

# **Hardware & Lumber Limited**

**Unaudited Financial Statements**

**31 March 2010**

**Hardware & Lumber Limited**  
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**31 March 2010**

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**HARDWARE & LUMBER LIMITED**  
**UNAUDITED FINANCIAL RESULTS**  
**March 31, 2010**

For the three months ended March 31, 2010, revenues were \$1,435 million and net losses were \$10 million compared to \$1,504 million and \$113 million, respectively, for the comparative period in 2009. The significant improvement in the quarter's results was due to the impact of cost savings, as well as reduced finance costs following a reduction in US dollar denominated debt and reduced volatility in the Jamaican dollar against the US dollar. The results for the first quarter continue to reflect the effects of the general economic slowdown

Revenues in the retail segment declined by 7.9% in the quarter compared to 2009, as a result of the decline in consumer purchasing power subsequent to the implementation of new taxes on January 1. The continued effects of the decline in purchasing power of consumers have resulted in some competitors curtailing or closing down their operations. For similar reasons, the Wholesale Hardware segment experienced a 3.6% decline in revenues in the quarter as compared to 2009. However, continued improvements in product availability, delivery and pricing have allowed the division to better serve our customers and resellers.

The Agricultural segment recorded a 4.5% increase in revenues in the quarter as compared to 2009. The segment has performed well in spite of a severe drought. We expect to see significant improvement in the division once the drought ends. This will also lead to an improvement in the levels of our agricultural inventories.

Aggressive cost reduction and efficiency improvement projects were implemented starting in January to mitigate the impact of depressed consumer demand. It is expected that these projects will improve our financial performance in the coming quarters. Working capital management has also taken a greater priority as we look beyond inventory management to improve collections and our overall cash position. We continue to focus on increasing product availability, improving customer service, reducing costs and debt, while improving our internal controls. Also during the quarter, we continued our efforts to improve the physical appearance and infrastructure of our Rapid True Value stores to provide a superior customer experience. Overall, we expect the remainder of 2010 to be challenging. Despite recent announcements of major housing and infrastructural projects, the new tax packages and Jamaica Debt Exchange have adversely impacted consumer purchasing.

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 purple ink, appearing to read 'S. Roberts', with a long horizontal flourish extending to the right.

**SIMON ROBERTS**  
**CHIEF EXECUTIVE OFFICER**

**Hardware & Lumber Limited**  
**Unaudited Statement of Comprehensive Income**  
**3 months to 31 March 2010**  
(expressed in Jamaican dollars)

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	3 months to 31 Mar 2010 \$'000	3 months to 31 Mar 2009 \$'000
<b>Revenue</b>	<b>1,435,452</b>	<b>1,503,976</b>
Cost of Sales	<u>(1,083,878)</u>	<u>(1,140,236)</u>
<b>Gross Profit</b>	<b>351,574</b>	<b>363,740</b>
Other Operating Income	9,378	2,078
Operating Expenses	<u>(353,809)</u>	<u>(394,360)</u>
<b>Profit/(Loss) from operations</b>	<b>7,143</b>	<b>(28,542)</b>
Finance Costs	<u>(29,110)</u>	<u>(139,968)</u>
<b>Loss before Taxation</b>	<b>(21,967)</b>	<b>(168,510)</b>
Taxation	<u>12,335</u>	<u>55,502</u>
<b>Loss and total comprehensive income for the Period</b>	<b><u>(9,632)</u></b>	<b><u>(113,008)</u></b>
Number of Stock Units Issued ('000)	80,842	80,842
<b>Loss per Stock Unit</b>	<b><u>(0.12)</u></b>	<b><u>(\$1.40)</u></b>

**Hardware & Lumber Limited**  
**Unaudited Statement of Financial Position**  
**31-Mar-10**  
**(expressed in Jamaican dollars)**

	<b>March 2010 \$'000</b>	<b>December 2009 \$'000</b>	<b>March 2009 \$'000</b>
<b>NET ASSETS EMPLOYED</b>			
<b>Non-Current Assets</b>			
Property, plant & equipment	584,330	588,024	615,001
Intangible assets	73,808	81,962	93,923
Deferred tax asset	167,016	154,681	140,337
Retirement plan asset	156,756	175,532	210,036
	981,910	1,000,199	1,059,297
<b>Current Assets</b>			
Inventories	1,350,676	1,426,011	1,309,376
Trade and other receivables	437,557	355,276	402,414
Group companies	2,102	8,342	14,449
Taxation recoverable	51,017	50,928	83,627
Cash and bank balances	147,634	147,120	435,607
	1,988,986	1,987,677	2,245,473
<b>Current Liabilities</b>			
Bank overdrafts	168,489	140,573	169,395
Trade, other payables and provisions	739,112	949,803	651,337
Short term loans	578,033	366,335	767,320
Group companies	3,223	6,401	3,382
Current portion of long term debt	102,650	102,695	129,712
	1,591,507	1,565,807	1,721,146
<b>Net Current Assets</b>	<u>397,479</u>	<u>421,870</u>	<u>524,327</u>
	<u>1,379,389</u>	<u>1,422,069</u>	<u>1,583,624</u>
<b>Financed by:</b>			
Share capital	616,667	616,667	616,667
Share option	10,341	10,341	
Capital reserve	262,206	262,206	262,206
Retained earnings	4,901	14,533	127,287
	894,115	903,747	1,006,160
<b>Non-Current Liabilities</b>			
Long term debt	266,300	295,612	337,795
Retirement plan obligations	218,974	222,710	239,669
	<u>1,379,389</u>	<u>1,422,069</u>	<u>1,583,624</u>

