



News Release

For Immediate Release

Liquidation World Announces Fiscal 2007 Results

Brantford, ON, January 4, 2008 - Liquidation World Inc. (LQW – TSX) today announces the results of operations for fiscal 2007 and the fourth quarter of fiscal 2007.

As previously reported, revenue for fiscal 2007, ended October 7, 2007, increased 1.8% to \$212.0 million from \$208.2 million during fiscal 2006.

In Canada, revenue for the year increased by 2.9% to \$183.7 million from \$178.5 million in fiscal 2006. Canadian operations recorded a net loss of \$6.7 million (\$0.81 per share) versus net earnings of \$1.3 million (\$0.16 per share) in fiscal 2006. The net loss includes non-recurring expenses of \$1.1 million related to the consolidation of corporate offices that was completed during the year.

In the US, revenue for the year declined by 4.9% to \$28.2 million from \$29.7 million in fiscal 2006. US operations recorded a loss of \$5.0 million for the year versus net earnings of \$0.2 million in fiscal 2006. A portion of the US loss is attributable to the wind up of US operations which is explained in further detail below.

On a consolidated basis, losses for the year totalled \$11.7 million (\$1.42 per share) compared with net income of \$1.5 million (\$0.18 per share) in 2006.

In the fourth quarter revenue increased 0.5% to \$53.2 million from \$52.9 million in the same quarter last year.

In Canada, fourth quarter revenue decreased by 1.0% to \$45.5 million from \$45.9 million in the same quarter last year. Canadian operations recorded a net loss of \$4.5 million (\$0.55 per share) during the fourth quarter versus a net loss of \$1.5 million in the fourth quarter of last year.

In the US, fourth quarter revenue increased by 10.6% to \$7.7 million from \$7.0 million in the same quarter last year. US operations recorded a loss of \$3.1 million during the quarter versus net earnings of \$0.4 million in the same quarter of last year.

In the fourth quarter of fiscal 2007, the Company announced that it would wind down its US operations and forecasted a loss of \$1.5 to \$2.5 million related to the closure. Subsequent to year end the Company closed 15 of its 18 US outlets. During the quarter, the US Company realized approximately \$3.2 million in non-operational losses related to the closure. Based on the financial structure of the US operations and applicable tax laws, a tax benefit is available that can be applied against future profit in Canada, but this tax benefit will be unrecorded. This tax benefit will allow for approximately \$6 million of tax free income in Canada in the future. When this recovery is taken into account, the losses associated with the closure of the US operations are in line with expectations.

Beginning in the first quarter of fiscal 2008, the majority of US operations will be reported as discontinued operations.

Additional details are provided in the financial statements below.

Jonathan Hill, President & CEO, said:

"We are disappointed with these results. While we started the year with momentum after having re-established profitability last year, 2007 presented a number of challenges. We have taken steps to address these challenges and I believe we have started to see indications that these measures are having the desired effect.

During the year we took the following action:

1. Personnel Changes

We took steps to reduce overhead expenses and flatten the organizational structure which involved changes to the management and executive teams and a reduction in the number of office personnel. These changes will result in a more efficient cost structure which should be reflected in fiscal 2008.

In March, Mr. Darryl Chenoweth was named Senior Vice President, Operations responsible for the Company's Canadian retail operations. Darryl has already improved store labour management, introduced more sales focused incentive plans and has a number of training related initiatives under way for 2008.

Subsequent to year end, the Company also announced the appointment of Mr. Mark Calaiezzi who will assume the position of Chief Financial Officer following the completion of year end activities. Mark has more than 30 years of experience in senior finance positions including a majority with multi-national consumer product companies. Mark will ensure that our finance team is properly integrated with the operations of our business in order to more effectively manage expenses and gross margins, among other things.

2. Consolidation of Corporate Offices

In April we announced that we would close our Calgary office and move the finance, accounting, internal audit, payroll and information technology functions located there to Brantford, Ontario. The move was completed in the fourth quarter and those functions now reside in Brantford alongside our buying, operations, marketing and real estate teams. This decision was taken primarily to improve internal communications but will also reduce ongoing expenses.

As previously discussed, the integration of all of the Company's business functions in a single, more cost effective location will result in better communication, control, planning and execution. 2007 results include approximately \$1.1 million in non-recurring costs associated with this move.

