

Hardware & Lumber Limited

**Interim Financial Statements
31 March 2009**

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UNAUDITED FINANCIAL RESULTS
MARCH 31, 2009

For the three months ending March 31, 2009, revenues and net losses were \$1,504 million and (\$113) million respectively compared to revenues of \$1,789 million and net profit of \$22 million for the comparative period in 2008.

The results for the quarter reflect a continuation of the general slowdown in economic conditions across Jamaica and the decline in construction activity. The retail and wholesale divisions of the business continues to feel the major impact of the recession, while the agricultural division continues to produce good results.

The reduction in revenues along with the devaluation of the Jamaican dollar in January and February and actuarial losses on the pension assets were the main contributors to the decline in profits as compared to 2008.

The loss recorded for the quarter was incurred in January and February however, with the stabilization of the Jamaican dollar along with the cost cutting initiatives which commenced in 2008, the results for March were positive despite the continued weak state of the construction sector.

Revenues in the retail division declined by 16% in the quarter compared to the same period in 2008, reflecting consumers' attitude toward discretionary spending and debt accumulation. We have however sought to stimulate the market with a number of promotional activities including permanent "Bargain Centres" in all our RTV stores.

The Wholesale and Special Projects division experienced a decline in activity for the first quarter of 2009 when compared to the similar period in 2008. Sales were affected by the postponement of major hotel and housing projects, decline in the reseller business and intense competition in this market sector.

The Agro Grace division showed a marginal increase in sales of 1% compared to the similar period in 2008. The vegetable sector continues to be the main contributor to revenue while sales to the sugar sector slowed during the period due to the curtailment of purchases from the Sugar Company of Jamaica estates as the Government pursued divestment options.

The focus for the remainder of 2009 will be the turnaround of the financial performance of the company. This will be realized through category management to drive revenues and inventory management; regional managers to focus on effective and efficient store operations along with further cost rationalization and improvements in our internal efficiencies.

We will also continue our focus on customer service training in order to deliver quality service to our customers.

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



A. Anthony Holness
CHIEF EXECUTIVE OFFICER

Hardware & Lumber Limited
Unaudited Profit and Loss Account
3 months to 31 March 2009
(expressed in Jamaican dollars)

3 months to
31 March 2009
\$'000

3 months to
31 March 2008
\$'000

Revenue	1,503,976	1,789,539
Cost of Sales	<u>(1,140,236)</u>	<u>(1,340,313)</u>
Gross Profit	363,740	449,226
Other Operating Income	<u>2,078</u>	<u>5,887</u>
	<u>365,818</u>	<u>455,113</u>
Operating Expenses	<u>(394,360)</u>	<u>(397,972)</u>
(Loss)/Profit from operations	(28,542)	57,141
Finance Costs	<u>(139,968)</u>	<u>(24,048)</u>
(Loss)/Profit before Taxation	(168,510)	33,093
Taxation	<u>55,502</u>	<u>(11,027)</u>
(Loss)/Profit for the period	<u>(113,008)</u>	<u>22,066</u>
Number of Stock Units Issued ('000)	80,842	80,842
Earnings per Stock Unit	<u>(\$1.40)</u>	<u>\$0.27</u>

Hardware & Lumber Limited
Unaudited Balance Sheet
31 March 2009
(expressed in Jamaican dollars)

	March 2009 \$'000	December 2008 \$'000
Net Assets Employed		

Non-Current Assets

Property , plant and equipment	615,001	625,798
Intangible assets	93,923	102,658
Deferred Tax Asset	140,337	84,835
Retirement plan asset	210,036	238,789
	1,059,297	1,052,080

Current Assets

Inventories	1,309,376	1,584,230
Trade & Other Receivables	402,414	347,081
Group Companies	14,449	12,024
Taxation recoverable	83,627	82,504
Cash and bank balances	435,607	369,449
	2,245,473	2,395,288

Current Liabilities

Bank overdrafts	169,395	60,867
Payables	651,337	828,844
Short term loans	767,320	766,105
Group companies	3,382	2,495
Current portion of long term loans	129,712	129,712
	1,721,146	1,788,023

Net Current Assets

	524,327	607,265
	<u>1,583,624</u>	<u>1,659,345</u>

Financed by:

Share capital	616,667	616,667
Capital reserve	262,206	262,206
Retained earnings	127,287	240,295
	1,006,160	1,119,168

