



Hardware & Lumber Ltd.

697 Spanish Town Road, P.O. Box 332, Kingston 11
Telephone: (876) 765-9405/9892/9680/9656
Fax: (876) 765-9136
www.hardwareandlumberja.com

5 August 2009

By Fax & Bearer
922-6966/967-3277

Jamaica Stock Exchange
40 Harbour Street
Kingston

Attention: Mrs. Marlene Street-Forrest

Dear Sirs:

Re: Un-audited Financial Results – Hardware & Lumber Ltd.

We enclose a copy of the Un-audited Financial Results for Hardware & Lumber Ltd for the period ended 30 June 2009, along with the List of Major Shareholders, Shareholdings of Directors and Connected Persons and Shareholdings of Senior Managers and Connected Persons.

Please contact the undersigned, if you have any queries regarding the above.

Yours faithfully,
HARDWARE & LUMBER LTD.

Gene M. Douglas
Company Secretary

GMD/pc

Encls.

GraceKennedy

A MEMBER OF THE GRACEKENNEDY GROUP OF COMPANIES

DIRECTORS: Chairman - Douglas R. Orane, C.D., B.Sc M.B.A., J.P., A. Anthony Holness, F.C.A., F.C.C.A., Erwin M. Burton, B.Sc., M.Sc., J.P., Gordon K. G. Sharp, B.Sc. (Eng.) M.B.A. Paul R. Hamworth, A.C.A., C.P.A., Joseph Taffe, B.Sc., F.C.A., F.C.C.A., Stephen B. Facey, M. Arch., Rodney S. Davis, B.B.M., C.I.C.A., I.C.A.O., Gene M. Douglas, F.C.I.S., M.B.A. (Secretary).

Hardware & Lumber Limited

**Interim Financial Statements
30 June 2009**

Hardware & Lumber Limited

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Hardware & Lumber Limited
Unaudited Statement of Comprehensive Income
6 months to 30 June 2009
(expressed in Jamaican dollars)

	Note	3 months to 30 June 2009 \$'000	6 months to 30 June 2009 \$'000	3 months to 30 June 2008 \$'000	6 months to 30 June 2008 \$'000
Revenue		1,476,871	2,980,847	1,768,867	3,558,406
Cost of Sales		<u>(1,123,063)</u>	<u>(2,263,299)</u>	<u>(1,320,202)</u>	<u>(2,660,515)</u>
Gross Profit		353,808	717,548	448,665	897,891
Other Operating Income		10,251	12,329	13,758	19,645
Operating Expenses		<u>(355,516)</u>	<u>(749,876)</u>	<u>(425,202)</u>	<u>(823,174)</u>
Profit/(Loss) from operations		8,543	(19,999)	37,221	94,362
Finance Costs	3	<u>(47,292)</u>	<u>(187,260)</u>	<u>(27,837)</u>	<u>(51,885)</u>
(Loss)/Profit before Taxation		(38,749)	(207,259)	9,384	42,477
Taxation		<u>12,084</u>	<u>67,586</u>	<u>(3,130)</u>	<u>(14,157)</u>
(Loss)/Profit for the period		<u>(26,665)</u>	<u>(139,673)</u>	<u>6,254</u>	<u>28,320</u>
Total Comprehensive (Loss)/Income for Period		<u>(26,665)</u>	<u>(139,673)</u>	<u>6,254</u>	<u>28,320</u>
Number of Stock Units Issued ('000)		80,842	80,842	80,842	80,842
(Loss)/Earnings per Stock Unit		<u>(0.33)</u>	<u>(1.73)</u>	<u>0.08</u>	<u>0.35</u>

Hardware & Lumber Limited
Unaudited Statement of Financial
Position
30 June 2009
 (expressed in Jamaican dollars)

	June 2009 \$'000	December 2008 \$'000
Net Assets Employed		
Non-Current Assets		
Property, plant and equipment	605,689	625,798
Intangible assets	86,047	102,658
Deferred tax asset	152,421	84,835
Retirement plan asset	181,284	238,789
	1,025,441	1,052,080
Current Assets		
Inventories	1,051,575	1,584,230
Trade & other receivables	364,236	347,081
Group companies	9,939	12,024
Taxation recoverable	84,913	82,504
Cash and bank balances	588,848	369,449
	2,099,510	2,395,288
Current Liabilities		
Bank overdrafts	176,045	60,867
Payables	544,049	828,844
Short term loans	728,259	766,105
Group companies	8,438	2,495
Current portion of long term loans	98,692	129,712
	1,555,483	1,788,023
Net Current Assets	544,027	607,265
	<u>1,569,468</u>	<u>1,659,345</u>
Financed by:		
Share capital	616,667	616,667
Capital reserve	262,206	262,206
Retained earnings	100,622	240,295
	979,495	1,119,168
Non-Current Liabilities		
Long term debt	342,813	308,000
Retirement plan obligations	247,160	232,177
	<u>1,569,468</u>	<u>1,659,345</u>

