

Chairman's Statement 2011

The year 2011 was challenging for our business, as Jamaica emerged from a deep and prolonged recession into a period of slow growth.

Our overall revenues increased by 5.7%, with all three business segments growing. For the twelve months ended December 31, 2011 revenues and net profit were \$6,057 million and \$9 million respectively compared to revenues of \$5,729 million and a net profit of \$19 million for the same period in 2010. Our results were impacted by a significant slowdown in business activity during the fourth quarter.

The earnings per share for the year were \$0.11 compared to \$0.24 for 2010.

The company increased gross profit above prior year levels through improved margin management, reduced shrinkage, and increased product variety and availability. There were significant increases in post retirement obligations, electricity and transportation costs. Combined with an increase in other operating income offset by an increase in operating costs, the company recorded operating profits of \$83 million for the year, compared to \$92 million in 2010.

Revenues in the retail segment increased by 2.6% compared to 2010, due to improvements in product mix, availability and customer service. This segment generated a full year operating profit for the first time since 2007. Revenues in the wholesale segment increased 6.4% compared to 2010, as sales of construction steel increased. However, increased transportation costs and reduced margins resulted in a significant increase in operating losses for the segment. The Agricultural segment recorded a 13.3% increase in revenues compared to 2010, in keeping with the overall growth trend in the agricultural sector. This segment continued to generate pre-tax profits, but experienced a decline compared to 2010 due to increased operational costs and changes in product mix.

During the year, we renegotiated our loan portfolio, improved our inventory management, and increased our cash flows.

The focus for 2012 will be to build on the stability achieved in 2010 and 2011. These actions are to grow our farm supplies and hardware retail businesses, by improving our product variety and availability and our customer service. We will also enhance our operating efficiencies and controls. These actions have been wholly integrated into our Balanced Score Card (BSC) and strategic plan for 2012 to 2016.

We wish to express our gratitude to the management and staff for their hard work and commitment during 2011. We also thank our customers, suppliers, and other stakeholders for your continued loyalty and support.



Erwin Burton
Chairman