



Hardware & Lumber Limited

**Financial Statements
31 December 2015**

Hardware & Lumber Limited

Index

31 December 2015

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Independent Auditor's Report

To the Members of
Hardware & Lumber Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Hardware & Lumber Limited, set out on pages 1 to 48, which comprise the statement of financial position as at 31 December 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Members of Hardware & Lumber Limited
Independent Auditor's Report
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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Hardware & Lumber Limited as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

A handwritten signature in black ink, appearing to read 'Imatilis', with a horizontal line underneath it.

Chartered Accountants
29 February 2016
Kingston, Jamaica

Hardware & Lumber Limited

Statement of Comprehensive Income

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 \$'000	2014 \$'000
Revenue		7,442,223	7,137,578
Cost of sales		<u>(5,673,346)</u>	<u>(5,454,422)</u>
Gross Profit		1,768,877	1,683,156
Other operating income	6	<u>56,284</u>	<u>94,538</u>
		<u>1,825,161</u>	<u>1,777,694</u>
Direct expenses		<u>(1,137,988)</u>	<u>(1,081,341)</u>
Administrative expenses		<u>(469,126)</u>	<u>(411,701)</u>
		<u>(1,607,114)</u>	<u>(1,493,042)</u>
Profit from Operations		218,047	284,652
Finance cost	9	<u>(21,136)</u>	<u>(29,924)</u>
Profit before Tax		196,911	254,728
Taxation	10	<u>(33,226)</u>	<u>(37,412)</u>
Profit for the Year		<u>163,685</u>	<u>217,316</u>
Other Comprehensive Income:			
Items that will not be reclassified to profit and loss			
Gain on revaluation of land and buildings, net of taxes	12	-	53,473
Remeasurement of retirement benefit obligation, net of taxes	14	<u>(75,962)</u>	<u>2,935</u>
		<u>(75,962)</u>	<u>56,408</u>
Total Comprehensive Income for the Year		<u>87,723</u>	<u>273,724</u>
Earnings per stock unit attributable to owners of the company	11	<u>2.02</u>	<u>2.69</u>

Hardware & Lumber Limited

Statement of Financial Position

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 \$'000	2014 \$'000
NET ASSETS EMPLOYED			
Non-current Assets			
Property, plant and equipment	12	714,489	721,620
Intangible assets	13	2,252	2,053
Deferred tax asset	14	101,844	66,794
		818,585	790,467
Current Assets			
Inventories	16	1,933,130	1,797,995
Trade and other receivables	17	602,799	609,015
Group companies	18	7,725	702
Taxation recoverable		2,386	14,666
Cash and cash equivalents	19	201,176	152,015
		2,747,216	2,574,393
Current Liabilities			
Trade and other payables	20	1,506,709	1,346,417
Taxation payable		540	3,537
Short term loans	22	27,507	13,910
Group companies	18	2,362	2,694
Current portion of long term loans	23	101,234	101,923
		1,638,352	1,468,481
Net Current Assets		1,108,864	1,105,912
		<u>1,927,449</u>	<u>1,896,379</u>

Hardware & Lumber Limited

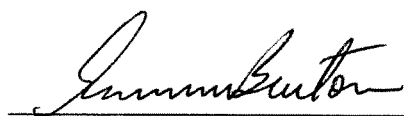
Statement of Financial Position

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 \$'000	2014 \$'000
FINANCED BY			
Stockholders' Equity			
Share capital	24	616,667	616,667
Capital reserve	25	358,815	358,815
Other reserve	26	-	5,259
Retained earnings		448,700	443,836
		1,424,182	1,424,577
Non-current Liabilities			
Long term loans	23	25,000	125,000
Retirement benefit obligation	15	478,267	346,802
		503,267	471,802
		<u>1,927,449</u>	<u>1,896,379</u>

Approved for issue by the Board of Directors on 29 February 2016 and signed on its behalf by:



Erwin Burton

Director



Paul Hanworth

Director

Hardware & Lumber Limited

Statement of Changes in Stockholders' Equity

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital \$'000	Capital Reserve \$'000	Other Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 January 2014		616,667	305,342	5,259	249,454	1,176,722
Total comprehensive income		-	53,473	-	220,251	273,724
Transactions with owners -						
Dividends	28	-	-	-	(25,869)	(25,869)
Balance at 31 December 2014		616,667	358,815	5,259	443,836	1,424,577
Total comprehensive income		-	-	-	87,723	87,723
Transaction with owners -						
Dividends	28	-	-	-	(88,118)	(88,118)
Transfer on exit from employee stock option scheme		-	-	(5,259)	5,259	-
Balance at 31 December 2015		616,667	358,815	-	448,700	1,424,182

Hardware & Lumber Limited

Statement of Cash Flows

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 \$'000	2014 \$'000
Cash Generated from Operating and Investing Activities:			
Profit for the year		163,685	217,316
Items not affecting cash:			
Amortisation of computer software	13	2,491	5,193
Retirement benefit obligation		30,182	25,153
Depreciation of property, plant and equipment	12	51,004	46,782
Foreign exchange gain		(1,922)	(15,557)
Withholding tax write-off		6,378	-
Interest expense	9	21,136	29,924
Interest income	6	(2,432)	(3,665)
(Gain)/loss on disposal of property, plant and equipment	6	(173)	58
Taxation charge	10	33,226	37,412
		<u>303,575</u>	<u>342,616</u>
Changes in non-cash working capital components:			
Inventories (*)		(148,442)	(576,301)
Group companies		(7,355)	1,809
Trade and other receivables		6,216	(110,683)
Trade and other payables		98,043	412,597
Warranties	21	-	(618)
		<u>252,037</u>	<u>69,420</u>
Interest received		2,432	3,665
Tax paid		<u>(40,050)</u>	<u>(70,791)</u>
Net cash provided by operating activities		<u>214,419</u>	<u>2,294</u>
Cash Flows from Investing Activities			
Proceeds from sale of property, plant and equipment		1,293	-
Purchase of computer software	13	(2,690)	(187)
Purchase of property, plant and equipment (*)		<u>(31,686)</u>	<u>(86,712)</u>
Net cash used in investing activities		<u>(33,083)</u>	<u>(86,899)</u>
Cash provided by/(used in) operating and investing activities (carried forward to page 6)		<u>181,336</u>	<u>(84,605)</u>

Hardware & Lumber Limited

Statement of Cash Flows

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 \$'000	2014 \$'000
Cash Provided by/(Used In) Operating and Investing Activities (brought forward from Page 5)		<u>181,336</u>	<u>(84,605)</u>
Cash Flows from Financing Activities			
Dividends paid		(25,869)	(24,206)
Interest paid		(21,825)	(31,431)
Long term loans repaid		(100,000)	(141,667)
Short term loans received		81,959	83,463
Short term loans repaid		<u>(68,361)</u>	<u>(82,987)</u>
Net cash used in financing activities		<u>(134,097)</u>	<u>(196,828)</u>
Effects of exchange rate changes on cash and cash equivalents		<u>1,922</u>	<u>15,557</u>
Net increase/(decrease) in cash and cash equivalents		49,161	(265,876)
Cash and cash equivalents at beginning of year		<u>152,015</u>	<u>417,891</u>
Cash and Cash Equivalents at End of the Year	19	<u><u>201,176</u></u>	<u><u>152,015</u></u>

The principal non-cash transactions –

(*) During the year \$13,307,000 (2014 - \$11,644,000) was transferred from inventories to property, plant and equipment.

