

HARDWARE & LUMBER LTD. 1998

and Its subsidiaries

Unaudited Group Results

Nine Months Ended September 30, 1998

	SEPT 1998	SEPT 1997
Turnover	740,801	695,461
Group profit before tax	14,589	9,495
Taxation	<u>(4,905)</u>	<u>(2,768)</u>
Net profit	<u>10,284</u>	<u>6,727</u>
	'000s	'000s
Average issued Capital number of 50c stock units	40,000	40,000
Earnings per Stock Unit on average stock units outstanding	\$0.26	\$0.17

Hardware & Lumber recorded improved results for the 9 month period ended 30 September, 1998 as compared to the corresponding period of 1997, Sales increased to \$740M (September 1997 \$695M), an increase of 6.5%, Net profit after tax was \$10.3M compared to \$6.7M for the corresponding period of 1997,

This performance is commendable given the severe downturn in the construction industry and the general recessionary conditions prevailing in the economy.

The Wholesale Trading and Agricultural Divisions maintained their profitability despite sluggish sales and an increase in the provision for doubtful debts. The Company has instituted an aggressive programme to reduce accounts receivable and increase Inventory turns. This has led to lower than budgeted sales but has improved our balance sheet ratios. Compared to December 1997, trade receivables have been reduced by 17% and inventories by 11.5%.

Our Retail Sales Division H&L True Value, recorded an increase of 12% in sales over the corresponding period of 1997, The increase in net profit was however significantly higher and makes us more confident of the strategic decision to focus future activity of the Group on this Division. A major retail store of 24,000 square feet at Lane Plaza on Constant Spring Road is scheduled to be opened in December, doubling our retail capacity and broadening our product range.

The Partitions Department of Office Services Limited was closed in the second quarter of 1998, resulting in one-time charges for redundancies of \$2.9M, This closure along with internal restructuring has resulted in a return to profitability for this subsidiary,