

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")

REVIEWED FINAL RESULTS
 for the year ended 30 June 2009

Hardware Warehouse Revenue up 32.5%
 Group Revenue up 43.8%
 Hardware Warehouse EBITDA up 9.6%
 Group EBITDA up 2.9%
 Hardware Warehouse Net asset value up 23.2%
 Group Net asset value up 23.5%
 Group stores up 31.3%

CONDENSED CONSOLIDATED INCOME STATEMENT

	COMPANY		GROUP	
	Reviewed 12 months ended 30 June 2009 R'000	Audited 12 months ended 30 June 2008 R'000	Reviewed 12 months ended 30 June 2009 R'000	Audited 12 months ended 30 June 2008 R'000
Revenue	292 131	220 449	317 067	220 504
Cost of sales	(223 631)	(170 802)	(243 204)	(170 802)
Gross profit	68 500	49 647	73 863	49 702
Other operating income	3	210	3	210
Administration expenses	(2 463)	(800)	(2 719)	(800)
Personnel costs	(25 354)	(17 073)	(28 392)	(17 073)
Operating expenses	(24 920)	(16 700)	(28 446)	(16 759)
Profit from operations	15 766	15 284	14 309	15 280
Investment income	1 592	450	578	452
Finance costs	(3 153)	(1 304)	(3 262)	(1 304)
Profit before taxation	14 205	14 430	11 625	14 428
Taxation	(4 022)	(3 968)	(3 301)	(3 968)
Profit for the year attributable to equity holders	10 183	10 462	8 324	10 460
Earnings per share (expressed in cents per share)				
- basic and diluted earnings per share			11,85	15,69
- Headline and diluted headline earnings per share			11,86	15,49
- Dividends per ordinary share			-	-

CONDENSED CONSOLIDATED BALANCE SHEET
 for the year ended 30 June 2009

	COMPANY		GROUP	
	Reviewed 2009 R'000	Audited 2008 R'000	Reviewed 2009 R'000	Audited 2008 R'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	14 982	11 664	30 668	11 664
Goodwill	9 528	9 483	11 708	9 491
Related party loans	31 580	6 945	-	-
Investments in subsidiaries	3 864	1	-	-
Deferred tax	212	-	974	-
	60 166	28 093	43 350	21 155

CURRENT ASSETS				
Inventories	61 058	55 485	72 873	55 485
Trade and other receivables	5 642	5 655	13 327	5 672
Cash and cash equivalents	1 798	758	2 197	761
	68 498	61 898	88 397	61 918
TOTAL ASSETS	128 664	89 991	131 747	83 073
EQUITY AND LIABILITIES				
EQUITY				
Share capital	16	16	14	14
Share premium	17 798	19 489	9 300	10 991
Share based payment reserve	176	-	176	-
Retained earnings	28 106	17 921	26 246	17 922
	46 096	37 426	35 736	28 927
LIABILITIES				
NON-CURRENT LIABILITIES				
Interest bearing borrowings	18 835	3 733	23 557	3 733
Related party loans	2 815	-	1 791	1 555
Deferred tax	-	11	-	11
	21 650	3 744	25 348	5 299
CURRENT LIABILITIES				
Interest bearing borrowings	3 376	2 226	3 678	2 226
Operating lease accrual	894	752	894	752
Taxation payable	1 780	4 123	1 849	4 123
Provisions	2 737	1 780	2 737	1 780
Trade and other payables	41 776	30 270	48 244	30 285
Bank overdraft	10 355	9 670	13 261	9 681
	60 918	48 821	70 663	48 847
TOTAL LIABILITIES	82 568	52 565	96 011	54 146
TOTAL EQUITY AND LIABILITIES	128 664	89 991	131 747	83 073
NET ASSET VALUE PER SHARE (CENTS)				
	59.17	46.78	45.87	40.00
TOTAL NET ASSET VALUE	46 096	37 426	35 736	28 927

