

**HARDWARE & LUMBER LIMITED
AND ITS SUBSIDIARIES
UNAUDITED FINANCIAL RESULTS 31ST DECEMBER 2005**

Joint Chairman and CEO's Statement

The financial results for the year ended 31st December 2005, showed group revenues of \$5,332 million, a decrease of \$186 million or 3% compared to 2004. The net profit attributable to stockholders decreased from \$169 million to \$67 million in 2004. The earnings per share for the year was \$0.88 compared to \$2.51 for 2004. No dividend is proposed for 2005.

The financial results were negatively impacted by a combination of factors throughout the year, commencing with the poor weather conditions in the second quarter, which escalated with the passage of three major hurricanes. The effect of the close passage of the hurricanes was the close down of construction sites with no residual benefit to the business associated with hurricane damages as experienced with Hurricane Ivan in 2004.

The general downturn in the economy along with the devaluation and increases in utility expenses also affected the business in 2005. The shortage of cement in the latter part of the year contributed to an overall disappointing performance.

The excess inventory which originated substantially through the inefficiencies associated with operating three different information technology systems is being reduced by providing dedicated focus to this problem. The process should result in regularizing the inventory by April 2006.

Hardware & Lumber recently executed a corporate reorganization and now operates as one company with three Divisions, namely, Wholesale, Retail, and Agriculture. This exercise will result in a more efficient accounting and administrative structure.

The new unified brand, Rapid > True Value, was launched in the last quarter of 2005 with island-wide promotions and signage change at all hardware and home improvement locations. The new brand represents the consolidation of five brands historically associated with the retail business of the merged entities. This new identity will facilitate a focused marketing effort and will also create a platform to further enhance the development of the retail division.

The roll out of the new management information system commenced in May 2005 and is scheduled for completion in April 2006. On completion of the implementation of the new IT system, the cost rationalization segment of the merger will be executed. The foregoing will result in significant savings, which will begin to accrue in the second quarter of 2006.

Retail Division

The Division recorded disappointing results for 2005 with sales in most stores being flat or marginally above 2004.

The converted stores, mainly, Mandeville, Montego Bay, and Portmore continued to do well with the home improvement segment of the business. The traditional hardware stores struggled during the year with the various negative factors that affected the business, culminating with the shortage of cement in the last quarter.

Our new retail store in Ocho Rios was opened on February 10, 2006. The 30,000 sq. ft. store will be similar to the other home centre stores and will offer the full range of home improvement and hardware products.

A new electronic gift card program was launched in December 2005. We are the first company to launch this stored value gift card in association with GK Remittance Services.

Wholesale

The Wholesale Division encountered strong competition in 2005 with the flooding of the market with prime commodity products; this resulted in decreased gross profit margins.

A number of wholesalers also commenced direct importation of commodity products, thereby, affecting our business.

A new focus will be placed on large construction projects to improve this sector of the business. The Division continues to secure good support from the distributive trade. This is due primarily to excellent delivery service, wide range of products, and good relationships with our customers..

Agriculture

Agro Grace Division produced excellent financial results for 2005, with all branches surpassing targets and 2004 sales.

The results for the Division were enhanced by our participation in a major internationally funded project, which provided assistance to farmers affected by Hurricane Ivan. The project provided assistance in terms of agricultural inputs but more importantly technical support which achieved a significant increase in the level of productivity amongst small and medium size farmers.

Agro Grace continues to command a strong presence in the various sectors of the agricultural market and particularly in the vegetable sector. The Division added new product lines to its portfolio in 2005, and placed significant emphasis on product availability and customer service.

Our work in the field with our farmers continues to play an important part of our business as we test and introduce new products and train our farmers to embrace new technologies.

2006

The opening of the new home improvement and hardware store in Ocho Rios signifies the company's commitment to the expansion of the retail brand. We will further explore other areas of opportunities to strengthen our market presence.

We will continue to invest in the training of our staff at all levels and particularly at the retail end in order to deliver quality service to our customers.

The completion of the implementation of the management information system will facilitate enhanced efficiency in all areas of the operations and particularly the procurement division. The

foregoing should further complement the Retail and Procurement Departments which were recently restructured.

The Directors wish to express gratitude to all employees for their hard work and commitment during the difficult period of 2005. The Board also wishes to thank our customers, suppliers, and other stakeholders for their continued loyalty and support.

Douglas Orane
Chairman
March 15, 2006

A. Anthony Holness
Chief Executive Officer
March 15, 2006