Hardware & Lumber Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

Hardware & Lumber Limited (the company), a public company listed on the Jamaica Stock Exchange, is a 58.2% subsidiary of Argyle Industries Inc. (Argyle), a company registered in St. Lucia. Argyle acquired its shareholding in the company from GraceKennedy Limited (Grace) in December 2015. In accordance with the Jamaica Stock Exchange's rules, Argyle made an offer on 29 January 2016 to purchase all of the company's shares it did not then own from the remaining shareholders. At the date of the approval and issue of these financial statements the offer to acquire the remaining shares had not expired.

The company is incorporated and domiciled in Jamaica. The registered office is located at 697 Spanish Town Road, Kingston 11, Jamaica. The company sells retail and wholesale building materials, home improvement supplies, household items and agricultural products.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Standards, interpretations and amendments to published standards effective in the current year

Certain new standards, interpretations and amendments to existing standards that have been published, became effective during the current financial year. The company has assessed the relevance of all such new standards, interpretations and amendments and has determined that none would have a significant impact on its operations.

Hardware & Lumber Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not yet effective at the reporting date, and which the company did not early adopt. The company has assessed the relevance of all such new standards, interpretations and amendments and has determined that the following may be relevant to its operations, and has concluded as follows:

- Amendment to IAS 1, 'Disclosure initiative'. These amendments clarify the existing requirements of IAS 1 and provide additional assistance to apply judgement when meeting the presentation and disclosure requirements in IFRS. The amendment does not affect recognition and measurement and is effective for accounting periods beginning on or after 1 January 2016. The amendment is not expected to have a significant impact on the financial statements.
- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010 and is mandatory for accounting periods beginning on or after 1 January 2018. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss in the statement of comprehensive income, unless this creates an accounting mismatch. The company is yet to assess IFRS 9's full impact but intends to adopt IFRS 9 no later than the mandatory adoption period.
- IFRS 15, 'Revenue from Contracts with Customers'. The IASB has published its new revenue standard, IFRS 15 'Revenue from Contracts with Customers'. The U.S. Financial Accounting Standards Board (FASB) has concurrently published its equivalent revenue standard which is the result of a convergence project between the two Boards. IFRS 15 applies to nearly all contracts with customers; the main exceptions are leases, financial instruments and insurance contracts. It specifies how and when an entity will recognise revenue. It also requires entities to provide more informative, relevant disclosures. The standard supersedes IAS 18, 'Revenue', IAS 11, 'Construction Contracts' and a number of revenue-related interpretations. Application of the standard is mandatory for accounting periods beginning on or after 1 January 2018. The company is assessing the impact of future adoption of the standard.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the company.

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer who makes strategic decisions.

Hardware & Lumber Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(c) Foreign currency translation

(i) Functional and presentation currency

Jamaica is the primary economic environment in which the company operates, and as such the functional and presentation currency is Jamaican dollars.

(ii) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss in the statement of comprehensive income.

(d) Property, plant and equipment

Land and buildings comprise mainly warehouses, retail outlets and offices.

Property, plant and equipment are carried on the following basis less accumulated depreciation:

Freehold land and buildings	Valuation
Other property, plant and equipment	Historical cost

Increases in the carrying amount on revaluation of land and buildings are credited to other comprehensive income, in the year of revaluation. Decreases that offset previous increases of the same asset are charged against other comprehensive income; all other decreases are charged to the profit or loss in the statement of comprehensive income.

Depreciation is calculated on the straight-line method to write-off the cost or revalued amount of assets to their residual values over their estimated useful lives as follows:

Freehold buildings	10 – 50 years
Furniture and office equipment	3 -10 years
Leasehold improvements	5 -10 years
Equipment and scaffolding	10 -20 years
Vehicles and forklift trucks	4 - 10 years

The useful lives of the property, plant and equipment are reviewed and adjusted if necessary. Land is not depreciated.

Property, plant and equipment are reviewed for impairment as described in Note 2(f)(i).

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount and are included in profit or loss in the statement of comprehensive income. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Repairs and maintenance expenditures are charged to the profit or loss in the statement of comprehensive income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company and the cost can be measured reliably.

Hardware & Lumber Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(e) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of the asset of three to five years.

(f) Impairment

(i) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

(ii) Impairment of financial assets

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indications that the assets are impaired.

(g) Financial assets

Classification

Financial assets

The company classifies its financial assets as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise trade and other receivables, cash and cash equivalents and group balances in the statement of financial position (Notes 17, 19 and 18).

Recognition and measurement

Regular purchases of financial assets are recognised on the trade date – the date on which the company commits to purchase or sell the asset. These are initially recognised at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

The fair values of the company's financial assets are discussed in Note 3(e) and impairment is discussed in Note 2(f)(ii).

Hardware & Lumber Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(h) Inventories

Inventories are stated at the lower of cost and net realisable value, cost being determined on the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

The company records an inventory provision for the loss associated with selling inventories below cost. This provision is based on management's current knowledge with respect to inventory levels, sales trends, historical experience, its ability to return inventory to suppliers and to sell inventory through a price reduction process. Management has the ability to adjust purchasing practices based on anticipated sales trends and general economic conditions. However, changes in consumer purchasing patterns could result in the need for adjustments to the basis of provisioning.

(i) Trade and other receivables

Trade and other receivables are amounts due from third parties for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less they are classified as current assets. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalents comprise cash on hand and at bank, and short term deposits with maturities of less than 90 days, net of bank overdrafts.

(k) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are included in equity as a deduction from proceeds.

(l) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the profit or loss in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Hardware & Lumber Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(n) Income taxes

Taxation for the period comprises current and deferred tax. Tax is recognised in the profit or loss in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In those cases the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax charges are based on taxable profits for the year which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability to current tax is calculated at tax rates that have been enacted at the reporting date.

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates.

(o) Employee benefits

(i) Pension obligations

The company participates in a defined contribution plan operated by Grace, whereby it pays contributions to a privately administered fund. The regular contributions constitute net periodic costs for the year in which they are due and are included in staff costs.

A defined contribution plan is a pension plan under which a company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The company pays contributions to privately administered pension plans on a contractual basis. The company has no further payment obligations once the contributions have been paid. The contributions are charged to the profit and loss in the statement of comprehensive income in the period to which they relate.