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2009

	Share Capital	Treasury share capital	Share premium	Treasury shares	Total share capital	Retained earnings	Share based payment reserve	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 1 July 2007 - Audited	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 empowerment trust	1	(1)	6 499	(6 499)	-	-	-	-
Rights issue	2	-	-	-	2	-	-	2
Purchase of shares - share purchase scheme	-	(1)	-	(1 999)	(2 000)	-	-	(2 000)
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 - Audited	16	(2)	19 489	(8 498)	11 005	17 922	-	28 927
Profit for the year	-	-	-	-	-	8 324	-	8 324
Long term share incentives	-	-	-	-	-	-	176	176
Share buyback	-	-	(1 691)	-	(1 691)	-	-	(1 691)
Total changes	-	-	(1 691)	-	(1 691)	8 324	176	6 809
Balance at 30 June 2009 - Reviewed	16	(2)	17 798	(8 498)	9 314	26 246	176	35 736

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	COMPANY		GROUP	
	Reviewed 12 months ended 30 June 2009 R'000	Audited 12 months Ended 30 June 2008 R'000	Reviewed 12 months ended 30 June 2009 R'000	Audited 12 months Ended 30 June 2008 R'000
Profit before tax	14 205	14 430	11 625	14 428
Adjustments for:				
Depreciation of Property, plant and equipment	3 138	1 964	3 432	1 965
Loss / (profit) on disposal of property, plant and equipment	4	(187)	4	(187)
Interest received	(1 592)	(450)	(578)	(452)
Finance costs paid	3 153	1 304	3 262	1 304
Movements in operating lease accruals	142	163	142	163
Movements in share based payment reserve	176	-	176	-
Movements in provision	957	635	957	635
Changes in working capital:				
Inventories	(5 573)	(22 580)	(17 388)	(22 580)
Trade and other receivables	13	(2 992)	(7 655)	(3 009)
Trade and other payables	11 506	5 483	17 959	5 498
Cash generated from / (absorbed by) operations	26 129	(2 230)	11 936	(2 235)
Interest received	1 592	450	578	452
Finance costs paid	(3 153)	(1 304)	(3 262)	(1 304)
Taxation paid	(6 589)	(3 196)	(6 563)	(3 194)
Net cash generated from /(absorbed by) operating expenses	17 979	(6 280)	2 689	(6 281)
Cash flows from investing activities				
Purchase of property, plant and equipment	(10 406)	(7 797)	(22 523)	(7 797)
Proceeds on disposal of property, plant and equipment	86	407	86	407
Goodwill paid on acquisition of businesses	(45)	(6 984)	(2 217)	(6 991)
Net cash absorbed by investing activities	(10 365)	(14 374)	(24 654)	(14 381)
Cash flows from financing activities				
Increase in interest bearing borrowings	16 252	2 695	21 276	2 696
Increase in loans from related parties	2 815	-	236	1 555
Increase in loans to				

related parties	(24 635)	(6 945)	-	-
Share buyback	(1 691)	-	(1 691)	-
Acquisition of treasury shares	-	-	-	(2 000)
Issue of shares	-	19 495	-	12 995
Net cash (absorbed by) / from financing activities	(7 259)	15 245	19 821	15 246
Net increase / (decrease) in cash and cash equivalent	355	(5 409)	(2 144)	(5 416)
Cash and cash equivalents at the beginning of the year	(8 912)	(3 503)	(8 920)	(3 504)
Cash and cash equivalents at the end of the year	(8 557)	(8 912)	(11 064)	(8 920)

NOTES TO THE CONDENSED RESULTS
for the year ended 30 June 2009

1. BASIS OF PREPARATION

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

The consolidated financial results incorporate accounting policies which have been consistently applied with those in the annual financial statements for the year ended 30 June 2008.

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

2. REVIEW REPORT

The consolidated financial results have been reviewed by BDO Spencer Steward (Johannesburg) Inc. Their unmodified review report is available for inspection at the group's registered office.

3. COMMENTARY ON RESULTS

NATURE OF BUSINESS

Hardware Warehouse is a retailer of low cost building materials and associated products, selling directly to predominantly cash paying customers including homebuilding, home improvers, contractors, traders and government organisations. It is fast becoming the low cost building material retailer of choice in its selected markets. Whilst a large portion of the group's customer base falls within the lower to middle income rural groups, we have identified that our customers' needs are changing, in that they are becoming more aspirational, and the group will continue to adapt accordingly. With the acquisition of the On-Tap franchise, incorporating Tiles-On-Tap, in a portion of the region of the Eastern Cape, the group has diversified its base to include: urban customers, middle to high LSM groups, plumbing and other contractors. Acknowledging that the buying of materials to build or improve a home can be a significant expenditure and a daunting process to its target market, the group has developed a specific environment and approach to make the selection of products both comfortable and understandable, with a strong emphasis on supplying quality products at competitive prices.