Approved for issue by the Board of Directors on


 Joseph Taffe

Director

and signed on its behalf by:


 Rodney St. A. Davis

Director

Hardware & Lumber Limited
Unaudited Statement of Changes in Stockholders' Equity
6 Months to 30 June 2009
(expressed in Jamaican dollars)

2009

	Share Capital \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 January 2009	616,667	262,206	240,295	1,119,168
Net loss	-	-	(139,673)	(139,673)
Total comprehensive loss for the period	-	-	(139,673)	(139,673)
Balance at 30 June 2009	616,667	262,206	100,622	979,495

2008

	Share Capital \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 January 2008	616,667	94,348	500,251	1,211,266
Net Profit	-	-	28,320	28,320
Total comprehensive income for the period	-	-	28,320	28,320
Balance at 30 June 2008	616,667	94,348	528,571	1,239,586

Hardware & Lumber Limited
Unaudited Statement of Cash Flows
6 Months to 30 June 2009
(expressed in Jamaican dollars)

	June 2009 \$'000	June 2008 \$'000
Cash Generated from Operating and Investing Activities:		
Operating Activities		
Net (Loss)/Profit	(139,673)	28,320
Items not affecting cash	<u>55,299</u>	<u>53,343</u>
	<u>(84,374)</u>	<u>81,663</u>
Changes in non-cash working capital components	<u>326,794</u>	<u>(205,975)</u>
Net Cash provided by (used in) operating activities	<u>242,420</u>	<u>(124,312)</u>
Net Cash provided by/(used in) Investing Activities	<u>1,787</u>	<u>(51,528)</u>
Cash provided by (used in) operating and investing activities	<u>244,207</u>	<u>(175,840)</u>
Cash (used in) provided by Financing Activities	<u>(139,986)</u>	<u>77,697</u>
Net increase (decrease) in cash and cash equivalents	104,221	(98,143)
Cash and cash equivalents at beginning of period	<u>308,582</u>	<u>179,631</u>
Cash and Cash Equivalents at end of period	<u>412,803</u>	<u>81,488</u>
Comprised of:		
Cash at Bank	588,848	279,445
Bank Overdraft	<u>(176,045)</u>	<u>(197,957)</u>
Cash and Cash Equivalents at end of period	<u>412,803</u>	<u>81,488</u>

Hardware & Lumber Limited
Notes to the Interim Financial Statements
30 June 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 comply with the requirements of IAS 34.

Standards, interpretations and amendments to published standards effective in the current period.

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current period. The company has assessed the relevance of all such new standards, interpretations and amendments and has put into effect IAS 1 (Revised) – Presentation of Financial Statements which is immediately relevant to its operations. The effect of the adoption is that all recognized income and expenses will be reflected in the statement of comprehensive income and not in the statement of changes in equity e.g. the effects of revaluation of land and building.

3) Finance Costs

	June 2009 \$'000	June 2008 \$'000
Interest	85,850	43,080
Exchange losses	<u>101,410</u>	<u>8,805</u>
Total	<u>187,260</u>	<u>51,885</u>

4) 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:

	6 months to 30 June 2009			
	Wholesale Hardware	Retail Hardware Household	Agricultural	Consolidated
		\$' 000		
External operating revenue	<u>585,512</u>	<u>1,756,063</u>	<u>639,271</u>	<u>2,980,847</u>
(Loss)/Profit from operations	(16,022)	(79,774)	75,797	(19,999)
Finance cost				(187,260)
Loss before tax				(207,259)
Taxation				<u>67,586</u>
Net loss				<u>(139,673)</u>

	6 months to 30 June 2008			
	Wholesale Hardware	Retail Hardware Household	Agricultural	Consolidated
		\$' 000		
External operating revenue	<u>756,179</u>	<u>2,134,742</u>	<u>667,485</u>	<u>3,558,406</u>
Profit from operations	19,443	51,058	23,861	94,362
Finance cost				(51,885)
Profit before tax				42,477
Taxation				<u>(14,157)</u>
Net profit				<u>28,320</u>



HARDWARE & LUMBER LIMITED
UNAUDITED FINANCIAL RESULTS
JUNE 30, 2009

For the three months ended June 30, 2009 revenues and net losses were \$1,477 and \$27 million respectively compared to \$1,769 and net profit of \$6 million for the comparative period in 2008. For the six months ended June 30, 2009 revenues and net losses were \$2,981 million and \$140 million respectively compared to revenue of \$3,558 million and net profit of \$28 million for the similar period in 2008. The results for the second quarter continue to reflect the effects of the general economic slowdown and the decline in construction activity.