Hardware & Lumber Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(o) Employee benefits (continued)

(ii) Equity compensation benefits

Grace operates an equity-settled, share-based compensation plan. Share options are granted to management and key employees of Grace, its subsidiaries and its associated companies. The fair value of the employee services received in exchange for the grant of the options was expensed and credited to other reserve in stockholders equity. The total amount to be expensed over the vesting period was determined by reference to the fair value of the options granted, excluding the impact of non-market vesting conditions. Options were granted to senior managers at the weighted average price of the shares on the Jamaica Stock Exchange for the previous ten (10) trading days before the grant date and were exercisable at that price. The grant price to other employees was the weighted average price of the shares on the Jamaica Stock Exchange for the previous ten (10) trading days before the date on which the grant of options was approved by the Board, with a 25% discount.

Options were exercisable beginning one year from the date of grant and had a contractual option term of six years.

Consequent to the sale by Grace of its shareholdings in the company to Argyle, the company's management and employees no longer participate in the Grace stock option plan. Accordingly, the related reserve has been transferred to retained earnings.

(iii) Termination obligations

Termination benefits are payable when employment is terminated by the company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

(iv) Other post-employment obligations

The company provides post-employment health care benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the obligation was determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that were denominated in the currency in which the benefits would have been paid, and that had terms to maturity approximating the terms of the related liability. The expected costs of these benefits are accrued over the period of employment. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(p) Provisions

Provisions for redundancies, warranties and legal claims are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Any increase in provisions due to passage of time is recognised as interest expense.

Hardware & Lumber Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(q) Revenue and other income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue is shown net of General Consumption Tax, returns, rebates and discounts. Revenue is recognised as follows:

Sales of goods – wholesale

Sales of goods are recognised when the company has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. Wholesale sales are primarily granted on credit.

Sales of goods – retail

Sales of goods are recognised when the company sells a product to the customer. Retail sales are usually settled by cash or credit card.

Interest income

Interest income is recognised on the accrual basis.

(r) Dividend distributions

Dividend distributions to the company's stockholders are recognised in the company's financial statements in the period in which the dividends are approved by the Board of Directors.

(s) Leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Hardware & Lumber Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management

The company's activities expose it to a variety of financial risks: credit risk liquidity risk and market risk (including currency risk and cash flow interest rate risk). The company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The Board of Directors is ultimately responsible for the establishment and oversight of the company's risk management framework. The Board has established an Audit Committee to oversee how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Additionally, management has established a Credit Committee which issues guidelines with respect to credit limits. The Credit Committee has established a credit policy under which customers are analysed individually for creditworthiness prior to the company offering them a credit facility.

(a) Credit risk

The company takes on exposure to credit risk, which is the risk that its customers will cause a financial loss for the company by failing to discharge their contractual obligations. Credit risk is a very important risk for the company's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the company's receivables from customers. The company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties.

Hardware & Lumber Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit review process

The company has established a credit quality review process and has credit policies and procedures which require regular analysis of the ability of credit customers and other counterparties to meet interest, capital and other repayment obligations.

(i) Trade and other receivables

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Credit limits are assigned to each customer, which represents the maximum credit allowable without approval from the credit committee; these are reviewed quarterly. The company has procedures in place to restrict customer orders if the order will exceed their credit limits. Customers that fail to meet the company's benchmark creditworthiness may transact business with the company on a prepayment or cash basis.

Customer credit risks are monitored according to their credit characteristics such as whether it is an individual or company, aging profile, and previous financial difficulties.

The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The company addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

The company's average credit period on the sale of goods is 30 days. The company has provided for receivables based on an evaluation of the total past due balances and the historical experience with individual customers. Trade receivables are provided for based on an estimate of amounts that would be irrecoverable, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

(ii) Cash and cash equivalents

The company limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality. Accordingly, management does not expect any counterparty to fail to meet its obligations.

Maximum exposure to credit risk

	2015 \$'000	2014 \$'000
Credit risk exposures are as follows:		
Trade receivables (Note 17)	388,688	379,774
Other receivables	109,917	78,315
Group companies (Note 18)	7,725	702
Cash and cash equivalents (Note 19)	201,176	152,015
	<u>707,506</u>	<u>610,806</u>

The above table represents a worst case scenario of credit risk exposure to the company.

Hardware & Lumber Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Aging analysis of trade receivables that are past due but not impaired:

Trade receivables that are less than 90 days past due are not considered impaired. As at 31 December 2015, trade receivables totalling \$170,156,000 (2014 - \$140,839,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2015 \$'000	2014 \$'000
1 to 30 days past due	142,154	100,831
31 to 60 days past due	17,039	27,124
Over 60 days past due	10,963	12,884
	<u>170,156</u>	<u>140,839</u>

Aging analysis of trade receivables that are past due and impaired:

As at 31 December 2015, trade receivables of \$103,189,000 (2014 - \$83,660,000) were past due and impaired. The amount of the provision was \$80,075,000 (2014 - \$68,735,000). The individually impaired receivables mainly relate to wholesalers and developers who are experiencing difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

The aging of these receivables is as follows:

	2015 \$'000	2014 \$'000
91 to 120 days past due	5,876	7,873
Over 120 days past due	97,313	75,787
	<u>103,189</u>	<u>83,660</u>

Hardware & Lumber Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Movements on the provision for impairment of trade receivables are as follows:

	2015 \$'000	2014 \$'000
At 1 January	68,735	54,962
Provision for receivables impairment	23,064	21,711
Recoveries	(11,724)	(7,938)
At 31 December	<u>80,075</u>	<u>68,735</u>

The creation and release of provisions for impaired receivables have been included in administrative expenses in the profit or loss in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

There are no financial assets other than those listed above that were individually impaired.

The following table summarises the company's credit exposure for trade receivables at their carrying amounts, as categorised by the customer sector:

	2015 \$'000	2014 \$'000
Agriculture, fishing and mining	132,396	102,114
Construction and real estate	65,542	70,104
Wholesalers	217,209	220,453
Retail distributors and others	53,616	55,838
	<u>468,763</u>	<u>448,509</u>
Less: Provision for credit losses	(80,075)	(68,735)
	<u>388,688</u>	<u>379,774</u>

All trade receivables are receivable from customers in Jamaica.

Hardware & Lumber Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the company may be unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities.

Liquidity risk management process

The company's liquidity management process, as carried out within the company and monitored by the Board of Directors, includes:

- (i) Monitoring future cash flows and liquidity on a regular basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral, which could be used to secure funding if required;
- (ii) Maintaining committed lines of credit; and
- (iii) Managing the concentration and profile of debt maturities.

Hardware & Lumber Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

The tables below summarise the maturity profile of the company's financial liabilities at 31 December based on contractual undiscounted payments.

	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Total \$'000
As at 31 December 2015:					
Financial liabilities					
Trade payables	1,069,938	112,382	28,159		1,210,479
Other payables	211,726	-	-	-	211,726
Group companies	2,362	-	-	-	2,362
Short term loans	27,689	-	-	-	27,689
Long term loans	-	28,860	79,895	25,394	134,149
	1,311,715	141,242	108,054	25,394	1,586,405
As at 31 December 2014:					
Financial liabilities					
Trade payables	640,603	319,740	163,657	-	1,124,000
Other payables	144,941	-	-	-	144,941
Group companies	2,694	-	-	-	2,694
Short term loans	13,999	-	-	-	13,999
Long term loans	-	32,333	88,263	135,371	255,967
	802,237	352,073	251,920	135,371	1,541,601

Assets available to meet all of the liabilities and to cover financial liabilities include cash and cash equivalents.

