

**HARDWARE & LUMBER LIMITED**  
**UNAUDITED PROFIT AND LOSS ACCOUNT**  
**30 JUNE 2007**

	3 months to 30/6/2007 \$'000	6 months to 30/6/2007 \$'000	3 months to 30/6/2006 \$'000	6 months to 30/6/2006 \$'000
<b>Revenue</b>	1,517,219	3,116,164	1,259,997	2,528,609
Cost of Sales	1,197,735	2,402,655	943,429	1,883,859
<b>Gross Profit</b>	319,484	713,509	316,568	644,750
Other Operating Income	12,667	22,881	17,537	38,719
	332,151	736,390	334,105	683,469
Operating Expenses	305,710	647,016	326,765	644,713
<b>Profit from operations</b>	26,441	89,374	7,340	38,756
Finance Costs-net	16,899	42,884	22,291	49,116
<b>Profit/(Loss) before Taxation</b>	9,542	46,490	(14,951)	(10,360)
Taxation	3,170	15,481	4,980	3,450
<b>Profit for the period</b>	6,372	31,009	(9,971)	(6,910)
Number of Stock Units Issued ('000)	80,842	80,842	80,842	80,842
<b>Earnings per Stock Unit</b>	<b>0.08</b>	<b>0.38</b>	<b>(0.12)</b>	<b>(0.09)</b>

**HARDWARE & LUMBER LIMITED**  
**UNAUDITED BALANCE SHEET**  
**30 JUNE 2007**

	<b>JUNE 2007 \$'000</b>	<b>DECEMBER 2006 \$'000</b>	<b>Restated JUNE 2006 \$'000</b>
<b>Net Assets Employed</b>			
<b>Non-Current Assets</b>			
Property , plant and equipment	408,466	425,823	437,559
Intangible assets	88,194	43,920	59,515
Retirement plan asset	192,788	180,408	163,892
<b>Current Assets</b>			
Inventories	1,349,767	1,605,896	1,318,192
Receivables	391,635	397,123	373,517
Group Companies	19,572	49,590	19,509
Taxation recoverable	42,277	57,222	58,637
Cash and bank balances	273,672	215,152	135,526
	2,076,923	2,324,983	1,905,381
<b>Current Liabilities</b>			
Bank overdrafts	202,437	181,176	183,702
Payables	521,971	827,754	559,669
Short term loans	640,133	594,940	472,285
Taxation payable	-	-	-
Group companies	8,508	13,361	-
Current portion of long term loans	1,810	13,917	71,527
Current portion of obligations under finance leases	6,191	7,206	6,905
	1,381,050	1,638,354	1,294,088
<b>Net Current Assets</b>	695,873	686,629	611,293
	1,385,321	1,336,780	1,272,259
<b>Financed by:</b>			
Share capital	616,667	616,667	616,667
Share premium	-	-	-
Capital reserve	94,348	94,348	94,348
Retained earnings	421,108	392,485	347,857
	1,132,123	1,103,500	1,058,872
<b>Non-Current Liabilities</b>			
Long term debt	50,441	44,569	36,278
Finance lease obligations	7,622	9,834	13,234
Deferred taxation	20,963	18,585	16,092
Retirement plan obligations	174,172	160,292	147,783
	1,385,321	1,336,780	1,272,259

\*\* Retained Earnings has been restated for net differences emanating from the incomplete processing of transactions pertaining to inter-company transfers prior to the company's group reorganisation in 2005.

Approved for issue by the Board of Directors on

Douglas R Orane  
**Chairman**

and signed on its behalf by:

A. A Holness  
**Director**

**HARDWARE & LUMBER LIMITED**  
**Unaudited Statement of Changes in Stockholders' Equity**  
**6 MONTHS TO 30 JUNE 2007**

	<b>JUNE 2007</b>	<b>DECEMBER 2006</b>	<b>Restated JUNE 2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Equity at the beginning of period	1,103,500	1,065,782	1,068,843
Net Profit/(Loss)	31,009	37,718	(6,910)
<b>Equity at end of period</b>	<b>1,134,509</b>	<b>1,103,500</b>	<b>1,061,933</b>

