

**HARDWARE & LUMBER LIMITED
AND ITS SUBSIDIARIES
UNAUDITED FINANCIAL RESULTS 30 JUNE 2005**

CEO's Statement

The financial results for the six month period ended 2005 June 30 showed group revenues of \$2.713 million, (2004: \$2.561 million) an increase of \$152 million or 6%. The net profit attributable to stockholders decreased by \$20.8 million compared to the corresponding period of 2004, moving from \$55.2 million to \$34.4 million, a decrease of 38%. This represents earnings per stock unit of \$0.48 (2004: \$0.82). Based on the actuarial review done earlier this year, we booked an expense of \$10 million for the first six months relating to retirement benefits in accordance with IAS 19.

The company has invested heavily in a new Management Information System to allow us to become more efficient and improve our customer service. The total investment to date is \$69 million and these results include significant development costs although the benefits will be realized in future periods.

The general business climate for our hardware business continued to be very challenging in the second quarter. This was primarily due to the heavy rains experienced in May and June. Also we experienced high interest expenses due to our high inventory levels. This was a carry over from the build up of inventories during the post Hurricane Ivan period.

Sales in our retail division increased by 9% over 2004, while profit declined by 7.2%. Expenses in this division, such as utilities, increased significantly in the last few months. Our long-term goal is to develop the consumer end of the business in order to compensate for the fluctuations in demand in the construction industry.

The wholesale division experienced strong competition as our competitors were overstocked and reduced their prices in order to move their inventory. This negatively impacted our margins in this division.

The agriculture division turned in an excellent performance in the second quarter with increases in both sales and profit, and we were able to recover from the initial slow first quarter. Sales increased by 4.7% over 2004 while profits increased by 87.8%.

We continued the roll out of the new computer system with the addition of our Sovereign and Lane stores. We are experiencing positive customer feedback on the new system.

The Renounceable Rights Issue was completed in the second quarter and resulted in a net inflow of \$336 million. This is being used to pay down debt and finance our expansion programme. Construction continues on the new store in Ocho Rios and we expect to complete this in the fourth quarter.

We expect to see an improvement in our results for the second half of the year due both to the general improvement in construction activity as well as specific actions that we are taking to improve our cost structure.

John Mahfood
Chief Executive Officer
2005-07-27

HARDWARE & LUMBER LIMITED

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

6 MONTHS TO 30 JUNE 2005

	Note	3 MONTHS TO JUNE 2005	3 MONTHS TO JUNE 2004	6- MONTHS TO JUNE 2005	6- MONTH TO JUNE 2004
		\$'000	\$'000	\$'000	\$'000
Sales		1,359,026	1,255,657	2,713,330	2,560,918
Cost of Sales		978,988	914,904	1,978,622	1,885,908
Gross Profit		380,038	340,753	734,708	675,010
Other Operating Income		2,699	5,346	29,611	18,242
		382,737	346,099	764,319	693,252
Operating Expenses		335,168	282,700	661,241	586,022
Operating Profit		47,569	63,399	103,078	107,230
Finance Costs-net		29,969	14,407	50,943	25,353
Profit before Taxation		17,600	48,992	52,135	81,877
Taxation		6,182	15,670	17,735	26,632
Net Profit		11,418	33,322	34,400	55,245
Number of 50c Stock Units Issued ('000)	2	80,842	67,368	80,842	67,368
Earnings per Stock Unit		\$0.14	\$0.49	\$0.48	\$0.82

UNAUDITED CONSOLIDATED BALANCE SHEET

30 JUNE 2005

	Note	JUNE 2005 \$'000	DECEMBER 2004 \$'000	JUNE 2004 \$'000
Net Assets Employed				
Non-Current Assets				
Property, plant and equipment		402,059	397,073	366,480
Goodwill		3,032	4,108	5,182
Deferred tax assets	1(b)	4,510	4,510	6,952
Retirement plan asset	1(c)	136,750	139,559	135,391
Current Assets		2,164,151	2,051,186	1,309,235
Current Liabilities		(1,362,229)	(1,668,932)	(978,395)
Net Current Assets		801,922	382,254	330,839
		1,348,275	927,504	844,844
Financed by:				
Share capital	2	40,421	33,684	33,684
Share premium	2	576,247	244,881	244,881
Capital reserve		89,348	89,348	100,699
Retained earnings		409,224	374,824	281,332
		1,115,239	742,737	660,596
Non-Current Liabilities				
Long term debt		72,158	41,252	43,929
Finance lease obligations		1,550	1,454	4,510
Deferred taxation		40,526	31,236	24,453
Retirement plan obligations		118,802	110,825	111,357
		1,348,274	927,504	844,844

