 12 months ended 30 June 2011 R'000	Audited 12 months ended 30 June 2010 R'000
Profit before taxation from continuing operations	4 733	1 906
Loss before taxation from discontinued operations	(8 309)	(9 058)
Loss before taxation	(3 576)	(7 152)
Adjustments for:		
Depreciation of property, plant and equipment	3 829	3 463
Impairment of goodwill	2 231	45
Realisation of deferred tax on sale of subsidiary	424	-
Loss on disposal of property, plant and equipment	248	1 068
Investment income	(762)	(635)
Finance costs	5 871	5 649
(Decrease) / Increase in operating lease accruals	(229)	403
Increase in share based payment reserve	78	173
Increase in provisions	162	261
Changes in working capital:		
Decrease in inventories	14 641	6 239
Decrease / (Increase) in trade and other receivables	5 262	(502)
Decrease in trade and other payables	(6 227)	(1 376)
Cash generated from operations	21 952	7 636
Investment income	762	635
Finance costs	(5 871)	(5 649)





Taxation paid	(3 350)	(655)
NET CASH GENERATED FROM OPERATING ACTIVITIES	13 493	1 967
CASH FLOWS ABSORBED BY INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(10 198)	(4 185)
Proceeds on disposal of property, plant and equipment	1 758	465
Goodwill paid on acquisition of businesses	(375)	-
NET CASH ABSORBED BY INVESTING ACTIVITIES	(8 815)	(3 720)
CASH FLOWS ABSORBED BY FINANCING ACTIVITIES		
Increase in interest bearing borrowings	2 563	943
Decrease in loans from related parties	(169)	(1 388)
Increase in loans to related parties	(3 544)	-
Increase in non-controlling interest	1	-
Net cash absorbed by financing activities	(1 149)	(445)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	3 529	(2 198)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	(13 262)	(11 064)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	(9 733)	(13 262)
CURRENT ASSETS	2 975	3 780
CURRENT LIABILITIES	(12 708)	(17 042)
	(9 733)	(13 262)

NOTES TO THE CONDENSED CONSOLIDATED RESULTS

for the year ended 30 June 2011

1. BASIS OF PREPARATION

These condensed consolidated and company financial statements have been prepared under the supervision of L A Rhind in accordance with International Financial Reporting Standards ("IFRS"), the interpretations adopted by the International Accounting Standards Board, South African interpretations of Generally Accepted Accounting Practice (the AC500 series) and include the disclosures required by IAS34: Interim Financial Reporting.

The financial statements have been prepared using accounting policies that comply with IFRS and which are consistent with those applied in the preparation of the financial statements for the year ended 30 June 2010. The group has adopted the following new and modified standards in response to changes in IFRS:

IAS24– Related Party Disclosure

IAS32(revised)– Financial Instruments: Presentation

IAS39(revised)– Financial Instruments: Recognition and Measurement

The adoption of the amended standards has had no impact on the Group's results.

2. REVIEW REPORT

The condensed consolidated financial statements have been reviewed by BDO South Africa Inc. Their unmodified review report is available for inspection at the group's registered office.



3. COMMENTARY ON RESULTS

NATURE OF BUSINESS

The Group is divided into two main businesses, the building materials retail business (“Hardware Warehouse Business”) and the Plumbing and Sanitary Ware Retailer (“Plumbing Business”).

Hardware Warehouse Business

The Hardware Warehouse Business is expanding rapidly as a geographically diversified retailer of quality building and construction material, and operates in the expanding rural and semi-rural cash customer market. With a customer base that includes DIY individuals, rural buying groups, bakkie builders, small to medium contractors, and government, the Hardware Warehouse Business model continues to prove its resilience during the pro-longed down turn in the industry.

Plumbing Business

During late 2008, the Group acquired the franchise rights, covering a portion of the Eastern Cape, of a plumbing and sanitary ware retailer. The Plumbing Business, whose target market is the construction industry, also extends credit to its customer base. During the year under review however, the Group’s ownership in the Plumbing Business was reduced to that of a minority interest, and overall management control was also relinquished.

FINANCIAL PERFORMANCE

During the year, the group undertook an extensive rationalisation of the plumbing business which resulted in the subsequent sale thereof. On 30 June 2011, 51% of the shares in the subsidiary were disposed of for the initial cost of R51. A 49% minority interest has been retained with limited exposure to risk. The inter-company loan account from the Hardware Warehouse Business to the Plumbing business was written down to the recoverable portion. The business is treated as a discontinued operation. This has had a profound effect on the financial results.