**HARDWARE & LUMBER LIMITED**  
**UNAUDITED STATEMENT OF CASH FLOW**  
**6 MONTHS TO 30 JUNE 2007**

	<b>JUNE 2007</b>	<b>DECEMBER 2006</b>	<b>JUNE 2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
CASH RESOURCES WERE PROVIDED BY/(USED IN):			
<b>Operating Activities</b>			
Net Profit	31,009	37,718	(6,910)
Items not affecting cash resources	91,182	183,790	72,099
	<u>122,191</u>	<u>221,508</u>	<u>65,189</u>
Changes in non-cash working capital components	(18,045)	(261,862)	(175,370)
Funds provided by/(used in) operating activities	<u>104,146</u>	<u>(40,354)</u>	<u>(110,181)</u>
Funds used in Financing Activities	(7,036)	(21,041)	(30,155)
Funds used in Investing Activities	(59,851)	(21,608)	(24,819)
Increase/(Decrease) in cash resources	37,259	(83,003)	(165,155)
Net cash balance at beginning of period	33,976	116,979	116,979
<b>Cash and Cash Equivalents at end of period</b>	<b>71,235</b>	<b>33,976</b>	<b>(48,176)</b>
Represented by:			
Cash at Bank	273,672	215,152	135,526
Bank Overdraft	(202,437)	(181,176)	(183,702)
	<u>71,235</u>	<u>33,976</u>	<u>(48,176)</u>

**HARDWARE & LUMBER LIMITED**  
**6 MONTHS TO 30 JUNE 2007**  
**Financial Information by Business Segment**

	<b>2007</b>			
	<b>Wholesale</b>	<b>Retail</b>	<b>Agricultural</b>	<b>Consolidated</b>
	<b>Hardware</b>	<b>Household</b>		
	<b>\$' 000</b>	<b>\$' 000</b>	<b>\$' 000</b>	<b>\$' 000</b>
External operating revenue	598,931	1,978,461	538,772	3,116,164
Profit from operations	18,453	30,529	40,275	89,257
Finance cost, net				<u>(42,767)</u>
Profit before tax				46,490
Taxation				<u>(15,481)</u>
Net profit				<u>31,009</u>

	<b>2006</b>			
	<b>Wholesale</b>	<b>Retail</b>	<b>Agricultural</b>	<b>Consolidated</b>
	<b>Hardware</b>	<b>Household</b>		
	<b>\$' 000</b>	<b>\$' 000</b>	<b>\$' 000</b>	<b>\$' 000</b>
External operating revenue	400,225	1,667,004	461,380	2,528,609
Profit/(loss) from operations	(3,760)	5,335	28,311	29,886
Finance cost, net	0	0	0	<u>(40,246)</u>
Profit before tax				<u>(10,360)</u>
Taxation				3,450
Net profit				<u>(6,910)</u>

# **HARDWARE & LUMBER LIMITED**

## **UNAUDITED FINANCIAL RESULTS JUNE 30, 2007**

The financial results for the six months ending June 30, 2007 showed net Profit of \$31 million compared to net loss of \$6.9 million for the comparative period in 2006. Sales were \$3,116 million compared to \$2,528 million for the comparable period last year.

The results for the last three months though significantly better than the previous year, fell short of the results in the first quarter due primarily to a decline in retail activity. The Wholesale, Projects and Agro Grace divisions had relatively good performances during the review period and contributed to the overall profits.

The Retail Division experienced a marginal decline in revenue compared to the first quarter. Sales for both construction and home improvement categories softened, relative to the very brisk period of activity experienced in the first three months. Notwithstanding, same-store sales grew by 15% over the corresponding Quarter 2006.

Initiatives aimed at improving key item availability, merchandising and consumer interaction are well on the way with encouraging results recorded to date.

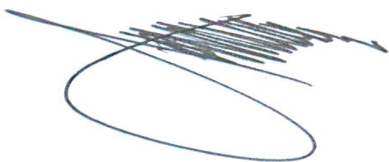
During the latter half of the Quarter, market presence was significantly increased through a series of communication initiatives aimed at reinforcing the 'Range' and 'Quality' attributes while motivating consumers to consider home improvement projects. We anticipate that the full impact of these initiatives will be realized during subsequent periods.

The Wholesale and Special Projects division experienced a robust performance for the second quarter following on a strong performance in the first quarter. Sales in the division exceeded projections and prior year sales due to the repositioning of the business as the preferred supplier in the trade and also initiatives in the projects sector of the business.

The Agricultural Division continues to produce good results achieving overall revenue and profit targets for the period. The division remains the dominant supplier of agricultural inputs, particularly to the crop sector.

We have completed the selection process for the new Information Technology system and are currently in training mode to effect full implementation by November 2007. To complement the new system, a review was done on the distribution centre and additional investments will be made to enhance efficiencies in this area. The investment in these areas will be J \$118 Million.

We wish to thank our employees, customers and other stakeholders for their continued commitment and support.

A handwritten signature in blue ink, consisting of a large, stylized 'A' followed by a series of horizontal strokes and a final upward curve.

**A. Anthony Holness**

**CHIEF EXECUTIVE OFFICER**