

Hardware & Lumber Limited

**Unaudited Financial Statements
31 March 2012**

Hardware & Lumber Limited

Index

31 March 2012

	Page
CEO's Report	
Statements	
Statement of comprehensive income	1
Statement of financial position	2
Statement of changes in stockholders' equity	3
Statement of cash flows	4
Notes	5 - 8



HARDWARE & LUMBER LIMITED
UNAUDITED FINANCIAL RESULTS
March 31, 2012

For the three months ended March 31, 2012, revenues were \$1,512 million with a net loss of \$0.7 million compared to \$1,469 million and net profit of \$0.7 million, respectively, for the comparative period in 2011. Revenues increased by 3% in the quarter driven mostly by increases in the agricultural segment. Our strength in agriculture has offset the challenges in the other two segments

Despite the increases in revenues gross profits for the period were flat due to aggressive discounting to deplete out of season items. The reduction in net profits was directly attributable to increased interest costs on increased borrowings at the end of 2011 and exchange losses on US\$ denominated loans. These loans are to be repaid in full during the second quarter 2012.

Revenues in the retail and wholesale segments decreased by 2% and 3% respectively in the quarter when compared to 2011. This was due mainly to the lack of availability of various key items. Supplies have now been regularized and the performance of both segments is expected to improve for the second quarter.


The Agricultural segment had a good first quarter and recorded an 18% increase in revenues and a 35% increase in pre-tax profits compared to 2011. The significant improvement in revenue was as a result of the increased demand for our products as well as the introduction of new products and solutions. The segment is performing well and will continue with its technical assistance and field work programmes in support of new product launches.

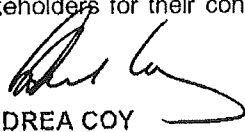
We believe that the continued focus on product variety and availability as well as the implementation of a number of new marketing programmes will lead to improved performance for the rest of the year. Cash generation and effective inventory management will be aggressively pursued while we continue our programme of refreshing our retail stores.

New products and services will be introduced in the coming quarters and we expect to continue to invest in training for our team members to equip them with the skills necessary to better serve our customers and provide them with a delightful shopping experience.

During the quarter the Board appointed two new directors namely Mr. Michael Ammar Jnr. and Mrs. M. Audrey Hinchcliffe. Mrs. Andrea Coy, a director was appointed the new Chief Executive Officer with effect from 1 April 2012.

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


ERWIN BURTON
CHAIRMAN


ANDREA COY
CHIEF EXECUTIVE OFFICER

Hardware & Lumber Limited
 Unaudited Statement of Comprehensive Income
 3 months to 31 March 2012
 (expressed in Jamaican dollars)

	Note	3 months to 31 Mar 2012 \$'000	3 months to 31 Mar 2011 \$'000
Revenue		1,511,813	1,469,169
Cost of Sales		<u>(1,127,348)</u>	<u>(1,083,232)</u>
Gross Profit		384,465	385,937
Other Operating Income		6,501	9,794
Operating Expenses		<u>(369,744)</u>	<u>(378,839)</u>
Profit from operations		21,222	16,892
Finance Costs	3	<u>(22,274)</u>	<u>(15,794)</u>
(Loss)/profit before Taxation		(1,052)	1,098
Taxation		<u>351</u>	<u>(366)</u>
(Loss)/profit, being total comprehensive income for the Period		<u><u>(701)</u></u>	<u><u>732</u></u>
Number of Stock Units Issued ('000)		80,842	80,842
(Loss)/Earnings per Stock Unit		<u><u>(\$0.01)</u></u>	<u><u>\$0.01</u></u>

Hardware & Lumber Limited
Unaudited Statement of Financial Position
31 March 2012
(expressed in Jamaican dollars)