The remaining commentary therefore focuses on the core building material retail business (“Hardware Warehouse Business”).

Consolidated Results

The year under review has been a positive one for the Hardware Warehouse Business, being the Group’s core business. Notwithstanding the continued poor performance within the construction and allied industries, the Group has delivered a vastly improved set of results compared to the year ended 30th June 2010. Furthermore, management took the opportunity afforded by the slower period to stem the Plumbing Business losses so as to reduce any further negative effects to a negligible level going forward. In addition to the extensive rationalisation of the Plumbing Business, management continued to focus on store roll outs of the core building materials business, adding two new stores to the Mpumalanga province. **For the Group, the growth story continues.**

FINANCIAL HIGHLIGHTS

Hardware Warehouse Continuing Operations

For the year under review revenue from continuing operations increased by 14.09%, of which Hardware Warehouse Business contributed 13.81%. This was achieved in addition to a corresponding 1.01% increase in the gross profit margin from continuing operations, despite a very competitive market. On a store-for-store basis, the revenue improvement was 5.2% (2010: 8.2%).

Profits and earnings per share improved which was indicative of management’s abilities to continue with its growth strategy, and the costs attended there to, whilst placing the Hardware Warehouse Business in a substantially more resilient position during the continued down turn.

Notwithstanding the high interest and depreciation costs attendant to a growing company, the Board of Directors is well pleased with the increase in profitability. With the aforementioned in mind the continuing profit from operations improved by a solid 45.80%. Despite this increase, the board is looking to improve the profitability of the business. Further substantial improvement is required and expected going forward, specifically once the current economic conditions change for the better.

The continuing operating expenses increased by 17.88% (excluding the impairment of the loan). This is 3.79% higher than the continuing sales growth, and is as a result of four main strategies aligned to growth: firstly, the opening of two new stores; secondly, the introduction of additional personnel and capacities in anticipation of a greater emphasis on store rollouts planned to take place during the 2012 calendar year; thirdly, once-off expenses due to the rollout of a new IT system (Kerridge); and finally, an expansion of the Internal Audit department to meet the expected risk management requirements of current and expected growth during 2012.

Management regularly assesses the impact of such an increase in expenses. However, as part of its sound business strategy, Hardware Warehouse continues to create capacity prior to growth.

Plumbing Business

As indicated in 2010, substantial management work would be required to rationalise the Plumbing Business as a result of the continued down turn in the top end of the building materials industry. This rationalisation was achieved as this four store Plumbing Business was reduced to one profitable store towards the tail end of 2011 and then 51% of the business was sold to an owner operator. Further losses during the ensuing financial year are not expected from the Plumbing Business. In fact the first two months of the new financial year have yielded positive results from the remaining primary store.

Goodwill impairment – R2 million. Goodwill was paid on acquisition of the original store, which is the same store that now remains. This has now been written off.

STORE OPENINGS

During the year under review, Hardware Warehouse opened two new stores in Mpumalanga, which have proven very successful. The store opening count was limited to two stores due to management's attention on the rationalisation of the Plumbing Business, as well as the implementation of the new IT system. However, management has assessed the market and has lined up opportunities to open an additional store in the Eastern Cape, an additional store in Mpumalanga and at least two new stores in KwaZulu Natal during 2012. The Board is confident that these store roll out plans can be achieved, thereby giving the Group a total of 21 stores throughout three provinces, which is a 23% increase in store count.

CASH FLOW

Hardware Warehouse Business

The Group generated a positive cash flow during the year under review, which was generated mainly from the Hardware Warehouse Business: from net cash profit, inventory reductions, as well as from collection of trade receivables (mainly from slow paying government organisations). These were allocated to the investment into inventory and property, plant and equipment for the two new stores.

Forecast cash profits from operations will be utilised to fund planned store growth in the ensuing financial year.

The R15 million loan from AAA Investments (Pty) Limited is due for repayment on 29 May 2012. The group sold one of its three fixed properties subsequent to the year under review, generating R6.1 million. The Board believes that the sale of the second fixed property will generate a further R2.5 million. With the assistance of the new IT system, better inventory management is expected to further reduce inventory, thereby generating cash flow in the new financial year. The flow of funds from these two aforementioned areas will be utilised to fund the loan repayment. Funding of R5 million, to replace one third of the loan, is currently being negotiated with various parties. This will be put in place as additional funding, should this be required.

Plumbing Business

The positive cash flow generated from the rationalisation of the Plumbing Business, was utilised to set off the cash losses incurred during the year under review, resulting in a nil cash flow effect.