Hardware & Lumber Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk

The company takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly arises from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the company's finance department, which carries out research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company is exposed to foreign exchange risk primarily with respect to the United States (US) dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The statement of financial position at 31 December 2015 includes aggregate net foreign liabilities of \$773,940,000 (2014 - \$809,326,000) in respect of such transactions.

The company manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions.

Foreign currency sensitivity

The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a possible change in foreign currency rates. The sensitivity of the profit was mainly as a result of foreign exchange losses on translation of US dollar-denominated trade payables. There is no impact on other comprehensive income.

	% Change in Currency Rate	Effect on Profit before Tax	% Change in Currency Rate	Effect on Profit before Tax
	2015	2015 \$'000	2014	2014 \$'000
Devaluation	8	(61,915)	10	(80,933)
Revaluation	1	7,739	1	8,093

Hardware & Lumber Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the company to cash flow interest risk. The company's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

The following tables summarises the company's exposure to interest rate risk. It includes the company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Non-Interest Bearing \$'000	Total \$'000
At 31 December 2015:						
Financial assets						
Trade receivables	-	-	-	-	388,688	388,688
Other receivables	-	-	-	-	109,917	109,917
Group companies	-	-	-	-	7,725	7,725
Cash and cash equivalents	198,899	-	-	-	2,277	201,176
Total financial assets	198,899	-	-	-	508,607	707,506
Financial liabilities						
Trade payables	-	-	-	-	1,210,479	1,210,479
Other payables	-	-	-	-	211,726	211,726
Short term loans	27,507	-	-	-	-	27,507
Group companies	2,362	-	-	-	-	2,362
Long term loans	-	26,234	75,000	25,000	-	126,234
Total financial liabilities	29,869	26,234	75,000	25,000	1,422,205	1,578,308
Total interest repricing gap	169,030	(26,234)	(75,000)	(25,000)	(913,598)	(870,802)

Hardware & Lumber Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Non-Interest Bearing \$'000	Total \$'000
At 31 December 2014:						
Financial assets						
Trade receivables	-	-	-	-	379,774	379,774
Other receivables	-	-	-	-	78,315	78,315
Group companies	-	-	-	-	702	702
Cash and cash equivalents	149,528	-	-	-	2,487	152,015
Total financial assets	149,528	-	-	-	461,278	610,806
Financial liabilities						
Trade payables	-	-	-	-	1,124,000	1,124,000
Other payables	-	-	-	-	144,941	144,941
Short term loans	13,910	-	-	-	-	13,910
Group companies	-	-	-	-	2,694	2,694
Long term loans	-	26,923	75,000	125,000	-	226,923
Total financial liabilities	13,910	26,923	75,000	125,000	1,271,635	1,512,468
Total interest repricing gap	135,618	(26,923)	(75,000)	(125,000)	(810,357)	(901,662)

Interest rate sensitivity

All the company's loans and cash and cash equivalents are at fixed rates, accordingly, they are not sensitive to changes in prevailing interest rates.

Hardware & Lumber Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(d) Capital management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital as well as meet externally imposed capital requirements. The Board of Directors monitors the return on capital, which the company defines as profit for the year divided by total stockholders' equity. The Board of Directors also monitors the level of dividends to ordinary stockholders (Note 28).

The company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The company is not subjected to any external regulatory capital requirements.

The gearing ratios at 31 December were as follows:

	2015 \$'000	2014 \$'000
Total borrowings	153,741	240,833
Less: Cash and cash equivalents	(201,176)	(152,015)
Net debt	(47,435)	88,818
Total equity	1,424,182	1,424,577
Total capital	1,376,747	1,513,395
Gearing ratio	(3%)	6%

(e) Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument.

Financial instruments that, subsequent to initial recognition, are measured at fair value are grouped into levels 1 to 3 based on the degree to which the fair values are observable, as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The amounts included in the financial statements for cash and cash equivalents, trade and other receivables, group companies, short term loans and trade and other payables reflect their approximate fair values because of the short-term maturity of these instruments.

The fair values of long term loans approximate their carrying values because interest rates at the year-end were at market rates.

Hardware & Lumber Limited

Notes to the Financial Statements

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3. Financial Risk Management (Continued)

(e) Fair value of financial instruments (continued)

Non-financial assets carried at fair value include property, plant and equipment, which fall within level 3 of the fair value hierarchy. The valuation has been performed using the sales comparison approach. There have been a limited number of similar sales in the local market, and consequently the sales comparison approach incorporates unobservable inputs, which in the valuator's judgement reflects suitable adjustments regarding size, age, condition, time of sale and quality of land, buildings and improvements. The most significant input into this valuation is the price per square foot. The higher the price per square foot the higher the fair value.

4. Critical Accounting Estimates and Judgments in Applying Accounting Policies

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for impairment of inventories

Periodically the company assesses the usage and recoverability of its inventories. Provisions are created or increased as described in Note 2(h). This, however, does not necessarily mean that the company will be able to use or sell the total remaining unimpaired items, as some items that are estimated to be good at period end may subsequently be impaired. In addition, some items provided for may eventually be sold at values greater than their carrying values.

Provision for impairment of trade receivables

Periodically the company assesses the collectability of its trade receivables. Provisions are established or increased as described in Note 2(f). This, however, does not necessarily mean that the company will collect the total remaining unimpaired balance, as some balances that are estimated to be collectable as at the year-end may subsequently go bad. In addition some debts provided for may be collected subsequently.

Hardware & Lumber Limited

Notes to the Financial Statements

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4. Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Deferred tax asset

A net deferred tax asset of approximately \$101,844,000 (2014 - \$66,794,000) has been recognised in the financial statements as management is of the view that sufficient future taxable profits will be available to fully utilise the asset given the company's profitability. The recoverability of the deferred tax asset will be reassessed at each reporting date.

Income taxes

Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Revaluation of freehold land and buildings

Freehold land and buildings are carried in the statement of financial position at fair value. The company uses independent qualified property appraisers to value its land and buildings every two years, generally with reference to market prices. This approach takes into consideration various assumptions and factors including the nature, location and condition of the properties and recent comparable sales. Changes in these assumptions and factors could have an impact on the valuation of the properties.

