



## News Release

For Immediate Release

### Liquidation World Announces Fiscal 2010 Results

BRANTFORD, Ontario, January 4, 2011 - Liquidation World Inc. (LQW – TSX) today announces the results of the 2010 fiscal year, representing the 52-week period ended October 3, 2010.

Notable achievements in fiscal 2010 include:

- Closing of 10 underperforming stores;
- Opening of 6 new “LW – Everybody’s Outlet Store” branded stores;
- Conversion of 27 legacy “Liquidation World” branded stores to the new “LW – Everybody’s Outlet Store” brand;
- Successful testing and launch of new marketing programs;
- Consolidation and expansion of the Company’s distribution centers;
- Addition of new members to the Company’s senior management team;
- Raising \$13.5 million of new capital and the expansion of the Company’s credit facility from \$20 million to \$25 million; and
- The addition of more new name brand vendors than ever before.

### Fiscal 2010 Annual Results

Revenue decreased 2.8% to \$153.4 million from \$157.8 million in the prior year. Same store sales in fiscal 2010 decreased 2.3% as compared to fiscal 2009. In 2010, the Company recorded a net loss of \$12.3 million (\$0.67 per share) compared to a net loss of \$17.6 million (\$1.32 per share) in the prior year.

During fiscal 2010, same store sales increased 10.4%, or \$1.2 million in the weeks following the conversions, for store locations that were renovated and reopened under the “LW – Everybody’s Outlet Store” banner. During the same time period, same store sales decreased 3.5%, or \$4.3 million, for legacy “Liquidation World” banner stores. In total, same store sales declined 2.3%, or \$3.1 million. Other factors causing a variance in the Company’s fiscal 2010 revenue versus the Company’s fiscal 2009 revenue include (i) a decline in liquidation services fee revenue of \$0.5 million, (ii) a decline of \$0.8 million in US wholesale revenue, (iii) an increase of \$11.9 million in sales from seven new store openings and (iv) a decline of \$11.5 million from 10 store closures.

Some of the factors to be considered with these results reflect management’s strategy to re-align its infrastructure and transform the company from a liquidator of closeout goods into Canada’s premier retailer for value based shoppers. Consequently, these results include a series of restructuring and other costs impacting the resulting net loss. These events include: (i) the closing of ten underperforming stores; (ii) opening six new “LW –

Everybody's Outlet Store" branded stores; and (iii) converting twenty-seven legacy "Liquidation World" branded stores to the new "LW – Everybody's Outlet Store" brand during fiscal 2010.

It is notable that as the strategy is executed, it is generating expected performance. In the weeks following their conversions, stores that were renovated and reopened under the "LW – Everybody's Outlet Store" banner demonstrated an increase in revenue of \$1.2 million, or 10.4 percent. During that same period, legacy store revenue decreased by \$4.3 million, or 3.5 percent. Other factors to be considered when comparing results in fiscal 2010 and 2009 include: (i) a decline in liquidation services fee revenue of \$0.5 million; (ii) a decline of \$0.8 million in US wholesale revenue; (iii) an increase of \$11.9 million in sales from seven new store openings; and (iv) a decline of \$11.5 million in sales from ten store closures.

	2010 (\$ millions)	2009 (\$ millions)	Change (\$ millions)
Annual revenue	\$153.4	\$157.8	\$(4.4)
Gross margin - \$	\$54.6	\$47.8	\$6.8
Gross margin - %	35.6%	30.3%	5.3%
SG&A	\$(61.9)	\$(60.9)	\$(1.0)
Annual net loss and comprehensive loss	\$(12.3)	\$(17.6)	\$5.3

#### Q4 Results

In the fourth quarter, fiscal 2010 revenue declined 2.5% to \$34.7 million from \$35.6 million in fiscal 2009. In the weeks following their conversions, stores that were renovated and reopened under the "LW – Everybody's Outlet Store" banner demonstrated an increase in revenue of \$0.6 million, or 6.8 percent. During that same period, legacy store revenue decreased by \$1.1 million, or 4.6 percent. Other factors to be considered when comparing the fourth quarters, fiscal 2010 and 2009 include: (i) a decline of \$0.4 million in US wholesale revenue; (ii) an increase of \$3.0 million in sales from seven new store openings; and (iii) a decline of \$2.7 million in sales from ten store closures.

During the fourth quarter of fiscal 2010, same store sales increased 6.8%, or \$0.6 million in the weeks following the conversions for store locations that were renovated and reopened under the "LW – Everybody's Outlet Store" banner. During the same time period, same store sales decreased 4.6%, or \$1.1 million, for legacy "Liquidation World" banner stores. In total, same store sales declined 1.6% or \$0.5 million during the fourth quarter of fiscal 2010. Other factors causing a variance in the Company's fourth quarter fiscal 2010 revenue versus its fourth quarter fiscal 2009 revenue include (i) a decline of \$0.4 million attributable to US wholesale revenue, (ii) an increase of \$3.0 million from seven (six in Canada; one in the US) new store openings in fiscal 2010 and (iii) a decline of \$2.7 million from 10 store closures in fiscal 2010.