Approved for issue by the Board of Directors on July 25, 2005 and signed on its behalf by:

Douglas R. Orane
Chairman

John Mahfood
Director

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

6 MONTHS TO 30 JUNE 2005

	Note	JUNE 2005 \$'000	DECEMBER 2004 \$'000	JUNE 2004 \$'000
Equity at the beginning of period		742,737	605,351	605,351
Issue of capital / Rights issue	2	338,102	0	0
Net profit		34,400	169,004	55,245
Dividends		-	(21,558)	0
Net revaluation surplus		(0)	(10,060)	0
Equity at end of period		<u>1,115,239</u>	<u>742,737</u>	<u>660,596</u>

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOW

6 MONTHS TO 30 JUNE 2005

	JUNE	DECEMBER	JUNE
	2005	2004	2004
	\$'000	\$'000	\$'000
CASH RESOURCES WERE PROVIDED BY/(USED IN):			
Operating Activities			
Net Profit	34,400	169,004	55,245
Items not affecting cash resources	44,220	227,028	28,523
	<u>78,621</u>	<u>396,032</u>	<u>83,767</u>
Changes in non-cash working capital components	<u>(360,974)</u>	<u>(381,912)</u>	<u>(119,875)</u>
Funds provided by/(used in) operating activities	<u>(282,353)</u>	<u>14,120</u>	<u>(36,108)</u>
Funds (used) in/provided by Financing Activities	504,124	2,863	6,419
Funds used in Investing Activities	<u>(44,310)</u>	<u>(104,491)</u>	<u>(57,260)</u>
Increase /(Decrease) in cash resources	177,461	(87,508)	(86,949)
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><u>26,396</u></u>	<u><u>(151,065)</u></u>	<u><u>(150,506)</u></u>
Represented by:			
Cash at Bank and in hand	272,430	27,490	75,530
Overdraft	<u>(246,034)</u>	<u>(178,555)</u>	<u>(226,036)</u>
	<u><u>26,396</u></u>	<u><u>(151,065)</u></u>	<u><u>(150,506)</u></u>

Segment Reporting

The Group is organised into three main business segments:

(a) Wholesale hardware and building products

(b) Retail household and hardware products

(c) Agricultural products and equipment

Other operations of the group include the provision of construction related equipment and janitorial services.

The Group's operations are located entirely in Jamaica.

	2005					Consolidated \$' 000
	Wholesale Hardware \$' 000	Retail Household \$' 000	Agricultural \$' 000	Others \$' 000	Eliminations \$' 000	
External operating revenue	470,283	1,800,151	442,896			2,713,330
Operating revenue from other segments	756,463	83,938	2,342		(842,743)	
Operating revenue	1,226,746	1,884,088	445,239	-	(842,743)	2,713,330
Profit / (loss) from operations	(8,542)	71,980	39,639	.		103,078
Finance cost, net						(50,943)
Profit before tax						52,135
Taxation						(17,735)
Net profit						34,400
	2004					
	Wholesale Hardware \$' 000	Retail Household \$' 000	Agricultural \$' 000	Others \$' 000	Eliminations \$' 000	Consolidated \$' 000
External operating revenue	435,580	1,655,642	422,751	46,945		2,560,918
Operating revenue from other segments	342,564	120,989	1,479		(465,032)	
Operating revenue	778,144	1,776,631	424,230	46,945	(465,032)	2,560,918
Profit / (loss) from operations	11,038	77,535	21,102	3,351	(5,796)	107,230
Finance cost, net						(25,353)
Profit before tax						81,877
Taxation						(26,632)
Net profit						55,245