Hardware & Lumber Limited

Notes to the Financial Statements

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5. Segment Information

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (CEO) that are used to make strategic decisions.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The operating segments are Household, Hardware and Building Products and Agricultural Products and Equipment. These two segments represent the company's strategic business units. The strategic business units offer different products and services, and are managed separately because they require among other things, different marketing strategies. For each of the strategic business units, the company's CEO reviews internal management reports on at least a monthly basis. These reports do not include details of segment assets. The following summary describes the operations in each of the company's reportable segments: household, hardware and building products and agricultural products and equipment. The household, hardware and building products segments sells mainly household "do it yourself" items along with cement, lumber and heavy hardware products. The agricultural products and equipment segment sells mainly insecticides, fertilizers, fungicides and other such agricultural related items to the agricultural industry. There are no inter-divisional sales.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit/(loss) before income tax, not including non-recurring gains and losses, as included in the internal management reports that are reviewed by the company's CEO. Segment profit/(loss) is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Income and expenses that are directly related to segments are reported within those segments. Head office income and expenses are allocated to segments based on sales.

The company's operations are located entirely in Jamaica.

	2015		
	Household Hardware and Building Products	Agricultural Products and Equipment	Total
	\$'000	\$'000	\$'000
External operating revenue	5,680,889	1,761,334	7,442,223
Profit from operations	33,177	184,870	218,047
Interest expense	(16,122)	(5,014)	(21,136)
Profit before tax	17,055	179,856	196,911
Other segment disclosures -			
Interest income	1,919	513	2,432
Depreciation and amortisation	42,013	11,482	53,495
Capital expenditure (*)	25,724	21,959	47,683

Hardware & Lumber Limited

Notes to the Financial Statements

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5. Segment Information (Continued)

No single customer accounted for 10% or more of total revenues of the company either in 2015 or in 2014.

	2014	
	Household Hardware and Building Products \$'000	Agricultural Products and Equipment \$'000
		Total \$'000
External operating revenue	5,296,481	7,137,578
Profit from operations	40,068	284,652
Interest expense	(22,155)	(29,924)
Profit before tax	17,913	254,728
Other segment disclosures -		
Interest income	2,726	3,665
Depreciation and amortisation	42,153	51,975
Capital expenditure (*)	84,838	98,543

(*) Included in these balances are amounts transferred from inventory of \$13,307,000 (2014 - \$11,644,000).

6. Other Operating Income

	2015 \$'000	2014 \$'000
Gain/(loss) on sale of property, plant and equipment	173	(58)
Rental income	3,209	2,618
Interest income	2,432	3,665
Purchase rebate	39,450	35,262
Agent commission	606	4,673
Write back of credits in accounts receivable	-	22,113
Foreign exchange gains	1,922	15,557
Other	8,492	10,708
	56,284	94,538

Hardware & Lumber Limited

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7. Expenses by Nature

Total cost of sales, direct and administrative expenses

	2015	2014
	\$'000	\$'000
Advertising and marketing	59,893	42,013
Auditors' remuneration	9,744	7,604
Bags and straps	11,305	9,349
Cost of inventories recognised as expenses	5,544,639	5,335,925
Demurrage	2,962	282
Depreciation and amortisation	53,495	51,975
Equipment rental	8,984	9,946
Freight	112,179	108,866
Impairment charge for receivables	12,476	13,748
Insurance	70,609	70,388
Licences and taxes	20,466	20,111
Occupancy – rent, utilities, etc.	306,893	329,601
Grace charges (Note 18(d))	59,630	55,111
Processing and facility	54,789	46,310
Professional and contractual	168,646	162,537
Repairs, maintenance and renewals	40,965	39,941
Security	51,822	46,552
Staff costs (Note 8)	566,658	516,084
Stationery and computer expense	73,468	42,030
Other	50,837	39,091
	<u>7,280,460</u>	<u>6,947,464</u>

Hardware & Lumber Limited

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8. Staff Costs

	2015	2014
	\$'000	\$'000
Wages and salaries	376,973	348,170
Payroll taxes, employer's contribution	40,933	38,194
Contribution to defined contribution plan (Note 15)	28,622	26,166
Other retirement benefits (Note 15)	45,574	37,367
Staff welfare	72,823	62,035
Gratuity	1,733	3,947
Redundancy costs	-	205
	<u>566,658</u>	<u>516,084</u>

9. Finance Cost

	2015	2014
	\$'000	\$'000
Interest expense	<u>21,136</u>	<u>29,924</u>

10. Taxation

Taxation is based on the profit for the year adjusted for taxation purposes and comprises:

	2015	2014
	\$'000	\$'000
Current income tax charge	42,955	53,535
Deferred tax (Note 14)	<u>(9,729)</u>	<u>(16,123)</u>
	<u>33,226</u>	<u>37,412</u>

Hardware & Lumber Limited

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10. Taxation (Continued)

The actual tax expense differs from the theoretical amount as follows:

	2015 \$'000	2014 \$'000
Profit before tax	196,911	254,728
Tax calculated at 25%	49,228	63,682
Adjusted for the effects of:		
Employment tax credit	(17,772)	(23,302)
Adjustment to prior year deferred tax	-	(2,869)
Expenses not deductible for tax purposes	873	526
Income not subject to tax	-	(36)
Net effect of other charges and allowances	897	(589)
Taxation	<u>33,226</u>	<u>37,412</u>

During the 2014/15 budget presentation, the Government of Jamaica announced the following:

An employment tax credit (ETC) is now available to unregulated entities. These entities are now able to claim a credit of up to a maximum of 30% of the tax liability resulting from trading income, if statutory deductions (employee and employer) are paid in full by the due date. This has the potential to reduce the effective tax rate. The ETC is not available to carry forward. There are some provisions for the credit to be restricted based on dividend payments and/or other distributions. The company has recognised an employment tax credit in the amount of \$17,772,000 (2014 - \$23,302,000).

11. Earnings per Stock Unit

Earnings per stock unit is calculated by dividing the profit for the year, by the number of ordinary stock units in issue during the year.

	2015	2014
Net profit attributable to stockholders (\$'000)	163,685	217,316
Number of stock units in issue ('000)	80,842	80,842
Earnings per stock unit (\$)	<u>2.02</u>	<u>2.69</u>

Hardware & Lumber Limited

Notes to the Financial Statements

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12. Property, Plant and Equipment

2015								
	Freehold Land	Freehold Buildings	Furniture and Office Equipment	Leasehold Improvements	Equipment and Scaffolding	Vehicles and Forklift Trucks	Construction in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or Valuation -								
1 January 2015	250,000	280,000	412,105	242,082	117,348	7,716	4,760	1,314,011
Additions	-	838	13,049	3,011	8,490	-	19,605	44,993
Disposals	-	-	(3,559)	(1,777)	(1,000)	-	-	(6,336)
Transfers	-	-	14,747	21,915	-	-	(22,295)	14,367
31 December 2015	250,000	280,838	436,342	265,231	124,838	7,716	2,070	1,367,035
Depreciation -								
1 January 2015	-	-	350,847	148,706	85,122	7,716	-	592,391
Charge for the year	-	5,617	19,874	17,594	7,919	-	-	51,004
Revaluation	-	-	-	-	-	-	-	-
Relieved on disposals	-	-	(3,337)	(1,777)	(102)	-	-	(5,216)
Transfers	-	-	14,367	-	-	-	-	14,367
31 December 2015	-	5,617	381,751	164,523	92,939	7,716	-	652,546
Net Book Value -								
31 December 2015	250,000	275,221	54,591	100,708	31,899	-	2,070	714,489

