

Hardware & Lumber Limited

**Interim Financial Statements
30 June 2010**

Hardware & Lumber Limited
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30 June 2010

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HARDWARE & LUMBER LIMITED
UNAUDITED FINANCIAL RESULTS
June 30 , 2010

For the three months ended June 30, 2010, the Company recorded revenues of \$1,407 million and a net profit of \$3.4 million compared to revenues of \$1,477 million and a net loss of \$27 million for the comparative period in 2009. For the six months ended June 30, 2010 revenues and net loss were \$2,842 million and \$6.2 million respectively compared to revenues of \$2,981 million and a net loss of \$140 million for the same period in 2009. Although there was a 4.0% decline in revenues, the Company returned to profitability in the quarter due to improved margin management, a reduction in interest costs and exchange gains resulting from a revaluation of the Jamaican Dollar. Sales for the second quarter continue to reflect the effects of the general economic slowdown, and the general business interruption experienced in Kingston in May.

Revenues in the retail segment declined by 5.9% in the quarter compared to 2009, due to the continuing contraction in consumer spending power. The Wholesale Hardware segment experienced a 16.5% decline in revenues in the quarter as compared to 2009, mainly due to a reduction in large projects. However, this segment has benefited from improved product availability, delivery and pricing.

The Agricultural segment recorded a 5.1% increase in revenues in the quarter as compared to 2009, by taking advantage of the growth in the agricultural sector. The segment continues to perform well, and the easing of the recent drought has also resulted in increased demand for our products.

We continue to focus on stabilizing the business and monitoring profitability, while developing plans for revenue and profit growth in 2011 and beyond. Critical to our success will be increasing store traffic and product availability, improving customer service, and reducing costs and debt, while maintaining an appropriate level of risk management and controls. During the quarter, work commenced on a major upgrade of our Lane Plaza store, with completion expected in August. This will significantly improve our customer experience at Lane, and serve as a model for our other retail locations. We have also embarked on a programme of enhanced customer service training for all team members. Overall, however, we expect the remainder of 2010 to be challenging. Consumer confidence remains low, but it is anticipated that the several infrastructural and housing projects announced will lead to increased demand for our products.

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 & Lumber Limited
 Unaudited Statement of Comprehensive Income
 6 months to 30 June 2010
 (expressed in Jamaican dollars)

	Note	3 months to 30 June 2010 \$'000	6 months to 30 June 2010 \$'000	3 months to 30 June 2009 \$'000	6 months to 30 June 2009 \$'000
Revenue		1,406,990	2,842,442	1,476,871	2,980,847
Cost of Sales		<u>(1,032,893)</u>	<u>(2,116,771)</u>	<u>(1,123,063)</u>	<u>(2,263,299)</u>
Gross Profit		374,097	725,671	353,808	717,548
Other Operating Income		9,968	19,346	10,251	12,329
Operating Expenses		<u>(370,328)</u>	<u>(724,137)</u>	<u>(355,516)</u>	<u>(749,876)</u>
Profit/(Loss) from operations		13,737	20,880	8,543	(19,999)
Finance Costs	3	<u>(1,084)</u>	<u>(30,195)</u>	<u>(47,292)</u>	<u>(187,260)</u>
Profit/(Loss) before Taxation		12,653	(9,315)	(38,749)	(207,259)
Taxation		<u>(9,230)</u>	<u>3,105</u>	<u>12,084</u>	<u>67,586</u>
Profit/(Loss) for the period		<u>3,423</u>	<u>(6,210)</u>	<u>(26,665)</u>	<u>(139,673)</u>
Total Comprehensive Income/(Loss) for Period		<u>3,423</u>	<u>(6,210)</u>	<u>(26,665)</u>	<u>(139,673)</u>
Number of Stock Units Issued ('000)		80,842	80,842	80,842	80,842
(Loss)/Earnings per Stock Unit		<u>0.04</u>	<u>(0.08)</u>	<u>(0.33)</u>	<u>(1.73)</u>

Hardware & Lumber Limited
Unaudited Statement of Financial Position
As at 30 June 2010
(expressed in Jamaican dollars)