FINANCIAL PERFORMANCE

These are the group's second set of annual results since listing on AltX in September 2007. Notwithstanding the severe economic downturn, specifically within the residential building market, the group has clearly demonstrated its ability to perform during trying times. For the purposes of comparison it would be prudent to comment separately on Hardware Warehouse Limited and its newly acquired subsidiary, On-Tap Border (Proprietary) Limited - the latter subsidiary only having traded for the 7 months of the period under review. Seasonality - the business's turnover is very seasonal. The first six months (July to December) contributed 53.5% to annual turnover and the second six months (January to June) only 46.5%. With overheads fairly constant throughout the year, the effect on net profits on the first and second six month periods is substantial. This should be taken into account when assessing the financial performance of the second half of the year.

SEGMENTAL INFORMATION

Revenue:	2009	2008	% change
Total	R317.1m	R220.5m	43.8
Hardware Warehouse	R292.1m	R220.4m	32.5
On-Tap Border (Pty)	R 26.5m	-	
Other segments	R 0.6m	R 0.1m	
Inter segment sales	(R 2.2m)	-	
 EBITDA:	 2009	 2008	 % change
Total	R17.7m	R17.2m	2.9
Hardware Warehouse	R18.9m	R17.2m	9.6
On-Tap Border (Pty)	(R 1.2m)	-	

Hardware Warehouse Limited

Revenue grew by 32.5% to R292m and on a store for store comparable basis by 17.6%. Stripping out estimated deflation of 2% and with due consideration to the negative economic environment, the company is pleased with a comparable real growth in store sales of 19.6%. The company's specific inflationary environment did an about turn during the last 8 months, with metal reducing by 42% in cost price. Metal is the main contributing factor to our deflation of 2% (cement is excluded from these calculations). During the financial year under review the company strategically bolstered its management and systems infrastructure in anticipation of the next store growth phase. Notwithstanding the resultant effect on overheads, Hardware Warehouse Limited has done exceptionally well to report an EBITDA growth of 9.6%. During the calendar years 2010 to 2012, the company will be capable of a further strong store roll-out programme, having put in place the correct infrastructure base to support expansion. Given the current economic environment and the bolstered overhead base, the company expects the 2010 financial year to be a difficult year. However, the benefits of the growth strategy remain promising in the medium term. There are 17 Hardware Warehouse stores, of which there are 15 in the Eastern Cape, 1 in Kwa-Zulu Natal and 1 in Mpumalanga.

Subsidiary: On-Tap (Border) (Proprietary) Limited

The December 2008 conclusion of the acquisition of this business was unavoidably not well timed. This business focuses on the upper end of the market in residential and commercial markets. However, Hardware Warehouse will continue to give attention to the benefits envisaged at the time of acquisition, namely: the companies specialised plumbing supply skills, the gap in the rural, peri-urban and government tendering market for plumbing suppliers and the synergies of trading plumbing products through the existing Hardware Warehouse stores. This approach will ensure that the four On Tap stores revenue base will change to reflect a stronger cash base and less reliance on the bonded, interest sensitive, upper end market. On-Tap Border (Proprietary) Limited added an additional R26.5m to turnover (7 months) and reported an EBITDA loss of R1.156 million. The 2 original stores purchased made a profit during the current period, however the overhead expenses for the two newly opened stores resulted in the loss for On-Tap Border (Proprietary) Limited in the current year. Management expects the original existing stores to remain profitable and the new stores to become profitable in the financial year ended 30 June 2010.

General Group Financial Performance Comments

Notwithstanding the challenging economic environment, underpinned by the worst recession in 17 years, the Board is extremely pleased with the group results.