Revenues in the Retail Division declined by 19% in the quarter compared to the same period in 2008 reflecting consumers' continued resistance towards discretionary spending and debt accumulation. During the quarter we embarked on a number of promotional activities including the establishment of "Bargain Centres" in all our Rapid True Value stores and the holding of yard sales periodically across the island.

The Wholesale Hardware Division also experienced a decline in revenues for the second quarter of 2009, when compared to the same period for 2008. This is consistent with the trend of postponement of major housing and hotel construction projects along with a significant increase in competitive activity identified in the first quarter. By increasingly capitalizing on our position as a full service wholesaler, we hope to capture a larger share of our clients' limited spend.

The Agricultural Division recorded a 7% reduction in revenues compared to the second quarter of 2008 due to a slowdown in the sugar and banana sectors while the vegetable sector has shown steady improvement. Despite the revenue decline, the Division has shown an increase in operating profit attributable to improved margins plus the cost cutting initiatives that began late 2008.

Operating expenses were adversely impacted by an increase in post retirement benefit costs. For the six months ended June 30, 2009 post retirement benefit costs were \$72 million compared to \$20 million for the comparative period last year, largely due to changes in actuarial assumptions reflective of the current economic environment. Notwithstanding, the company continued its effort to focus on cost cutting and inventory management. Lower inventory levels have resulted in increased inventory turnover and improved cash flow.

The focus for the remainder of 2009 will continue to be the turnaround of the financial performance of the company. Our initiatives to accomplish this objective include continued development of our category management capabilities to drive revenues, optimize inventory and improve margins. We will continue our regional management programme with its focus on profitable and efficient store operations. We continue to execute our strategy to convert, and where possible, reduce US denominated debt in order to minimize our exposure to further exchange losses which totaled \$101.4 million for the first half of 2009 (2008:\$8.8 million) incurred primarily in the first quarter. .

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

A handwritten signature in black ink, appearing to read 'J. Taffe', with a stylized flourish at the end.

JOSEPH TAFFE
ACTING CHIEF EXECUTIVE OFFICER

HARDWARE & LUMBER LIMITED

MAJOR SHAREHOLDERS AS AT 30 JUNE 2009

	<u>NAME</u>	<u>STOCKHOLDINGS</u>
1	GraceKennedy Limited	47,013,417
2	Pan-Jamaican Investment Trust Ltd.	16,840,106
3	Mayberry Company A/C 120008	3,286,775
4	Mayberry Investments Limited A/C 09022	1,092,833
5	Trading A/c - National Insurance Fund	1,000,000
6	Sagicor Pooled Equity Fund	995,997
7	The Jamaica Development Bank	800,000
8	Guardian Life Limited	761,700
9	NCB Insurance Co. Ltd. A/C WT 105	600,000
10	P.A.M. Ltd - JPS Employees Superann. Fund	593,406

Total stocks in issue – 80,842,023
Total no. of stockholders – 1,450

GMD:dj
5-Aug-2009

**INTEREST OF DIRECTORS AND SENIOR MANAGEMENT
AS AT 30 JUNE 2009**

DIRECTORS	PERSONAL SHAREHOLDINGS	STOCKHOLDINGS IN WHICH DIRECTOR/OFFICER HAS AN INTEREST
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Erwin M. Burton	1,000	-
A. Anthony Holness	60,000	-
Courtney Campbell	Nil	-
Rodney St. A. Davis	5,218	-
Stephen B. Facey	1,000	-
Paul Hanworth	1,000	-
Gordon K. G. Sharp	60,000	-
Joseph Taffe	20,000	-

SENIOR MANAGEMENT

A. Anthony Holness	60,000	-
Christopher Bond	Nil	-
Geddes Brown	Nil	-
Dean Clarke	Nil	-
Glenford Clarke	Nil	-
Codrick Farquharson	Nil	-
Yvette Johnson	Nil	-
Andrew Kerr	Nil	-
Oscar P. Kerr	Nil	-
Stephen Lewis	Nil	-
Kelly McIntosh	Nil	-
Garnett Malcolm	Nil	-
Dave Myrie	Nil	-
Olive Downer-Walsh	2,000	-