PROSPECTS

The Board continues to pursue its growth strategy and should, in the absence of the now resolved challenges of the Plumbing Business, resume a stronger emphasis on its core focus, being the building materials retail business, and the subsequent store roll out thereof. Once critical mass of store roll out in Mpumalanga and KwaZulu Natal has been achieved in 2012, plans for store roll outs in Limpopo and Gauteng will get underway for 2013.

Management continues to improve on the brand, store openings, shop lay-outs, staff training and other relevant aspects related to "improving whilst growing".

Senior management continues to assess strategic alliances with allied companies to facilitate the group's growth strategy.

GOVERNMENT TENDERING

This aspect of the business continued to perform poorly, as a result of less than successful service delivery and the attendant paucity of tenders available.



INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies applied in the preparation of these provisional consolidated annual results are based on reasonable judgments and estimates, are in accordance with International Financial Reporting Standards ("IFRS") and are consistent with those applied in the annual financial statements for the year ended 30 June 2010. These provisional consolidated annual results as set out in this report have been prepared in terms of IAS 34 – Interim Financial Reporting, the Companies Act, 2008 (Act 71 of 2008), and the Listings Requirements of JSE Limited.

4. SEGMENT INFORMATION

	HARDWARE WAREHOUSE GROUP	PLUMBING BUSINESS - DISCONTINUED OPERATIONS	GROUP
	Reviewed 12 months Ended 30 June 2011 R'000	Reviewed 12 months ended 30 June 2011 R'000	Reviewed 12 months ended 30 June 2011 R'000
Revenue	354 177	47 278	401 455
Profit / (Loss) from operations	10 158	(8 309)	1 849
Investment income	167	594	761
Finance charges	5 592	279	5 871
Fair value loss on discontinued operation	-	315	315
Profit / (Loss) before taxation	4 733	(8 309)	(3 579)
Taxation	1 365	5 534	6 899
Profit / (Loss) for the year	3 368	(2 775)	593

	HARDWARE WAREHOUSE GROUP	PLUMBING BUSINESS - DISCONTINUED OPERATIONS	GROUP
	Audited 12 months ended 30 June 2010 R'000	Audited 12 months ended 30 June 2010 R'000	Audited 12 months ended 30 June 2010 R'000
Revenue	310 445	70 319	380 764
Profit / (Loss) from operations	6 967	(9 105)	(2 138)
Investment income	258	377	635
Finance charges	5 319	330	5 649
Profit / (Loss) before taxation	1 906	(9 058)	(7 152)
Taxation	583	(997)	(414)
Profit / (Loss) for the year	1 323	(10 055)	(8 732)





5. CHANGES IN COMPOSITION OF THE GROUP

On Tap Border

	<u>R'000</u>
Assets	
Property, plant and equipment	(432)
Deferred tax asset	(424)
Inventories	(2 914)
Trade and other receivables	(4 390)
Cash and cash equivalents	(10)
Liabilities	
Related party loans	3 631
Interest bearing borrowings	302
Tax payables	73
Trade and other payables	3 229
Bank overdrafts	1 250
	315
Consideration	<u>-</u>
Fair value loss on discontinued operations	(315)

At 30 June 2011 On Tap Border was identified as a disposal group. All associated assets and liabilities have been classified as discontinued operations. The prior year's income statement and segment report has been reclassified for discontinued operations.

The fair value loss on discontinued operations is disclosed as part of discontinued operations in the condensed consolidated statement of comprehensive income.

The disposal was a strategic decision allowing the group to focus on its core business.

6. DISCONTINUED OPERATIONS

On 30 June 2011 Hardware Warehouse Business disposed of 51% of its share in On Tap Border. On Tap Border meets the definition of a discontinued operation.

	<u>ON TAP BORDER</u>	
	Reviewed 12 months ended 30 June 2011 R'000	Audited 12 months ended 30 June 2010 R'000
Revenue	47 278	70 319
Other income	248	256
Administration expenses	687	987
Personnel costs	6 534	9 844





Other expenses	(7 829)	11 147
Loss from operations	(8 309)	(9 105)
Investment income	594	377
Finance costs	279	330
Fair value loss on discontinued operations	(315)	-
Loss before taxation	(8 309)	(9 058)
Taxation	5 534	(997)
Loss for the period from discontinued operations	(2 775)	(10 055)

The net cash flows attributable to the operating, investing and financing activities of discontinued operations are as follows:

On Tap Border

Net cash from operating activities	1 499
Net cash from investing activities	291
Net cash used in financing activities	(1 621)
Net increase in cash and cash equivalent	169

