



News Release

For Immediate Release

Liquidation World Announces Fiscal 2008 Results

BRANTFORD, ON, January 2, 2009 - Liquidation World Inc. (LQW – TSX) today announces the results of the 2008 fiscal year, representing the 52-week period ended October 5, 2008.

Revenue from continuing operations decreased 3.1% to \$182.4 million from \$188.3 million in the prior year. Same store sales decreased 4.4%. In 2008, the Company recorded a net loss from continuing operations of \$9.9 million (\$1.20 per share) compared to a net loss from continuing operations of \$6.6 million (\$0.81 per share) in the prior year. Including the results of discontinued operations, the Company recorded a net loss and comprehensive loss of \$11.3 million (\$1.37 per share) in fiscal 2008 versus a net loss and comprehensive loss of \$11.7 million (\$1.42 per share) in fiscal 2007.

	2008 (millions)	2007 (millions)	Change (millions)
Annual revenue	\$182.4	\$188.3	-\$5.9
Annual net loss from continuing operations	(\$9.9)	(\$6.6)	-\$3.3
Annual net loss and comprehensive loss	(\$11.3)	(\$11.7)	+0.4

In the fourth quarter (Q4), revenue from continuing operations declined 6.2% to \$43.6 million from \$46.5 million in the prior year, primarily as a result of a smaller store count. Q4 same store sales increased 0.5% versus prior year. In Q4 the Company recorded a net loss from continuing operations of \$2.3 million (\$0.28 per share) compared to a net loss from continuing operations of \$3.9 million (\$0.48 per share) in the prior year. Including the results of discontinued operations, the Company recorded a Q4 net loss and comprehensive loss of \$2.7 million (\$0.33 per share) versus a net loss and comprehensive loss of \$7.6 million (\$0.92 per share) during Q4 2007.

	2008 (millions)	2007 (millions)	Change (millions)
Q4 revenue	\$43.6	\$46.5	-\$2.9
Q4 net loss from continuing operations	(\$2.3)	(\$3.9)	+\$1.6
Q4 net loss and comprehensive loss	(\$2.7)	(\$7.6)	+\$4.9

Additional details are provided in the financial statements below.

Jonathan Hill, President & CEO commented:

“As the first half of fiscal 2008 unfolded and our performance fell far below expectations, we acknowledged that drastic change was required. In the third quarter, we implemented major cost reductions, eliminated a number of non-store positions and initiated the closure of 7 Canadian outlets. A leaner buying organization became more focused on locating and

acquiring deal merchandise and our buying emphasis shifted to higher margin categories. We also aggressively attacked aged and non-performing inventory in order to refresh our merchandise offering and provide cash to the business.

In the second half of the year, as more event deals began arriving in the stores, we experienced positive same store sales growth and gross margins started to improve. And, by the fourth quarter, our expense ratio had declined, despite a smaller store base.

Gross margin, although improving, is still well below historical norms and was affected in the second half of the year by aggressive new policies put in place to clear older inventory. We believe that our efforts to increase margin are working and that the quality, uniqueness and desirability of our inventory continues to improve.

We finished 2008 with lower overhead costs and better inventory. Early in fiscal 2009, we replaced our \$20 million demand loan facility with a 3-year \$20 million asset-based credit facility. This new credit arrangement reflects positively on the quality of our inventory assets and enhances the stability of the Company, and will allow us to continue to focus on finding even more great deals for our customers.

The global economic crisis has changed the outlook for many North American retailers. While we are not without concern, we believe that current economic conditions will be beneficial to Liquidation World from a supply standpoint and that a greater number of consumers will turn to Liquidation World in 2009 to make their budgets go further."

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 expenses, an increase in revenue does not directly correlate to an increase in net earnings.

About Liquidation World

Liquidation World liquidates consumer merchandise through 98 stores in Canada and the United States. 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 store in Calgary, Alberta in 1986 and today, with more than 1,200 employees, is Canada's largest liquidator.

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LIQUIDATION WORLD INC.

Consolidated Balance Sheets
As at October 5, 2008 and October 7, 2007
(In thousands of Canadian dollars)

	2008	2007
		Restated (see note 12)
Assets		
Current assets		
Cash	\$ 186	\$ 216
Accounts receivable	119	293
Inventory	44,178	48,816
Prepaid expenses	1,403	1,719
Income taxes recoverable	-	2,221
Current assets of discontinued operations	-	1,237
	<u>45,886</u>	<u>54,502</u>
Property and equipment	10,226	12,542
Long-term assets of discontinued operations	-	172
	<u>\$ 56,112</u>	<u>\$ 67,216</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness	\$ 11,612	\$ 7,820
Accounts payable and accrued liabilities	12,690	14,954
Current portion of obligations under capital leases	1,588	1,256
Current liabilities of discontinued operations	434	1,265
	<u>26,324</u>	<u>25,295</u>
Obligations under capital leases	470	1,512
Shareholders' equity		
Share capital	15,518	15,518
Contributed surplus	1,407	1,159
Retained earnings	12,393	23,732
	<u>29,318</u>	<u>40,409</u>
	<u>\$ 56,112</u>	<u>\$ 67,216</u>

LIQUIDATION WORLD INC.