These results clearly reflect the resilience of the business model and bode well for the group during the expected economic recovery. In support of the growing operations base a new position was created, Senior Operations Manager, Garreth Sutherland from Edcon, was appointed. This position reflects the group's emphasis on store performance and controls.

OPERATIONAL PERFORMANCE

The stores operated well during this difficult period and despite not having the benefit of inflation on cost pricing compared to FYE 2008, the improvement on EBITDA of 9.6% for the Hardware Warehouse stores is noteworthy. Currently the group comprises of 21 stores in total.

CASH FLOW

Hardware Warehouse Limited

Cash Flow generated from operations (before tax) grew a pleasing R26.1m as working capital management improved.

Group

Cash Flow generated from operations (before tax) grew a pleasing R11.9m as working capital management improved. This being after working capital requirements for On-Tap Border (Proprietary) Limited is taken into account.

NOTEWORTHY COMMENTARY

As envisaged before the time of listing, the group would require access to capital to fund growth. Having embarked on the planned store growth and the acquisition of On-Tap Border (Proprietary) Limited the normal financing channels, during the downturn, became unavailable. This placed the business under certain cash flow pressures which were resolved with a fixed rate, 3 year term private loan of R15 million which was obtained on 29 May 2009. The effect on earnings of the group for the year of this loan was an interest expense of R261 437. When the market returns to a modicum of normality, the Board will explore cheaper financing options. During the first half of the year under review the group re-purchased 2 100 000 shares at an average price of 80c per share.

PROSPECTS AND FUTURE PERFORMANCE

During 2009 Hardware Warehouse has prepared for the next expected push of store roll-out. The resultant strategic investments in management and systems, coupled with the current economic environment, will probably hinder the group's financial performance for the year ending 30 June 2010. However, we do expect the benefits of new stores to support this strategy and earnings, as South Africa possibly exits the current economic downturn during the second half of the 2010 financial year. Importantly, the group will use the established store beach-heads in KZN and Mpumalanga to expand in line with its near-term strategy. Management attention will continue to extract the benefits of the On Tap Border (Proprietary) Limited acquisition and position this division for growth during the expected improvement in the building materials retail environment. The Importing business has now reached critical mass and we look forward to earnings contributions from this investment during the financial year ending 30 June 2010.

These comments on future performance have not been reviewed or reported upon by the group's Auditors.

DIVIDENDS

The Board has not made a decision on its dividend policy for the financial year ending 30 June 2010 as we await a clearer indication on improvements in the economic environment. No dividend will be declared for the current year in line with the group's growth objectives.

GOVERNMENT TENDERING

Government tendering on low cost housing continues to receive management attention and we believe the unfortunate backlog in delivery in the Eastern Cape will shortly receive serious government attention. This is already proving

evident. To this end the group will continue to position itself as a serious player in the provinces it operates.

APPRECIATION

The commitment and dedication of our management team and staff, coupled with numerous service providers, has ensured that we achieved good results during relatively hard times, and we look forward to a continuation of this in the tough year ahead. I would also like to thank the group's board members and advisors for guidance over the past year, and look forward to the year ahead with enthusiasm.

IMJ Senar
Executive Chairman
17 September 2009

SC Miller
Chief Executive Officer

4. SEGMENT INFORMATION

	Hardware Warehouse	On Tap	Other segments	Inter segment transactions	Group
	Reviewed 12 months ended 30 June 2009 R'000	Reviewed 7 months ended 30 June 2009 R'000	Reviewed 12 months ended 30 June 2009 R'000	Reviewed 12 months ended 30 June 2009 R'000	Reviewed 12 months ended 30 June 2009 R'000
Income Statement					
Revenue	292 131	26 475	625	(2 164)	317 067
Operating profit	15 766	(1 450)	(7)	-	14 309
Balance Sheet					
Segment assets	128 664	23 777	17 284	(35 163)	131 747
Segment liabilities	82 568	25 634	19 458	(28 834)	96 011
Other segment items					
Depreciation	3 138	294	-	-	3 432
Capital expenditure	10 406	1 989	-	12 259	24 654

5. BASIC AND DILUTED EARNINGS AND HEADLINE EARNINGS PER SHARE

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

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

	2009 R'000	2008 R'000
Total earnings attributable to equity holders	8 324	10 460
Non headline earnings		
Add / (less) loss / (profit) on sale of property, plant and equipment	4	(187)
Tax effect of adjustments	(1)	52