2014								
	Freehold Land	Freehold Buildings	Furniture and Office Equipment	Leasehold Improvements	Equipment and Scaffolding	Vehicles and Forklift Trucks	Construction in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or Valuation -								
1 January 2014	220,000	227,456	386,691	208,580	102,534	7,716	11,193	1,164,170
Additions	-	12,410	14,207	9,070	14,814	-	47,855	98,356
Revaluation	30,000	21,581	-	-	-	-	-	51,581
Disposals	-	-	(96)	-	-	-	-	(96)
Transfers	-	18,553	11,303	24,432	-	-	(54,288)	-
31 December 2014	250,000	280,000	412,105	242,082	117,348	7,716	4,760	1,314,011
Depreciation -								
1 January 2014	-	4,549	331,999	133,590	77,510	7,716	-	555,364
Charge for the year	-	5,168	18,886	15,116	7,612	-	-	46,782
Revaluation	-	(9,717)	-	-	-	-	-	(9,717)
Relieved on disposals	-	-	(38)	-	-	-	-	(38)
31 December 2014	-	-	350,847	148,706	85,122	7,716	-	592,391
Net Book Value -								
31 December 2014	250,000	280,000	61,258	93,376	32,226	-	4,760	721,620

Hardware & Lumber Limited

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(expressed in Jamaican dollars unless otherwise indicated)

12. Property, Plant and Equipment (Continued)

If freehold land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2015		2014	
	Freehold Land \$'000	Freehold Buildings \$'000	Freehold Land \$'000	Freehold Buildings \$'000
Cost	45,000	185,136	45,000	184,298
Accumulated depreciation	-	37,010	-	33,308
Net book value	45,000	148,126	45,000	150,990

Freehold land and buildings are stated at fair value, as appraised by D.C. Tavares & Finson Realty Company Limited, independent qualified real estate brokers and appraisers in November 2014. Fair value is determined by reference to market based evidence. This means that valuations performed by the valuer are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The revaluation gain of \$53,473,000 in 2014, net of applicable deferred income taxes, was credited to other comprehensive income. All other property, plant and equipment are stated at cost.

Hardware & Lumber Limited

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13. Intangible Assets

	2015		
	Computer Software \$'000	Computer Software Work in Progress \$'000	Total \$'000
Cost -			
1 January 2015	254,613	-	254,613
Additions	2,690	-	2,690
Retirement	(42,819)	-	(42,819)
Transfers to property, plant and equipment	(14,367)	-	(14,367)
31 December 2015	200,117	-	200,117
Amortisation -			
1 January 2015	252,560	-	252,560
Amortisation charge for the year	2,491	-	2,491
Retirement	(42,819)	-	(42,819)
Transfers to property, plant and equipment	(14,367)	-	(14,367)
31 December 2015	197,865	-	197,865
Net Book Value -			
31 December 2015	2,252	-	2,252

	2014		
	Computer Software \$'000	Computer Software Work in Progress \$'000	Total \$'000
Cost -			
1 January 2014	254,144	282	254,426
Additions	187	-	187
Transfers	282	(282)	-
31 December 2014	254,613	-	254,613
Amortisation -			
1 January 2014	247,367	-	247,367
Amortisation charge for the year	5,193	-	5,193
31 December 2014	252,560	-	252,560
Net Book Value -			
31 December 2014	2,053	-	2,053

The amortisation charges of \$261,000 and \$2,230,000 (2014 - \$327,000 and \$4,866,000) are included in direct and administrative expenses, respectively, in the profit or loss in the statement of comprehensive income.

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14. Deferred Income Taxes

Deferred income taxes are calculated in full on all temporary differences under the liability method using a tax rate of 25%. The movement in the deferred income tax balance is as follows:

	2015	2014
	\$'000	\$'000
Net asset at beginning of year	66,794	59,474
Credit to profit or loss (Note 10)	9,729	16,123
Credit/(charge) to other comprehensive income	25,321	(8,803)
Net asset at end of year	<u>101,844</u>	<u>66,794</u>

The company recognises the deferred tax asset as it is of the opinion that sufficient taxable profits will be made in the future against which these assets will be utilised.

Deferred income tax assets and liabilities are due to the following items:

	2015	2014
	\$'000	\$'000
Deferred income tax assets:		
Interest payable	309	481
Accrued vacation	2,485	2,081
Stock option expense	1,314	1,314
Bad debt general provision	-	637
Retirement benefit obligations	119,567	86,700
	<u>123,675</u>	<u>91,213</u>
Deferred income tax liabilities:		
Unrealised foreign exchange gains	(1,579)	(515)
Property, plant and equipment	(20,252)	(23,904)
	<u>(21,831)</u>	<u>(24,419)</u>
Net asset	<u>101,844</u>	<u>66,794</u>
Deferred tax assets to be recovered after more than one year	119,567	86,700
Deferred tax liabilities to be settled after more than one year	<u>(20,252)</u>	<u>(23,904)</u>

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14. Deferred Income Taxes (Continued)

Deferred income tax credited/(charged) to the profit or loss in the statement of comprehensive income is as follows:

	2015	2014
	\$'000	\$'000
Deferred income tax assets:		
Interest payable	(172)	(377)
Provision for warranties	-	(155)
Accrued vacation	404	31
Bad debt general provision	(637)	421
Retirement benefit obligations	7,546	6,288
	<u>7,141</u>	<u>6,208</u>
Deferred income tax liabilities:		
Unrealised foreign exchange gains	(1,064)	2,158
Property, plant and equipment	3,652	7,757
	<u>2,588</u>	<u>9,915</u>
Net deferred tax charged to the profit or loss in the statement of comprehensive income	<u>9,729</u>	<u>16,123</u>

The following table reflects the deferred tax effect on items (charged)/credited to other comprehensive income:

	Before Tax	Tax	After Tax
	\$'000	\$'000	\$'000
	2015		
Remeasurement of retirement benefit obligation (Note 15)	<u>(101,283)</u>	<u>25,321</u>	<u>(75,962)</u>
	2014		
Fair value gain on revaluation of land and buildings (Note 25)	61,298	(7,825)	53,473
Remeasurement of retirement benefit obligation (Note 15)	3,913	(978)	2,935
	<u>65,211</u>	<u>(8,803)</u>	<u>56,408</u>

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15. Retirement Benefits

	2015 \$'000	2014 \$'000
Liabilities recognised in the statement of financial position –		
Retirement benefit obligation - medical and other benefits	<u>(478,267)</u>	<u>(346,802)</u>
Amounts recognised in the profit or loss in the statement of comprehensive income (Note 8) –		
Retirement benefit obligation – medical and other benefits	<u>45,574</u>	<u>37,367</u>
Amounts recognised in the other comprehensive income (Note 14) –		
Retirement benefit obligation - medical and other benefits	<u>101,283</u>	<u>3,913</u>

Pension plan benefits

The company participates in the defined contribution pension plan started by Grace and administered by Proven Investment Limited, which is open to all Jamaican based employees hired on or after 1 April 2010. Employees contribute 5% of pensionable earnings with the option to contribute an additional voluntary contribution of 5%. The employer contributions are currently set at 10%. The company's contribution for the year was \$28,622,000 (2014 - \$26,166,000) (Note 8).