Gross margin was \$9.2 million (26.6% of sales) in Q4 2010 compared to \$13.0 million (36.6% of sales) in Q4 2009. The reduction in gross margin can be attributed to markdowns taken during the quarter on slow moving inventory, increased distribution costs, shrink and net realizable value.

Distribution centre costs increased to \$1.9 million (5.4% of sales) in the quarter over last year \$1.6 million (4.3% of sales). The Company booked shrink and valuation adjustments of \$0.9 million (2.6% of sales) versus a positive adjustment of \$0.3 million ((0.8)% of sales) in the same quarter last year. The Company increased provisions for declines in expected net realizable value of slow moving inventory by \$0.8 million (2.2% of sales) versus \$0.2 million (0.5% of sales) in the same quarter last year.

#### Q4 Gross Margin Analysis (\$ millions)

	2010		2009		Variance	
	\$	%	\$	%	\$	%
Sales	34.7	100.0%	35.6	100.0%		
Landed Cost	21.9	63.2%	21.1	59.4%	0.8	3.8%
DC Cost	1.9	5.4%	1.6	4.3%	0.3	1.1%
Shrink & Valuation	0.9	2.6%	(0.3)	(0.8)%	1.2	3.4%
NRV	0.8	2.2%	0.2	0.5%	0.6	1.7%
Total Cost of Sales	25.5	73.4%	22.6	63.4%	2.9	10.0%
Gross Margin	9.2	26.6%	13.0	36.6%	(3.8)	(10.0)%

In the fourth quarter, fiscal 2010, the Company recorded a net loss of \$7.9 million (\$0.31 per share) compared to a net loss of \$3.4 million (\$0.21 per share) in the fourth quarter, fiscal 2009.

	2010 (\$ millions)	2009 (\$ millions)	Change (\$ millions)
Q4 revenue	\$34.7	\$35.6	\$(0.9)
Gross margin - \$	\$9.2	\$13.0	\$(3.8)
Gross margin - %	26.6%	36.6%	(10.0)%
SG&A	\$(15.9)	\$(15.0)	\$(0.9)
Q4 net loss and comprehensive loss	\$(7.9)	\$(3.4)	\$(4.5)

Additional details are provided in the financial statements below.

“Building on the momentum from February 2009 when the Company completed a recapitalization, we continued our rebuilding efforts this year and several signs of support that our strategy has appeal were generated. We succeeded in attracting fresh capital during this year, improving LW’s market capitalization, important milestones for public companies undergoing transformational positive change. We also recruited some very talented and experienced senior management and now have a seasoned, solid team in place to execute our objectives”, commented Seth Marks, President and CEO.

“As is the case in many turnaround situations, the process has been more challenging than I had thought it would be 18 months ago, when we embarked on our goal of transforming Liquidation World from a liquidator of closeout goods to Canada’s premier retailer for value based shoppers. Although I am disappointed that LW did not achieve profitability in fiscal 2010, I am more convinced than ever that the foundation required for LW to achieve profitability year in and year out is nearly complete”, said Marks.

#### **Fiscal 2011 Strategy**

In fiscal 2011, the Company intends to continue to (i) convert legacy “Liquidation World” branded stores to new “LW – Everybody’s Outlet Store” branded locations, (ii) open new stores under the “LW – Everybody’s Outlet Store” brand, and (iii) refine its marketing programs with flyers, the development of VIP email campaigns and the use of new social media programs.

In addition, LW plans to roll out new initiatives which should drive more everyday traffic into its stores as well as working with vendors, creditors and investors to ensure that it is in the strongest financial position to achieve its objectives. Similar to most growth companies and companies in transition, we continue to need to invest additional capital to facilitate and accelerate our growth. In that regard, we review financing alternatives as they arise. The company intends to take the usual steps to be able to facilitate future equity financing using the short form prospectus system in Canada.

“One of our goals for fiscal 2011 is to create a program that allows the Company to have specific stock-keeping units, or SKU’s, - that will always be available in our stores. To date, the Company has not had a program of buying and restocking specific replenishable SKU’s”, said Marks.

“All successful closeout retailers use replenishable SKU’s to drive every day traffic and supplement sales generated from one time “deal” buys. The addition of this “Always In” program requires changes in the Company’s distribution systems and purchasing practices. These changes will help make the Company more efficient and will not only drive the expansion of top line sales, but will also drive cost savings and help the Company focus on achieving its goal of sustainable profitability. The impact of our “Always In” replenishment initiative should improve and grow our sales per square foot.”

“I’d like to thank all of our associates, vendors and investors for their contributions and support during this past year of change. I am personally energized and excited by the strategies and business initiatives which will come to life in 2011”, said Marks.

### **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 operates 92 stores in Canada and one in the United States. Liquidation World is based in Brantford, Ontario. The Company opened its first store in Calgary, Alberta in 1986 and today, with more than 1,500 employees, is Canada’s largest operator of closeout retail stores.