Headline earnings	8 327	10 325
Weighted average number of ordinary shares in issue (R'000)	70 217	66 667
Total number of shares in issue (R'000)	77 900	80 000

6. ACQUISITION OF BUSINESS

		2009 R'000
Gonubie Tiles on Tap (Bath and Tile Warehouse)		
Assets		
Property, plant and equipment		230
Fair value		230
On Tap Border (Proprietary) Limited		
Assets		
Property, plant and equipment		1 614
Liabilities		
Interest bearing borrowings		(845)
Fair value		769
Golden Dividend 235 (Proprietary) Limited		
Assets		
Property, plant and equipment		1 010
Liabilities		
Related party loan		(1 014)
Fair value		(4)
Amber Mountain Investments 111 (Proprietary) Limited		
Assets		
Property, plant and equipment		4 826
Trade and other receivables		257
Cash and cash equivalents		40
Liabilities		
Interest bearing borrowings		(2 117)
Related party loan		(3 491)
Trade and other payables		(1)
Fair value		(486)
Senar Investments 151 (Proprietary)Limited		
Assets		
Property, plant and equipment		7 860
Deferred taxation		42
Trade and other receivables		429
Cash and cash equivalents		352

Liabilities

Interest bearing borrowings	(2 219)
Related party loan	(1 897)
Trade and other payables	(150)
Current income tax	(69)
Fair value	4 348
Goodwill	2 217
Total acquisitions	7 074

2008

The group spent R7 146 000 on acquisitions. Goodwill of R6 990 663 has been recognised on these acquisitions which relates to the group's estimates of the favourable returns to be generated from these acquisitions.

2009

On 1 July 2008 the acquisition of an existing granite and tile retailer in Gonubie became effective. The acquisition was paid for in cash. It was not a material acquisition.

On 1 December 2008 the acquisition of Ngami Trading CC's "On Tap" franchise stores in the Eastern Cape became effective. The total consideration (subject to profit adjustments) was R3 000 000. This consideration was settled in cash.

On 1 August 2008 the acquisition of a property company in Mdantsane became effective. This company owns a piece of vacant land, which is not material to the group.

On 30 June, the acquisition of two property companies became effective. The sellers of the majority of these shares are related parties to the group. The companies house the Group's head offices and one of the group's trading stores in Butterworth.

All of the above acquisitions were made for strategic growth reasons, except for the property companies which were purchased in order to bolster the fixed property base of the Group.

7. CHANGES IN SHARE CAPITAL AND SHARE PREMIUM

	2009 R'000	2008 R'000
Issued and fully paid:		
77 900 000 Ordinary shares of 0.02 cents each (2008:		
80 000 000 Ordinary shares of 0.02 cents each)	16	16
Treasury share capital	(2)	(2)
	14	14
Share premium	21 496	21 496
Share costs written off against share premium	(2 007)	(2 007)
Treasury shares at cost (8 500 000 shares at a Premium of 99.98)	(8 498)	(8 498)
Share buyback	(1 691)	-
	9 300	10 991
	9 314	11 005
Reconciliation of shares issued:		
Reported at incorporation	10	10
Issue of shares - rights issue	2	2
Issue of shares - Hardware Warehouse Empowerment Trust	1	1
Issue of shares - private placement	3	3
Share buyback	-	-

Balance as at 30 June 2009

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Between 17 and 19 November 2008 the company bought back 2 100 000 shares at an average price of 80c per share.

8. RELATED PARTY TRANSACTIONS

Other than disclosed above, there has been no 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.

9. POST-BALANCE SHEET EVENTS

No significant transactions which require disclosure have occurred since the year end.

10. CORPORATE INFORMATION

Registered office

17 Vincent Road, Vincent, East London, 5247

Postal address

PO Box 19728, Tecoma, East London, 5214

Directors

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

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Transfer secretaries

Computershare Investor Services (Proprietary) Limited

Auditors

BDO Spencer Steward (Johannesburg) Inc

Designated Adviser

Merchantec (Proprietary) Limited