



HARDWARE & LUMBER LIMITED
UNAUDITED FINANCIAL RESULTS
DECEMBER 31, 2009

For the three months ended December 31, 2009 revenues and net losses were \$1,540 million and \$67 million respectively compared to revenues of \$1,634 million and net losses of \$265 million for the comparative period in 2008. For the twelve months ended December 31, 2009 revenues and net losses were \$5,941 million and \$250 million respectively compared to revenue of \$6,788 million and net loss of \$260 million for the same period in 2008. The results for the fourth quarter continue to reflect the effects of the general economic slowdown and the decline in local construction activity.

Revenues in the retail segment declined by 11% in the quarter compared to 2008. This represents a significant improvement over the previous three quarters, even after adjusting for the impact of seasonal demand. Management attributes the improved performance to the benefits achieved from effective promotions and continued improvements in product availability and merchandising. Margins also improved slightly during the period.

The Wholesale Hardware segment experienced an 11% increase in revenues in the quarter as compared to 2008. This is due to better product availability, improved pricing and the addition of new products. We continue to leverage our strong buying position with suppliers and our full service offering with customers.

The Agricultural segment recorded a 2% decline in revenues in the quarter as compared to 2008. The segment has performed well in a difficult year, as we maintained our market share, introduced new products and continued our cost reduction efforts. The ongoing drought is expected to continue to present challenges for the sector in 2010.

The company had an improved fourth quarter, with significantly improved stocking assortment at our stores. Inventories increased during the quarter in preparation for the first quarter 2010 agricultural season, though they remained below 2008 levels. We continue to focus on reducing costs and debt, while improving product availability in all segments. Improvements to the physical appearance and infrastructure of our Rapid True Value stores commenced in the fourth quarter, as we strive to deliver a significantly enhanced customer experience.

We expect 2010 to be challenging. The recent Government of Jamaica initiatives are expected to lead to a compression in purchasing power in the short term; however, we are hopeful that economic activity will increase in the medium to long term. We will continue our drive for profitable and efficient store operations, and improving efficiencies in our support services.

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

A handwritten signature in blue ink, appearing to read 'S. Roberts', with a long horizontal flourish extending to the right.

SIMON ROBERTS
CHIEF EXECUTIVE OFFICER

Hardware and Lumber Limited
Unaudited Statement of Comprehensive Income
12 months to 31 December 2009
(expressed in Jamaican dollars)

	Note	3 months to 31 Dec 2009 \$'000	12 months to 31 Dec 2009 \$'000	3 months to 31 Dec 2008 \$'000	12 months to 31 Dec 2008 \$'000
Revenue		1,539,855	5,940,599	1,634,053	6,788,162
Cost of Sales		(1,197,383)	(4,527,509)	(1,499,653)	(5,348,322)
Gross Profit		342,472	1,413,090	134,400	1,439,840
Other Operating (Expense)/Income		(481)	23,782	7,938	29,390
Operating Expenses		(339,212)	(1,465,400)	(460,302)	(1,695,252)
Profit/(Loss) from operations		2,779	(28,528)	(317,964)	(226,022)
Finance Costs	3	(35,953)	(267,080)	(106,558)	(190,888)
Loss before Taxation		(33,174)	(295,608)	(424,522)	(416,910)
Taxation		(33,737)	45,933	159,490	156,954
Loss for the Period		(66,911)	(249,675)	(265,032)	(259,956)
Total Comprehensive Loss for Period		(66,911)	(249,675)	(265,032)	(259,956)
Number of Stock Units Issued ('000)		80,842	80,842	80,842	80,842
Loss per Stock Unit		(0.83)	(3.09)	(3.28)	(3.22)

Hardware and Lumber Limited
Unaudited Statement of Financial Position
31 December 2009
(expressed in Jamaican dollars)

	December 2009 \$'000	December 2008 \$'000
Net Assets Employed		
Non-Current Assets		
Property, plant & equipment	588,024	625,798
Intangible assets	81,962	102,658
Deferred tax asset	130,768	84,835
Retirement plan asset	175,532	238,789
	976,286	1,052,080
Current Assets		
Inventories	1,426,011	1,584,230
Trade and other receivables	355,276	347,081
Group companies	8,342	12,024
Taxation recoverable	50,928	82,504
Cash and bank balances	147,120	369,449
	1,987,677	2,395,288
Current Liabilities		
Bank overdrafts	140,573	60,867
Payables	949,803	828,844
Short term loans	366,335	766,105
Group companies	6,401	2,495
Current portion of long term debt	102,695	129,712
	1,565,807	1,788,023
Net Current Assets	421,870	607,265
	<u>1,398,156</u>	<u>1,659,345</u>
Financed by:		
Share capital	616,667	616,667
Share option	10,341	-
Capital reserve	262,206	262,206
Retained earnings	(9,380)	240,295
	879,834	1,119,168
Non-Current Liabilities		
Long term debt	295,612	308,000
Retirement plan obligations	222,710	232,177
	<u>1,398,156</u>	<u>1,659,345</u>

