

# **HARDWARE & LUMBER LIMITED**

**and its subsidiaries**

**Unaudited Group Results**

**Three Months Ended March 31, 2005**

---

## **CEO's Statement**

The financial results for the three month period ending March 31, 2005 showed net profit of \$23.0 million compared to \$21.9 million for the comparative period in 2004. Sales were \$1.354 billion compared to \$1.305 billion for the comparable period last year.

In general the business climate for our hardware and agriculture businesses was very challenging in this quarter compared to the last quarter of 2004. This is due to the combined effects of an oversupply of inventory in the market place and the effect of the drought on the agriculture sector.

The retail division continues to produce excellent results with a sales increase of 7.6% over 2004 while profits increased by 35%. Construction continues on our new store in Ocho Rios and we expect to complete this in the third quarter.

The wholesale division experienced strong competition in the market place as

our competitors were generally overstocked and reduced their prices in order to move their inventory. This had a negative impact on the margin of our wholesale division.

The agriculture division was extremely challenged to meet its sales and profit targets due to the severe drought that impacted on our farmers throughout most of the quarter. Sales declined marginally compared to the prior year while profits were flat. We anticipate an improvement in the second quarter as a result of contractual arrangement in place for the supply of our products.

In March we commenced the roll out of the new computer system, starting with our Manor Park store. We have seen a significant improvement in the speed of processing and reliability of the system in this store. We will roll out to the other stores during the course of the year.

During the first quarter, our long-term debt increased by approximately \$117 million. This was used primarily to finance our new computer system and the improvements in our Distribution Centre.

Our Renounceable Rights Issue closed on April 19, 2005 and we are pleased to report that the offer was significantly oversubscribed. We raised approximately \$350 million from this offer and this will be used to pay down debt and will finance our future expansion plans.

John Mahfood  
Chief Executive Officer

---

**UNAUDITED CONSOLIDATED BALANCE SHEET**

	Note	MARCH 2005 \$'000	DECEMBER 2004 \$'000	MARCH 2004 \$'000
<b>Net Assets Employed</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment		407,390	397,073	368,689
Goodwill		3,569	4,108	5,722
Deferred tax assets	1(c)	5,320	4,510	6,951
Retirement plan asset	1(b)	138,716	139,559	135,391
<b>Current Assets</b>		1,951,691	2,051,106	1,273,617
<b>Current Liabilities</b>		(1,437,300)	1,668,932	(988,452)
<b>Net Current Assets</b>		514,391	382,254	285,065
		1,069,386	927,504	801,818
<b>Financed by:</b>				
Share capital		33,684	33,684	33,684
Share premium		244,881	244,881	244,881
Capital reserve		89,348	89,348	100,699
Retained earnings		397,807	374,824	248,010
		765,720	742,737	627,274
<b>Non-Current Liabilities</b>				
Long term debt		158,029	41,262	34,224
Finance lease obligations		3,845	1,454	4,510
Deferred taxation		30,967	31,236	24,463
Retirement plan obligations		110,825	110,825	111,357
		1,069,386	927,504	801,818

Approved for issue by the Board of Directors on April 29, 2005 and signed on its behalf:

Douglas R. Orane  
Chairman

John Mahfood  
Director

---

### UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	3-MONTHS TO MARCH 2005 \$'000	3-MONTHS TO MARCH 2004 \$'000
<b>Sales</b>		1,354,304	1,305,261
Cost of Sales		<u>999,634</u>	<u>971,004</u>
<b>Gross Profit</b>		354,671	334,257
Other Operating Income		<u>26,911</u>	<u>12,896</u>
		381,582	347,153
Operating Expenses		326,073	303,322
<b>Operating Profit</b>		55,509	43,831
Finance Costs-net		<u>20,974</u>	<u>10,946</u>
<b>Profit before Taxation</b>		34,535	32,885
Taxation		<u>11,553</u>	<u>10,962</u>
<b>Net Profit</b>		<u>22,983</u>	<u>21,923</u>
		=====	=====
Number of 50c Stock units Issued ('000)		67,368	67,368
<b>Earnings per Stock Unit</b>		<b>\$0.34</b>	<b>\$0.33</b>

---

**Unaudited Group Statement of Changes in Stockholders' Equity**

	MARCH 2005 \$'000	DECEMBER 2004 \$'000	MARCH 2004 \$'000
Equity at the beginning of period	742,737	605,351	605,351
Net profit	22,983	169,004	21,923
Net revaluation surplus/(deficit)	0	(21,558)	0
	0	(10,060)	0
<b>Equity at end of period</b>	765,720	742,737	627,274

---

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOW**

	MARCH 2005 \$'000	DECEMBER 2004 \$'000	MARCH 2004 \$'000
CASH RESOURCES WERE PROVIDED BY/ (USED IN) :			
<b>Operating Activities</b>	22,983	169,004	21,923
Net Profit	25,359	227,028	14,106
Items not affecting cash resources	48,341	396,032	36,029

Changes in non-cash working capital components	(256,988)	(381,912)	66,707
Funds provided by / (used in) operating activities	<u>(208,647)</u>	<u>14,120</u>	<u>102,736</u>

**Financing Activities**

Funds (used in)/provided by Financing Activities	184,644	2,863	(3,286)
Funds used in Investing Activities	<u>(29,669)</u>	<u>(104,491)</u>	<u>(45,230)</u>
Increase / (Decrease) in cash resources	(53,671)	(87,508)	54,219
Net cash balance at beginning of period	<u>(151,065)</u>	<u>(63,557)</u>	<u>(63,557)</u>
NET CASH BALANCE AT END OF PERIOD	<u>(204,736)</u>	<u>(151,065)</u>	<u>(9,338)</u>

**Represented by:**

Cash at Bank and in hand	35,096	27,490	70,381
Overdraft	<u>(239,832)</u>	<u>(178,555)</u>	<u>(79,719)</u>
	<u>(204,736)</u>	<u>(151,065)</u>	<u>(9,338)</u>