3. Suspension of New Store Activity

During the fourth quarter, we curtailed new store openings beyond our contracted commitments and even opted to delay the opening of two contracted locations in order to reduce setup expenses and conserve cash.

4. Closure of US Retail Operations

Our US stores had been underperforming for a number of years and, in August, we announced that we would wind down our US retail operations; we have since closed 15 of 18 outlets there. This move was intended to stem losses associated with the US operations, improve cashflow and allow more deal inventory to flow to our Canadian stores. We elected to maintain a US buying office in Seattle to foster key US supply relationships. As well, the three remaining US outlets are utilized to liquidate inventory that, due to federal regulations, cannot be imported to Canada.

This change will result in the vast majority of deal inventory sourced in the US being sold through our Canadian stores. Since making this change we have already seen an increase in deal flow to the Canadian stores and, in geographic areas where this has been a focus, a positive impact on same store sales.

In addition, the closure of the US stores will generate a tax benefit that can be applied to future profit generated by the Canadian stores.

5. Changes to Merchandising Strategy

Enabled by our new Merchandise Management System, our merchandise strategy evolved during 2006 to include both sales and purchasing plans at a detailed category level. While this is an appropriate way to manage merchandise, this level of planning does not place enough emphasis on the unique and exciting deals that serve to differentiate Liquidation World in the marketplace. Our planning has now become less rigid, and more importantly, we have reallocated resources to our business development group whose focus is sourcing deal merchandise.

As previously described, our decision to close our US retail outlets was also intended to support this strategy.

We now expect some softness in same store sales will carry through the first quarter of fiscal 2008 and will start to improve during the second quarter. Our business model focuses on opportunistic supply situations, which create a degree of volatility in our financial performance. However this business model also allows us to quickly capitalize on economic and environmental adversity in the marketplace, such as a flood in Washington State or a disruption in the furniture sector as a result of the US housing slowdown. We believe that the corrective actions we have taken have left us better positioned to profit from this type of adversity both in Canada and the United States.”

About Liquidation World

Liquidation World liquidates consumer merchandise in Canada through 103 retail outlets. The Company solves asset recovery problems in a professional manner for the financial services industry, insurance companies, manufacturers, wholesalers and other organizations. Liquidation World is based in Brantford, Ontario and maintains a number of regional buying offices in Canada and the United States. The Company opened its first retail outlet in Calgary, Alberta in 1986 and today, with more than 1,600 employees, is Canada's largest liquidator.

Forward-Looking Statements

This release includes forward-looking statements and potential future circumstances and developments. Forward-looking statements regarding future performance are subject to risks and uncertainties, and actual results may differ materially. Due to fluctuations in gross margins and other expenses, an increase in revenue does not directly correlate to an increase in net earnings.

Liquidation World has scheduled a conference call to begin promptly at 1:00 p.m. EST on Friday January 4, 2008.

Conference call dial in number is 1-888-789-9572 or 1-416-695-7806

A replay of the conference call will be accessible on Liquidation World's website within twenty-four hours at www.liquidationworld.com by selecting "Investor Info", "News Releases", and "Annual Conference Call".

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LIQUIDATION WORLD INC.

Consolidated Balance Sheets
Unaudited
(In thousands of Canadian dollars)

	Year ended October 7, 2007		Year ended October 1, 2006	
Assets				
Current assets				
Cash and equivalents	\$	216	\$	184
Accounts receivable		293		309
Inventory		49,920		55,184
Prepaid expenses		1,852		2,121
Income taxes recoverable		2,221		-
		<u>54,502</u>		<u>57,798</u>
Property and equipment		12,714		12,710
	\$	<u>67,216</u>	\$	<u>70,508</u>
Liabilities and Shareholders' Equity				
Current liabilities				
Bank indebtedness	\$	7,820	\$	5,397
Accounts payable and accrued liabilities		16,219		8,398
Income taxes payable		-		332
Current portion of obligations under capital leases		1,256		979
		<u>25,295</u>		<u>15,106</u>
Obligations under capital leases		1,512		2,898
Future income tax		-		754
Commitments and contingencies				
Shareholders' equity				
Share capital		15,518		15,507
Contributed surplus		1,159		800
Retained earnings		23,732		35,443
		<u>40,409</u>		<u>51,750</u>
	\$	<u>67,216</u>	\$	<u>70,508</u>

LIQUIDATION WORLD INC.