Consolidated Statements of Loss and Comprehensive Loss and Retained Earnings

For the years ended October 5, 2008 and October 7, 2007

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

	13 weeks ended October 5, 2008	14 weeks ended October 7, 2007	Year ended October 5, 2008	Year ended October 7, 2007 <small>Restated (see note 12)</small>
Revenue	\$ 43,560	\$ 46,456	\$ 182,359	\$ 188,262
Cost of sales	28,040	32,841	118,809	122,935
Gross margin	15,520	13,615	63,550	65,327
Expenses				
Selling, general and administrative	16,677	18,374	68,231	70,271
Depreciation and amortization	942	1,164	3,948	3,875
Stock based compensation	(26)	72	248	363
Interest	-	-	-	-
Short term	292	239	902	672
Long term	33	-	180	137
Foreign exchange	(76)	(301)	(48)	(393)
	17,842	19,548	73,461	74,925
Loss before income taxes	(2,322)	(5,933)	(9,911)	(9,598)
Income taxes - recovery				
Current	-	(1,219)	-	(2,203)
Future	-	(792)	-	(754)
	-	(2,011)	-	(2,957)
Net loss from continuing operations	(2,322)	(3,922)	(9,911)	(6,641)
Loss from discontinued operations	(385)	(3,666)	(1,428)	(5,070)
Net loss and comprehensive loss	(2,707)	(7,588)	(11,339)	(11,711)
Retained earnings, beginning of period	15,100	31,311	23,732	35,443
Retained earnings, end of period	\$ 12,393	\$ 23,723	\$ 12,393	\$ 23,732
Basic and diluted loss per share				
From continuing operations	\$ (0.28)	\$ (0.48)	\$ (1.20)	\$ (0.81)
From discontinued operations	\$ (0.05)	\$ (0.44)	\$ (0.17)	\$ (0.61)
	\$ (0.33)	\$ (0.92)	\$ (1.37)	\$ (1.42)

LIQUIDATION WORLD INC.

Consolidated Statements of Cash Flows
For the years ended October 5, 2008 and October 7, 2007
(In thousands of Canadian dollars)

	13 weeks ended October 5, 2008	14 weeks ended October 7, 2007	Year ended October 5, 2008	Year ended October 7, 2007 <small>Restated (see note 12)</small>
Cash provided (used) in:				
Operating activities				
Net loss from continuing operations	(2,322)	(4,531)	\$ (9,911)	\$ (6,641)
Add (deduct) non-cash items:				
Depreciation and amortization	942	1,164	3,948	3,875
Loss (gain) on disposal of capital asset	105	-	117	(118)
Stock based compensation	(26)	72	248	363
Future income taxes	-	(792)	-	(754)
	(1,301)	(4,087)	(5,598)	(3,275)
Changes in non-cash operating working capital				
Accounts receivable	438	(181)	174	(82)
Inventory	962	4,857	4,638	(94)
Prepaid expenses	4	576	316	231
Accounts payable and accrued liabilities	(3,299)	4,728	(2,264)	8,393
Income taxes recoverable	270	(1,242)	2,221	(2,553)
	(1,625)	8,738	5,085	5,895
	(2,926)	4,651	(513)	2,620
Investing activities				
Purchase of capital assets	(443)	(1,375)	(1,370)	(4,121)
Proceeds on disposal of capital assets	(2)	-	-	156
	(445)	(1,375)	(1,370)	(3,965)
Financing activities				
Increase in bank indebtedness	3,708	(5,053)	3,792	2,423
Repayment of capital leases	(349)	(515)	(1,474)	(1,487)
Proceeds on issuance of common shares	-	-	-	8
	3,359	(5,568)	2,318	944
Cash applied to discontinued operations	-	2,295	(465)	433
Increase/ (decrease) in cash	(12)	3	(30)	32
Cash, beginning of year	199	213	216	184
Cash, end of year	187	216	\$ 186	\$ 216
Supplemental disclosure of cash paid (received) for:				
Income taxes paid	17	-	\$ 238	\$ 397
Income taxes received	(2,398)	-	(2,398)	-
Interest paid	233	328	1,002	983
	\$ (2,148)	328	\$ (1,158)	\$ 1,380