Approved for issue by the Board of Directors on and signed on its behalf by:



Simon Roberts

Director



Rodney Davis

Director

## Hardware & Lumber Limited

### Unaudited Statement of Changes in Stockholders' Equity

3 Months to 31 March 2010

(expressed in Jamaican dollars)

#### 2010

	Share Capital \$'000	Share Option \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance at 1 January 2010</b>	616,667	10,341	262,206	14,533	903,747
Loss and total comprehensive income	-	-	-	(9,632)	(9,632)
<b>Balance at 31 March 2010</b>	616,667	10,341	262,206	4,901	894,115

#### 2009

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

**Hardware & Lumber Limited**  
**Unaudited Statement of Cash Flow**  
**3 Months to 31 March 2010**  
(expressed in Jamaican dollars)

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	<b>March 2010 \$'000</b>	<b>March 2009 \$'000</b>
<b>Cash Generated from Operating and Investing Activities:</b>		
Operating Activities		
Loss for the period	(9,632)	(113,008)
Items not affecting cash	40,559	41,756
	<u>30,927</u>	<u>(71,252)</u>
Changes in non-cash working capital components	<u>(202,320)</u>	<u>58,390</u>
Net Cash used in Operating Activities	<u>(171,393)</u>	<u>(12,862)</u>
Net Cash (used in)/provided by Investing Activities	<u>(8,117)</u>	<u>455</u>
<b>Cash used in Operating and Investing Activities</b>	<u>(179,510)</u>	<u>(12,407)</u>
<b>Cash provided by /(used in) Financing Activities</b>	<u>152,108</u>	<u>(29,957)</u>
Net decrease in cash and cash equivalents	(27,402)	(42,364)
Cash and cash equivalents at the beginning of the period	<u>6,547</u>	<u>308,582</u>
<b>Cash and Cash Equivalents at the end of the period</b>	<u><u>(20,855)</u></u>	<u><u>266,212</u></u>
<b>Comprised of:</b>		
Cash at bank	147,634	435,607
Bank Overdraft	<u>(168,489)</u>	<u>(169,395)</u>
<b>Cash and Cash Equivalents at the end of the period</b>	<u><u>(20,855)</u></u>	<u><u>266,212</u></u>



**Hardware & Lumber Limited**  
**Notes to the Interim Financial Statements**  
**31 March 2010**  
(expressed in Jamaican dollars)

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**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 GraceKennedy Ltd. 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 2009 and comply with the requirements of IAS 34, Interim Financial reporting.

**3) Finance Costs**

	<b>March 2010 \$'000</b>	<b>March 2009 \$'000</b>
Interest Expense	29,914	40,886
Exchange (gains)/losses	(804)	99,082
	<u>29,110</u>	<u>139,968</u>

**Hardware & Lumber Limited**  
**Notes to the Interim Financial Statements continued**  
**31 March 2010**  
(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:

**3 months to 31 March 2010**

	<b>Wholesale of Hardware and Building Products \$'000</b>	<b>Retail of Household and Hardware Products \$'000</b>	<b>Agricultural Products and Equipment \$'000</b>	<b>Consolidated \$'000</b>
External operating revenue	290,332	824,866	320,254	1,435,452
Finance cost	(5,792)	(16,754)	(6,564)	(29,110)
(Loss)/Profit before tax	(9,171)	(45,180)	32,384	(21,967)

**3 months to 31 March 2009**

	<b>Wholesale of Hardware and Building Products \$'000</b>	<b>Retail of Household and Hardware Products \$'000</b>	<b>Agricultural Products and Equipment \$'000</b>	<b>Consolidated \$'000</b>
External operating revenue	301,027	896,370	306,579	1,503,976
Finance cost	(28,015)	(83,421)	(28,532)	(139,968)
(Loss)/Profit before tax	(33,728)	(100,432)	(34,350)	(168,510)