For further information, please contact:

Seth Marks, President & CEO

519-720-2552 phone

866-237-3778 fax

[sethm@lwstores.com](mailto:sethm@lwstores.com)

Chris Rath, CFO

519-720-2553 phone

866-237-3778 fax

[chrisr@lwstores.com](mailto:chrisr@lwstores.com)

# LIQUIDATION WORLD INC.

Consolidated Balance Sheets  
As at October 3, 2010 and October 4, 2009

(In thousands of Canadian dollars)

	2010 Audited	2009 Audited
<b>Assets</b>		
Current assets		
Accounts receivable	\$ 533	\$ 1,554
Deposits	120	113
Inventory	39,619	33,941
Prepaid expenses	1,679	1,622
	41,951	37,230
Lease deposits	376	247
Property and equipment	9,074	8,613
Intangibles	-	653
	\$ 51,401	\$ 46,743
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Bank indebtedness	\$ 15,797	\$ 8,758
Accounts payable and accrued liabilities	15,623	17,408
Current portion of obligations under capital leases	127	710
	31,547	26,876
Obligations under capital leases	-	145
Subordinated notes	1,557	-
Deferred lease inducements	2,272	2,321
Shareholders' equity		
Share capital	32,224	22,330
Warrants	1,020	-
Contributed surplus	1,595	1,554
Deficit	(18,814)	(6,483)
	16,025	17,401
	\$ 51,401	\$ 46,743

## LIQUIDATION WORLD INC.

Consolidated Statements of Loss and Comprehensive Loss and Retained Earnings(Deficit)  
For the periods ended October 3, 2010 and October 4, 2009

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

	13 weeks ended October 3, 2010		13 weeks ended October 4, 2009		52 weeks ended October 3, 2010		52 weeks ended October 4, 2009	
	Unaudited		Unaudited		Audited		Audited	
Revenue	\$	34,722	\$	35,564	\$	153,399	\$	157,809
Cost of sales		25,491		22,552		98,812		109,965
Gross margin		9,231		13,012		54,587		47,844
Expenses								
Selling, general and administrative		15,874		15,037		61,918		60,877
Depreciation and amortization		844		851		3,021		3,345
Impairment of intangibles		-		-		618		-
Impairment of goodwill		-		233		-		233
Interest								
Short term		343		177		1,300		582
Long term		104		12		163		74
Foreign exchange (gain) loss		(71)		90		(102)		314
		17,094		16,400		66,918		65,425
Net loss		(7,863)		(3,388)		(12,331)		(17,581)
Net loss and comprehensive loss		(7,863)		(3,388)		(12,331)		(17,581)
Retained earnings(deficit), beginning of period		(10,951)		(3,095)		(6,483)		11,098
Deficit, end of period	\$	(18,814)	\$	(6,483)	\$	(18,814)	\$	(6,483)
Basic and diluted loss per share	\$	(0.31)	\$	(0.21)	\$	(0.67)	\$	(1.32)

# LIQUIDATION WORLD INC.

Consolidated Statements of Cash Flows  
For the periods ended October 3, 2010 and October 4, 2009

(In thousands of Canadian dollars)

	13 weeks ended October 3, 2010 Unaudited	13 weeks ended October 4, 2009 Unaudited	52 weeks ended October 3, 2010 Audited	52 weeks ended October 4, 2009 Audited
<b>Cash provided (used) in:</b>				
<b>Operating activities</b>				
Net loss	\$ (7,863)	\$ (3,388)	\$ (12,331)	\$ (17,581)
Add (deduct) non-cash items:				
Depreciation and amortization	844	851	3,021	3,345
Impairment of intangibles	-	-	618	-
Impairment of goodwill	-	233	-	233
Leasehold inducements	(104)	(53)	(74)	132
Loss (gain) on disposal of capital assets	10	(2)	63	89
Stock based compensation	18	(42)	41	147
Accretion on long term debt	39	-	83	-
Change in non-cash working capital items	876	(4,589)	(7,460)	15,655
	(6,180)	(6,990)	(16,039)	2,020
<b>Investment activities</b>				
Purchase of capital assets	(1,130)	(802)	(3,515)	(1,546)
Business acquisition	-	(140)	-	(140)
Proceeds on disposal of capital assets	-	-	5	5
Change in non-cash working capital items	-	(171)	-	(1,006)
	(1,130)	(1,113)	(3,510)	(2,687)
<b>Financing activities</b>				
Increase(decrease) in bank indebtedness	(1,458)	7,950	7,039	(2,668)
Repayment of capital leases	(71)	(297)	(728)	(1,203)
Deposits	(109)	(50)	(129)	(174)
Lease inducements	-	500	979	750
Proceeds from subordinated notes and warrant financing	-	-	2,000	-
Fees for issue of subordinated notes and warrant financing	-	-	(47)	-
Proceeds on issuance of common shares and warrants	10,000	-	11,500	4,750
Fees for issuance of common shares and warrants	(1,052)	-	(1,065)	(788)
	7,310	8,103	19,549	667
Increase(decrease) in cash	-	-	-	-
Cash, beginning of period	-	-	-	-
<b>Cash, end of period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Supplemental disclosure of cash paid for:</b>				
Income taxes	\$ -	\$ -	\$ -	\$ 5
Interest	410	180	1,373	648
	\$ 410	\$ 180	\$ 1,373	\$ 653