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15. Retirement Benefits (Continued)

Medical and other benefits

In addition to pension benefits, the company offers retirees medical and other benefits. Funds are not built up to cover the obligations under these benefit plans. The liability recognised in the statement of financial position was determined as follows:

	2015 \$'000	2014 \$'000
Present value of unfunded obligations	<u>478,267</u>	<u>346,802</u>

The movement in the present value of the defined benefit obligation during the year was as follows:

	2015 \$'000	2014 \$'000
At beginning of year	346,802	325,562
Current service cost	13,822	15,093
Past service cost	(239)	(7,911)
Interest cost	31,991	30,183
Actuarial losses/(gains) on obligations	101,283	(3,913)
Benefits paid	<u>(15,392)</u>	<u>(12,212)</u>
At end of year	<u>478,267</u>	<u>346,802</u>

The amounts recognised in the profit or loss in the statement of comprehensive income are as follows:

	2015 \$'000	2014 \$'000
Current service cost	13,822	15,095
Past service cost	(239)	(7,911)
Interest cost	<u>31,991</u>	<u>30,183</u>
Total included in staff costs (Note 8)	<u>45,574</u>	<u>37,367</u>

The total charge of \$45,574,000 (2014 – \$37,367,000) was included in administrative expenses in the profit or loss in the statement of comprehensive income.

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15. Retirement Benefits (Continued)

Medical and other benefits (continued)

The composition of the liability recognised in relation to the retirement obligations in the statement of financial position is as follows:

	2015 \$'000	2014 \$'000
Gratuity Plan	49,620	41,357
Group Life Plan	62,212	49,029
Insured Group Health	132,396	95,974
Self Insured Health Plan	184,931	117,716
Supplementary Pension Plan	49,108	42,726
Liability in the statement of financial position	<u>478,267</u>	<u>346,802</u>

Risks associated with pension plans and post-employment plans

Through its post-employment obligation plans, the company is exposed to a number of risks, the most significant of which are detailed below:

Inflation risk

Higher inflation will likely lead to higher liabilities.

Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

The weighted average duration of the obligation in years is as follows:

	2015	2014
Gratuity Plan	9.3	10.1
Group Life Plan	14.4	14.2
Insured Group Health	18.8	19.1
Self Insured Health Plan	12.1	12.9
Supplementary Pension Plan	<u>7.6</u>	<u>7.1</u>

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15. Retirement Benefits (Continued)

Principal actuarial assumptions used in valuing retirement benefits

The principal actuarial assumptions used in valuing retirement benefits were as follows:

	2015	2014
Discount rate	8.5%	9.5%
Long term rate of inflation	5.0%	5.5%
Future salary increases	6.0%	6.0%
Future pension increases	5.0%	5.5%
Medical cost trend rate	6.5%	7.0%

The average life expectancy in years of a pensioner retiring at age 60 is 23 and 26 years for males and females, respectively (2014 - 23 and 26 years for males and females).

Assumptions regarding future mortality experience are set based on advice, published statistics and experience.

The sensitivity of the defined benefit obligation in respect of the Insured Group Health and Self-insured Health plans (the most significant plans) to changes in the principal assumptions is:

	Impact on defined benefit obligation – medical benefits		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	Decrease by 14.6%	Increase by 18.7%
Medical cost rate	1%	Increase by 18.9%	Decrease by 15.0%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement benefit obligation recognised within the statement of financial position.

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16. Inventories

	2015 \$'000	2014 \$'000
Merchandise	1,856,250	1,731,488
Provision for obsolescence	<u>(158,548)</u>	<u>(136,875)</u>
	1,697,702	1,594,613
Goods in transit	<u>235,428</u>	<u>203,382</u>
	<u><u>1,933,130</u></u>	<u><u>1,797,995</u></u>

The cost of inventory written off during the year amounted to \$42,421,000 (2014 - \$42,807,000).

17. Trade and Other Receivables

	2015 \$'000	2014 \$,000
Trade	468,763	448,509
Provision for impairment	<u>(80,075)</u>	<u>(68,735)</u>
	388,688	379,774
Prepayments	57,418	84,877
Other	<u>156,693</u>	<u>144,364</u>
	<u><u>602,799</u></u>	<u><u>609,015</u></u>

Other receivables includes General Consumption Tax recoverable (GCT) of \$46,776,000 (2014 - \$66,049,000) and True Value receivables of \$65,157,000 (2014 - \$59,467,000).

18. Group Companies and Other Related Party Transactions and Balances

(a) Due (to)/from group companies comprises:

	2015 \$'000	2014 \$'000
Due to Grace	(1,779)	-
Due to former fellow subsidiaries	<u>(583)</u>	<u>(2,694)</u>
	<u><u>(2,362)</u></u>	<u><u>(2,694)</u></u>
Due from Grace	5,381	9
Due from former fellow subsidiaries	<u>2,344</u>	<u>693</u>
	<u><u>7,725</u></u>	<u><u>702</u></u>

The payables to former related parties arose primarily from purchase transactions and were due 15 days after the invoice date. The payables bore no interest.

The receivables due from former related party arose mainly from shared costs that were not yet due as at year end. The receivable balances were not interest bearing. There were no provisions held against receivables from group companies.

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18. Group Companies and Other Related Party Transactions and Balances (Continued)

(b) Due (to)/from other related parties

	2015	2014
	\$'000	\$'000
Due from directors and key management	158	475
Due from other related parties	359	103
	<u>517</u>	<u>578</u>

The amounts due from directors, key management and other related parties arose from sales transactions and are included receivables in the statement of financial position. The receivable balances were not interest bearing and there were no provisions held against these receivables.

(c) Dividends

	2015	2014
	\$'000	\$'000
Dividends proposed and payable	88,118	25,869

The company declared dividends to its shareholders as disclosed in Note 28. Amounts payable at the year end are included in other payables in the statement of financial position.