Non-Current Liabilities

Long term debt	337,795	308,000
Deferred taxation	-	-
Retirement plan obligations	239,669	232,177
	<u>1,583,624</u>	<u>1,659,345</u>

Approved for issue by the Board of Directors on

and signed on its behalf by:

A. A. Holness

Director

Rodney St. A Davis

Director

Hardware & Lumber Limited**Unaudited Statement of Changes in Stockholders' Equity**

3 Months to 31 March 2009

(expressed in Jamaican dollars)

	Share Capital	Capital Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2009	616,667	262,206	240,295	1,119,168
Net Loss	-	-	(113,008)	(113,008)
Total recognised (expense)/income	-	-	(113,008)	(113,008)
Balance at 31 March 2009	<u>616,667</u>	<u>262,206</u>	<u>127,287</u>	<u>1,006,160</u>

2008

	Share Capital	Capital Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2008	616,667	94,348	500,251	1,211,266
Net Profit	-	-	22,066	22,066
Total recognised income	-	-	22,066	22,066
Balance at 31 March 2008	<u>616,667</u>	<u>94,348</u>	<u>522,317</u>	<u>1,233,332</u>

Hardware & Lumber Limited
Unaudited Statement of Cash Flows
3 Months to 31 March 2009
(expressed in Jamaican dollars)

March	March
2009	2008
\$'000	\$'000

Cash Generated from Operating and Investing Activities:

Operating Activities

Net (Loss)/Profit	(113,008)	22,066
Items not affecting cash	<u>41,756</u>	<u>19,315</u>
	<u>(71,252)</u>	<u>41,381</u>
Changes in non-cash working capital components	<u>58,390</u>	<u>(51,578)</u>
Net Cash used by operating activities	<u>(12,862)</u>	<u>(10,197)</u>
Net Cash provided/(used) in Investing Activities	<u>455</u>	<u>(2,823)</u>
Cash used by operating and investing activities	<u>(12,407)</u>	<u>(13,020)</u>
Cash used in Financing Activities	<u>(29,957)</u>	<u>(44,051)</u>
Net decrease in cash and cash equivalents	(42,364)	(57,071)
Cash and cash equivalents at beginning of period	<u>308,582</u>	<u>194,240</u>
Cash and Cash Equivalents at end of period	<u><u>266,212</u></u>	<u><u>137,169</u></u>

Comprised of:

Cash at Bank	435,607	227,987
Bank Overdraft	<u>(169,395)</u>	<u>(90,819)</u>
Cash and Cash Equivalents at end of period	<u><u>266,212</u></u>	<u><u>137,169</u></u>

Hardware & Lumber Limited
Notes to the Interim Financial Statements
31 March 2009
(expressed in Jamaican dollars)

1) Identification and Principal Activities

Hardware & Lumber Limited (the company) is a 58.1% subsidiary of GraceKennedy Limited. The company trades in hardware, lumber, household items and agricultural products. The company is a public company listed on the Jamaica Stock Exchange.

The company and Grace are incorporated and domiciled in Jamaica. The registered office of the company is located at 697 Spanish Town Road, Kingston 11, Jamaica.

2) Accounting Policies

Basis of preparation

The accounting policies used in the preparation of these unaudited interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2008 and complies with the requirements of IAS 34.

3) Segment Reporting

The company is organized into three main business segments:

- a) Wholesale of hardware and building products
- b) Retail of household and hardware products
- c) Agricultural products and equipment

The company's operations are located entirely in Jamaica. The summary financial details of its segments are as follows:

	3 months to 31 March 2009			
	Wholesale Hardware	Retail Household	Agricultural	Consolidated
	\$' 000	\$' 000	\$' 000	\$' 000
External operating revenue	301,027	896,370	306,578	1,503,975
(Loss)/Profit from operations	(20,539)	(38,944)	30,941	(28,542)
Finance cost				(139,968)
Loss before tax				(168,510)
Taxation				55,502
Net loss				(113,008)

'3) Segment Reporting (continued)

	3 months to 31 March 2008			
	Wholesale Hardware	Retail Household	Agricultural	Consolidated
	\$' 000	\$' 000	\$' 000	\$' 000
External operating revenue	414,817	1,066,837	307,885	1,789,539
Profit from operations	21,261	28,805	7,076	57,141
Finance cost				<u>(24,048)</u>
Profit before tax				33,093
Taxation				<u>(11,027)</u>
Net profit				<u>22,066</u>