7. HEADLINE AND DILUTED HEADLINE EARNINGS / (LOSS) PER SHARE

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

Reconciliation of total earnings to headline earnings attributable to equity holders of the parent:

	2011 R'000	2010 R'000
Total earnings / (loss) for the year	593	(8 732)
Adjustments:		
Add impairment of goodwill	2 231	45
Add loss on disposal of property, plant and equipment	248	1 068
Taxation effect of adjustments	(69)	(299)
Fair value loss on discontinued operations	315	-
Headline earnings / (loss)	3 318	(7 918)
Weighted average number of ordinary shares in issue (Excluding treasury shares) ('000)	69 400	69 400
Total number of shares in issue ('000)	77 900	77 900
Headline and diluted headline earnings / (loss) per share in cents	4.78	(11.41)
Headline and diluted headline earnings from continuing operations per share in cents	5.11	2.27
Headline and diluted headline loss from discontinued operations per share in cents	(0.33)	(13.67)

8. CHANGES IN SHARE CAPITAL AND SHARE PREMIUM

There were no changes in share capital and share premium during the financial year ended 30 June 2011.





9. RELATED PARTY TRANSACTIONS

The loan to On Tap Border from Hardware Warehouse Business was impaired during the current year. The amount of the impairment was R26 582 530 which has been eliminated on consolidation.

The reason for the abovementioned impairment was due to the inability of On Tap Border to repay the loan and cash flow projections indicated that repayments in the future were unlikely.

Other than the impairment of the loan owed by On Tap Border and Hardware Warehouse Business' disposing of 51% of its share in On Tap Border there have been no further significant changes in the related party relationships since the previous year or significant transactions during the year other than those in the normal course of business.

On 30 June 2011 Hardware Warehouse Business commenced three lease improvement agreements with related parties. The value of these lease improvements were R1 484 944.

10. ACQUISITION OF BUSINESS

Mpumalanga Branch	
Net asset value	-
Goodwill	375
Consideration	375

On 13 August 2010 the acquisition of an existing hardware retailer in Mpumalanga became effective. The acquisition was paid for in cash. It was a material acquisition.

The above acquisition was made for strategic growth reasons.

11. EVENTS AFTER THE END OF THE REPORTING PERIOD

No significant transactions which require disclosure have occurred since the end of the year to the date of this announcement.

12. CHANGES TO THE COMPOSITION OF THE BOARD

Independent non-executive director, HA Long resigned during the year under review.

On 16 September 2011, Mrs. EL Mason was appointed to the Board to fill the vacancy created by the resignation of an Independent Non-executive Director.

13. DIVIDENDS

No dividend will be declared for the financial year ended 30 June 2011 (2010: Nil).

14. APPRECIATION

My appreciation is extended to our suppliers, all management and staff, and fellow directors, who have seen our growing company through three tough years, possibly the toughest the industry has experienced in many decades.

Ivan Senar
Chairman

30 September 2011





HARDWARE WAREHOUSE
ALWAYS THE LOWEST PRICES!

15. CORPORATE INFORMATION

Hardware Warehouse Limited

Country of incorporation and domicile: South Africa

Registration number: 2007/004302/06

Share code: HWW

ISIN: ZAE000104253

Registered office

17 Vincent Road, Vincent, East London, 5247

Postal address

PO Box 19728, Tecoma, East London, 5214

Directors

IMJ Senar, Chairman; SC Miller, Chief Executive Officer; LA Rhind, Financial Director; NE Woolgar, Independent Non-executive Director; EL Mason, Independent Non-executive Director.

Contact details

Tel: +27 43 704 2200

Fax: +27 43 704 2210

Web: www.hwwh.co.za

Transfer secretaries

Computershare Investor Services (Proprietary) Limited

Auditors

BDO South Africa Inc

Designated Advisor

Merchantec Capital



DIRECTORS: IMJ SENAR (Chairman), SC MILLER (CEO), LA RHIND (FD), NE WOOLGAR (Non Exec), EL MASON (Non Exec)
COMPANY DETAILS: Hardware Warehouse Limited * VAT No 4580180414 * Reg No 2007/004302/06
BRANCHES: Alice * Bushbuckridge * Butterworth * Cofimvaba * KWT – Bridge Str, Buffalo Road, Fleet Str * Hazyview * Lusikisiki * Mdantsane * Mthatha – Elliot Str, Progress Str * Mtubatuba * Nelspruit * Ngcobo * Queenstown * Sterkspruit