	June 2010 \$'000	December 2009 \$'000	June 2009 \$'000
NET ASSETS EMPLOYED			
Non-Current Assets			
Property, plant & equipment	580,868	588,024	605,689
Intangible assets	66,393	81,962	86,047
Deferred tax asset	157,791	154,681	152,421
Retirement plan asset	137,979	175,532	181,284
	943,031	1,000,199	1,025,441
Current Assets			
Inventories	1,237,012	1,426,011	1,051,575
Trade and other receivables	406,108	355,276	364,236
Group companies	6,904	8,342	9,939
Taxation recoverable	51,106	50,928	84,913
Cash and bank balances	108,487	147,120	588,848
	1,809,617	1,987,677	2,099,510
Current Liabilities			
Bank overdrafts	46,307	140,573	176,045
Trade, other payables and provisions	690,560	949,803	544,049
Short term loans	594,072	366,335	728,259
Group companies	4,314	6,401	8,438
Current portion of long term debt	96,491	102,695	98,692
	1,431,744	1,565,807	1,555,483
Net Current Assets	377,871	421,870	544,027
	1,320,902	1,422,069	1,569,468
Financed by:			
Share capital	616,667	616,667	616,667
Share option	10,341	10,341	
Capital reserve	262,206	262,206	262,206
Retained earnings	8,323	14,533	100,622
	897,537	903,747	979,495
Non-Current Liabilities			
Long term debt	208,122	295,612	342,813
Retirement plan obligations	215,243	222,710	247,160
	1,320,902	1,422,069	1,569,468

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



Simon Roberts

Director



Donald Wehby

Director

Hardware & Lumber Limited
Unaudited Statement of Changes in Stockholders' Equity
6 Months to 30 June 2010
(expressed in Jamaican dollars)

2010

	Share Capital \$'000	Share Option \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 January 2010	616,667	10,341	262,206	14,533	903,747
Total comprehensive loss	-	-	-	(6,210)	(6,210)
Balance at 30 June 2010	616,667	10,341	262,206	8,323	897,537

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
Total comprehensive loss	-	-	-	(139,673)	(139,673)
Balance at 30 June 2009	616,667	-	262,206	100,622	979,495

Hardware & Lumber Limited
Unaudited Statement of Cash Flow
6 Months to 30 June 2010
(expressed in Jamaican dollars)

	June 2010 \$'000	June 2009 \$'000
Cash Generated from Operating and Investing Activities:		
Operating Activities		
Loss for the period	(6,210)	(139,673)
Items not affecting cash	93,308	55,299
	<u>87,098</u>	<u>(84,374)</u>
Changes in non-cash working capital components	(93,979)	326,794
Net Cash used in Operating Activities	<u>(6,881)</u>	<u>242,420</u>
Net Cash (used in)/provided by Investing Activities	<u>(16,953)</u>	<u>1,747</u>
Cash (used in) Operating and Investing Activities	<u>(23,834)</u>	<u>244,207</u>
Cash provided by /(used in) Financing Activities	<u>79,467</u>	<u>(139,986)</u>
Net increase in cash and cash equivalents	55,633	104,221
Cash and cash equivalents at the beginning of the period	6,547	308,582
Cash and Cash Equivalents at the end of the period	<u><u>62,180</u></u>	<u><u>412,803</u></u>
Comprised of:		
Cash at bank	108,487	588,848
Bank Overdraft	(46,307)	(176,045)
Cash and Cash Equivalents at the end of the period	<u><u>62,180</u></u>	<u><u>412,803</u></u>

Hardware & Lumber Limited
Notes to the Interim Financial Statements
30 June 2010
(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 2009 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	54,258	85,850
Exchange (Gain)/Loss	<u>(24,063)</u>	<u>101,410</u>
Total	<u><u>30,195</u></u>	<u><u>187,260</u></u>

Hardware & Lumber Limited
Notes to the Interim Financial Statements cont'd
30 June 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 entirely in Jamaica. The summary financial details of its segments are as follows:

	6 months to 30 June 2010			
	Wholesale Hardware	Retail Hardware	Agricultural	Consolidated
		Household		
	\$' 000	\$' 000	\$' 000	\$' 000
External operating revenue	<u>530,186</u>	<u>1,642,340</u>	<u>669,916</u>	<u>2,842,442</u>
(Loss)/Profit from operations	(7,534)	(60,715)	89,129	20,880
Finance cost	(6,131)	(17,199)	(6,865)	(30,195)
(Loss)/Profit before tax	<u>(13,665)</u>	<u>(77,914)</u>	<u>82,264</u>	<u>(9,315)</u>

	6 months to 30 June 2009			
	Wholesale Hardware	Retail Hardware	Agricultural	Consolidated
		Household		
	\$' 000	\$' 000	\$' 000	\$' 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	(38,240)	(111,121)	(37,899)	(187,260)
(Loss)/Profit before tax	<u>(57,733)</u>	<u>(187,220)</u>	<u>37,694</u>	<u>(207,259)</u>

Hardware & Lumber Limited
Notes to the Interim Financial Statements cont'd
30 June 2010
(Expressed in Jamaican dollars)

5) Group companies balances

	June 2010	June 2009
Due from Parent company	2,356	1,038
Due from Fellow subsidiaries	<u>4,549</u>	<u>8,901</u>
	<u>6,905</u>	<u>9,939</u>
Due to Parent company	(1,420)	(4,991)
Due to Fellow subsidiaries	<u>(2,894)</u>	<u>(3,447)</u>
	<u>(4,314)</u>	<u>(8,438)</u>