(d) The profit or loss in the statement of comprehensive income includes the following transactions with related parties:

	2015	2014
	\$'000	\$'000
Income:		
Rental charges -		
Former fellow subsidiaries	<u>1,544</u>	<u>1,457</u>
Commissions		
Former fellow subsidiaries	<u>-</u>	<u>4,673</u>
Sales -		
Former fellow subsidiaries	14,617	6,350
Grace	1,972	1,042
Directors and key management	3,450	3,217
Other related parties	<u>2,204</u>	<u>1,015</u>
	<u>22,243</u>	<u>11,624</u>
Interest income -		
Former fellow subsidiary	-	2,527
Grace	<u>52</u>	<u>50</u>
	<u>52</u>	<u>2,577</u>

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18. Group Companies and Other Related Party Transactions and Balances (Continued)

- (d) The profit or loss in the statement of comprehensive income includes the following transactions with related parties (continued);

	2015 \$'000	2014 \$'000
Expenses:		
Purchases -		
Former fellow subsidiaries	3,294	8,076
Grace	7,501	2,881
	<u>10,795</u>	<u>10,957</u>
Interest expense -		
Former fellow subsidiaries	<u>-</u>	<u>165</u>
Key management compensation -		
Salary and wages and other short term benefits	<u>39,314</u>	<u>41,242</u>
Directors' emoluments -		
Fees	4,335	4,385
Management remuneration (included above)	<u>-</u>	<u>6,480</u>
	<u>4,335</u>	<u>10,865</u>
Property and equipment rental -		
Other related parties	<u>15,659</u>	<u>14,374</u>
Insurance expense -		
Former fellow subsidiary	<u>67,593</u>	<u>67,813</u>
Other charges -		
Grace	<u>59,630</u>	<u>55,111</u>

Payroll cost represented charges by Grace for preparation of the fortnightly and month payroll on behalf of the company for which 4% of the payroll was charged as an administration fee. In 2015, the company took a decision to prepare its own fortnightly and monthly payroll.

Key management includes the Chief Executive Officer, Financial Controller and the general managers of the main business segments.

Other charges relate to various services provided by Grace exclusively to its subsidiaries and associated companies.

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19. Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

	2015 \$'000	2014 \$'000
Cash on hand and at bank	<u>201,176</u>	<u>152,015</u>

20. Trade and Other Payables

	2015 \$'000	2014 \$'000
Trade	1,210,479	1,124,000
Accruals	84,504	77,476
Other	<u>211,726</u>	<u>144,941</u>
	<u><u>1,506,709</u></u>	<u><u>1,346,417</u></u>

21. Provisions

	2015 \$'000	2014 \$'000
Balance at beginning of year	-	618
Amounts reversed	<u>-</u>	<u>(618)</u>
Balance at end of year	<u><u>-</u></u>	<u><u>-</u></u>

Prior to 1997, the company sold and installed concrete roof tiles under 40 year warranty agreements. Provisions are created as claims are made and verified. The company is no longer in this line of business and the warranties expire fully in 2036.

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22. Short Term Loans

	2015	2014
	\$'000	\$'000
Bank of Nova Scotia Jamaica Limited	<u>27,507</u>	<u>13,910</u>

The loans represent insurance premium financing and attract fixed interest rates at 7% (2014 – 7.6%). The loans, which are denominated in Jamaican dollars, are unsecured and repayable within one month of the year end.

23. Long Term Loans

	2015	2014
	\$'000	\$'000
National Commercial Bank Jamaica Limited	125,000	225,000
Interest payable	<u>1,234</u>	<u>1,923</u>
	126,234	226,923
Current portion	<u>(101,234)</u>	<u>(101,923)</u>
	<u>25,000</u>	<u>125,000</u>

The loan was denominated in Jamaican dollars. The annual interest rate was 9.75% and it was repayable by 2017 in quarterly installments. It was unsecured. In January 2016 this loan was refinanced by First Global Bank Limited with a coupon rate of 11% per annum to be repaid by 2021. It is secured by property, plant and equipment.

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24. Share Capital

	Number of Authorised Shares	Number of Issued Shares	Stated Capital – Ordinary Shares	Total
	000	000	\$'000	\$'000
Balance at the beginning and end of the year	82,500	80,842	616,667	616,667

All issued shares have been fully paid up. The shares have no par value.

25. Capital Reserve

	2015 \$,000	2014 \$,000
Revaluation reserve	352,715	352,715
Other	6,100	6,100
	<u>358,815</u>	<u>358,815</u>
At beginning of year	358,815	305,342
Revaluation gain (Note 12)	-	61,298
Deferred taxation (Note 14)	-	(7,825)
At end of year	<u>358,815</u>	<u>358,815</u>

The capital reserve is unrealised, however, there are no restrictions on the distribution of the balance to the shareholders.

The properties revaluation reserve arises on the revaluation of freehold land and buildings. When revalued land or buildings are sold, the portion of the revaluation reserve that relates to that asset, and that is effectively realised, is transferred directly to retained earnings.

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26. Other Reserve

Grace operates a stock option plan for managers and employees of the group, inclusive of employees at subsidiaries. Prior to Grace selling its shares in the company, managers and employees of the company were granted Grace stock options as a part of the plan. Consequent to the sale by Grace of its shareholdings in the company to Argyle, the company's management and employees no longer participate in the Grace stock option plan. Accordingly, the related reserve has been transferred to retained earnings.

Senior managers

In 2011 options were granted at a subscription price of \$50.83, being the weighted average price of Grace's shares on the Jamaica Stock Exchange for the previous ten days prior to the grant date, and were exercisable over a period of six years, at the end of which time unexercised options would expire. One-third of the total of the grant to each senior manager would vest on each anniversary of the grant. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends, bonus issue, and reclassifications or similar corporate changes.

Movement on this option:

	2015	2014
	'000	'000
At beginning of year	79	79
Write back on exit from the Grace stock option plan	(79)	-
At end of year	<u>-</u>	<u>79</u>

All options in respect of other permanent employees had previously expired/forfeited.

The value of all options at the end of 2014 was \$5,259,000. The significant inputs into the model were the weighted average share price of \$51.00 at the grant dates, exercise price of \$50.83, standard deviation of expected share price returns of 33.2%, option life of six years and risk-free interest rates of 7.48%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the term of the options.

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27. Commitments and Guarantees

(a) Letter of credit

The company has a letter of credit facility with First Caribbean International Bank of US\$750,000 as at 31 December 2015 (2014 – US\$750,000). These facility expires within one year.

(b) Guarantee

Scotiabank Jamaica Limited has guaranteed \$5,000,000 on behalf of the company in favour of Collector of Customs.

(c) Operating lease commitments

The company leases various retail outlets and a distribution centre under non-cancellable operating lease agreements. The minimum lease payment for 2015 was \$218,223,000 (2014 - \$216,417,000). The leases expire between 2015 and 2023 with renewal options at the end of the lease periods. Included in lease payments for 2015 are amounts totaling \$27,582,000 (2014 - \$73,654,000) for locations whose leases expired within the year for which the new lease agreements have not been finalised.

The future aggregate minimum lease payments under the operating leases are as follows:

	2015	2014
	\$'000	\$'000
No later than 1 year	145,594	130,164
Later than 1 year and no later than 5 years	500,730	312,789
Over five years	114,758	23,352
	<u>761,082</u>	<u>466,305</u>

28. Ordinary Dividends

	2015	2014
	\$'000	\$'000
32.0 cents per stock unit – 18 December 2014	-	25,869
109.0 cents per stock unit – 30 December 2015	88,118	-
	<u>88,118</u>	<u>25,869</u>

The Board declared dividends of \$0.32 per ordinary share on 18 December 2015 in relation to the 2015 financial year. Accordingly, these financial statements reflect this resolution. The amounts were paid on 23 January 2015.