Approved for issue by the Board of Directors on 12th February 2010 and signed on its behalf by:



Simon Roberts

Director



Rodney Davis

Director

Hardware and Lumber Limited
Unaudited Statement of Changes in Stockholders' Equity
12 Months to 31 December 2009
(expressed in Jamaican dollars)

2009

	Share Capital \$'000	Share Option \$'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	-	-	-	(249,675)	(249,675)
Stock Option	-	10,341	-	-	10,341
Total comprehensive loss for the period	-	10,341	-	(249,675)	(239,334)
Balance at 31 December 2009	<u>616,667</u>	<u>10,341</u>	<u>262,206</u>	<u>(9,380)</u>	<u>879,834</u>

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 Loss	-	-	(259,956)	(259,956)
Net Revaluation	-	167,858	-	167,858
Total comprehensive loss for the period	-	167,858	(259,959)	(92,098)
Balance at 31 December 2008	<u>616,667</u>	<u>262,206</u>	<u>240,295</u>	<u>1,119,168</u>

Hardware and Lumber Limited
Unaudited Statement of Cash Flow
12 Months to 31 December 2009
(expressed in Jamaican dollars)

	December 2009 \$'000	December 2008 \$'000
Cash Generated from Operating and Investing Activities:		
Operating Activities		
Net Loss	(249,675)	(259,956)
Items not affecting cash	200,083	57,401
	<u>(49,592)</u>	<u>(202,555)</u>
Changes in non-cash working capital components	<u>384,150</u>	<u>174,235</u>
Net Cash provided by/(used in) operating Activities	<u>334,558</u>	<u>(28,320)</u>
Net Cash used in Investing Activities	<u>(13,448)</u>	<u>(71,131)</u>
Cash provided by (used in) operating and investing activities	<u>321,110</u>	<u>(99,451)</u>
Cash (used in)/provided by Financing Activities	<u>(623,145)</u>	<u>217,468</u>
Net (decrease)/Increase in cash and cash equivalents	(302,035)	118,017
Cash and cash equivalents at the beginning of the period	<u>308,582</u>	<u>190,565</u>
Cash and Cash Equivalents at the end of the period	<u><u>6,547</u></u>	<u><u>308,582</u></u>
Comprised of:		
Cash at bank	147,120	369,449
Bank Overdraft	<u>(140,573)</u>	<u>(60,867)</u>
Cash and Cash Equivalents at the end of the period	<u><u>6,547</u></u>	<u><u>308,582</u></u>

Hardware and Lumber Limited
Notes to the Interim Financial Statements
31 December 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

	December 2009 \$'000	December 2008 \$'000
Interest	163,890	108,481
Exchange losses	103,190	82,407
	<u>267,080</u>	<u>190,888</u>

Hardware and Lumber Limited
Notes to the Interim Financial Statements continued
31 December 2009
(expressed in Jamaican dollars)

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 in Jamaica. The summary financial details of its segments are as follows:

	12 months to 31 December 2009			Consolidated
	Wholesale Hardware	Retail Hardware Household	Agricultural	
	\$'000	\$'000	\$'000	\$'000
External operating revenue	1,118,016	3,542,110	1,280,473	5,940,599
(Loss)/Profit from operations	(57,740)	(122,735)	151,947	(28,528)
Finance cost				(267,080)
Loss before tax				(295,608)
Taxation				45,933
Net loss				(249,675)

	12 months to 31 December 2008			Consolidated
	Wholesale Hardware	Retail Hardware Household	Agricultural	
	\$'000	\$'000	\$'000	\$'000
External operating revenue	1,285,154	4,203,759	1,299,249	6,788,162
Loss from operations	(74,454)	(145,948)	(5,620)	(226,022)
Finance cost				(190,888)
Loss before tax				(416,910)
Taxation				156,954
Net Loss				(259,956)

Hardware and Lumber Limited

Notes to the Interim Financial Statements continued

31 December 2009

(expressed in Jamaican dollars)

5) Share options

The company implemented the requirements of IFRIC 11- Group and Treasury Share Transactions during its fourth quarter. This accounting standard interpretation became effective for financial periods commencing on or after 1 March 2007. As a result, the value of stock options issued to the company's present and former employees by its parent company were expensed in this quarter. The entire expense of \$10,341,000 was booked in the quarter though the options were all granted in, and relate to, prior periods.

6) Deferred tax

Deferred income tax assets are recognized for tax loss carry forwards to the extent that realization of the related tax benefit through future taxable profits is probable.