Consolidated Statements of Earnings (loss) and Comprehensive Income (loss) and Retained Earnings

For the years ended October 7, 2007 and October 1, 2006

Unaudited

(In thousands of Canadian dollars, except per share amounts)

	14 weeks ended October 7, 2007	13 weeks ended October 1, 2006	Year ended October 7, 2007	Year ended October 1, 2006
Revenue	53,177	\$ 52,911	\$ 211,956	\$ 208,205
Cost of sales	39,269	35,026	140,669	129,847
	13,908	17,885	71,287	78,358
Expenses				
Selling, general and administrative	21,165	18,420	79,910	72,191
Depreciation and amortization	1,201	884	4,061	3,196
Stock based compensation	72	123	363	362
Interest	294	125	946	376
Foreign exchange	766	(34)	675	(139)
	23,498	19,518	85,955	75,986
Earnings (loss)				
before income taxes	(9,590)	(1,633)	(14,668)	2,372
Income taxes (recovery)				
Current	(1,219)	(523)	(2,203)	543
Future	(792)	21	(754)	309
	(2,011)	(502)	(2,957)	852
Net earnings (loss) and comprehensive income (loss)	(7,579)	(1,131)	(11,711)	1,520
Retained earnings, beginning of period	31,311	36,846	35,443	34,393
Excess of repurchase amount over stated capital of repurchased shares	-	(272)	-	(470)
Retained earnings, end of period	23,732	\$ 35,443	\$ 23,732	\$ 35,443
Earnings (loss) per share				
Basic	(0.92)	(0.14)	\$ (1.42)	\$ 0.18
Diluted	(0.92)	(0.13)	\$ (1.42)	\$ 0.18

Segmented Information

(in thousands of Canadian dollars, except per share amounts)

	13 weeks ended October 7, 2007	13 weeks ended October 1, 2006	Year ended October 7, 2007	Year ended October 1, 2006
Revenue				
Canada	\$ 45,472	\$ 45,947	\$ 183,740	\$ 178,522
United States	7,705	6,964	28,216	29,683
Total	\$ 53,177	\$ 52,911	\$ 211,956	\$ 208,205
Property and equipment			As at October 7, 2007	As at October 1, 2006
Canada			\$ 12,459	\$ 11,902
United States			255	808
Total			\$ 12,714	\$ 12,710

LIQUIDATION WORLD INC.

Consolidated Statements of Cash Flows

For the years ended October 7, 2007 and October 1, 2006

Unaudited

(In thousands of Canadian dollars, except per share amounts)

	14 weeks ended October 7, 2007	13 weeks ended October 1, 2006	Year ended October 7, 2007	Year ended October 1, 2006
Cash provided by (used in):				
Net earnings (loss)	(7,579)	\$ (1,131)	\$ (11,711)	\$ 1,520
Add (deduct) non-cash items:				
Depreciation and amortization	1,201	884	4,061	3,196
Loss on disposal of capital asset	460	-	342	-
Stock based compensation	72	123	363	362
Future income taxes	(792)	21	(754)	309
	(6,638)	(103)	(7,699)	5,387
Changes in non-cash operating working capital				
Accounts receivable	(176)	82	16	312
Inventory	10,252	3,511	5,264	(8,632)
Prepaid expenses	638	(464)	269	121
Accounts payable and accrued liabilities	4,075	1,286	7,821	2,011
Income taxes recoverable / payable	(1,242)	(506)	(2,553)	3,248
	6,909	3,806	3,118	2,447
Investments				
Purchase of capital assets	(1,339)	(2,015)	(4,187)	(4,845)
Proceeds on disposal of capital assets	-	-	156	-
	(1,339)	(2,015)	(4,031)	(4,845)
Financing				
Increase in bank indebtedness	(5,053)	(1,351)	2,423	3,132
Repayment of capital lease	(514)	-	(1,486)	-
Proceeds on issuance of common shares	-	-	8	-
Repurchase of common shares	-	(430)	-	(727)
	(5,567)	(1,781)	945	2,405
Increase in cash	3	10	32	7
Cash and cash equivalents, beginning of period	213	174	184	177
Cash and cash equivalents, end of period	216	\$ 184	\$ 216	\$ 184
Supplemental disclosure of cash paid for:				
Income taxes	90	\$ -	\$ 397	(2,695)
Interest	255	123	983	376
	345	\$ 123	\$ 1,380	(2,319)