	Note	March 2012 \$'000	December 2011 \$'000	March 2011 \$'000
NET ASSETS EMPLOYED				
Non-Current Assets				
Property, plant & equipment		619,671	621,842	610,546
Intangible assets		15,273	16,116	42,909
Deferred tax asset		147,590	147,238	150,274
Retirement plan asset		3,319	3,367	74,004
		785,853	788,563	877,733
Current Assets				
Inventories		1,349,850	1,290,325	1,434,823
Trade and other receivables		483,460	450,009	461,936
Group companies	5	12,601	9,486	9,109
Taxation recoverable		52,399	51,818	51,338
Cash and bank balances		427,438	319,659	129,309
		2,325,747	2,121,297	2,086,515
Current Liabilities				
Trade, other payables and provisions		942,709	729,117	951,549
Short term loans	6	218,250	593,198	592,994
Group companies	5	12,625	10,125	8,532
Current portion of long term debt		202,908	174,331	112,690
		1,376,493	1,506,771	1,665,765
Net Current Assets		949,255	614,526	420,750
		<u>1,735,108</u>	<u>1,403,089</u>	<u>1,298,483</u>
Financed by:				
Share capital		616,667	616,667	616,667
Other Reserves		4,244	4,244	-
Capital reserve		290,619	290,619	290,619
Retained earnings		49,810	50,511	44,947
		961,340	962,041	952,233
Non-Current Liabilities				
Long term debt	7	525,000	201,012	117,911
Retirement plan obligations		248,768	240,036	228,339
		<u>1,735,108</u>	<u>1,403,089</u>	<u>1,298,483</u>

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

Andrea Coy

Director

Erwin Burton

Director

Hardware & Lumber Limited
 Statement of Changes in Stockholders' Equity
 31 March 2012
 (expressed in Jamaican dollars)

	2012				Total \$'000
	Share Capital \$'000	Other Reserves \$'000	Capital Reserve \$'000	Retained Earnings \$'000	
	Balance at 1 January 2012	616,667	4,244	290,619	
Loss, being total comprehensive income for the period	-	-	-	(701)	(701)
Balance at 31 March 2012	616,667	4,244	290,619	49,810	961,340

	2011				Total \$'000
	Share Capital \$'000	Other Reserves \$'000	Capital Reserve \$'000	Retained Earnings \$'000	
	Balance at 1 January 2011	616,667	-	290,619	
Profit, being total comprehensive income for the period	-	-	-	732	732
Balance at 31 March 2011	616,667	-	290,619	44,947	952,233

Hardware & Lumber Limited
 Unaudited Statement of Cash Flows
 3 Months to 31 March 2012
 (expressed in Jamaican dollars)

	March 2012 \$'000	March 2011 \$'000
Cash Generated from Operating and Investing Activities:		
Operating Activities		
(Loss)/Profit for the period	(701)	732
Items not affecting cash	<u>30,210</u>	<u>44,618</u>
	<u>29,509</u>	<u>45,350</u>
Changes in non-cash working capital components	<u>116,152</u>	<u>39,656</u>
Net Cash provided by Operating Activities	<u>145,661</u>	<u>85,006</u>
Net Cash used in Investing Activities	(7,646)	(7,414)
Cash used in Financing Activities	<u>(30,235)</u>	<u>(41,053)</u>
Net increase in cash and cash equivalents	107,780	36,539
Cash and cash equivalents at the beginning of the period	<u>319,659</u>	<u>92,770</u>
Cash and Cash Equivalents at the end of the period	<u><u>427,438</u></u>	<u><u>129,309</u></u>

Hardware & Lumber Limited

Notes to the Interim Financial Statements

31 March 2012

(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 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 2011 and comply with the requirements of IAS 34, Interim Financial reporting.

3. Finance Costs

	March 2012 \$'000	March 2011 \$'000
Interest expense	19,261	17,578
Exchange losses/(gains)	3,013	(1,784)
	<u>22,274</u>	<u>15,794</u>

Hardware & Lumber Limited
Notes to the Interim Financial Statements
31 March 2012
(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 2012			
	Wholesale Hardware	Retail Hardware Household	Agricultural	Consolidated
	\$' 000	\$' 000	\$' 000	\$' 000
External operating revenue	<u>238,412</u>	<u>859,119</u>	<u>414,282</u>	<u>1,511,813</u>
(Loss)/profit from operations	(13,840)	(9,842)	44,904	21,222
Finance cost	(3,573)	(12,611)	(6,089)	(22,274)
(Loss)/profit before tax	<u>(17,413)</u>	<u>(22,453)</u>	<u>38,814</u>	<u>(1,052)</u>

	3 months to 31 March 2011			
	Wholesale Hardware	Retail Hardware Household	Agricultural	Consolidated
	\$' 000	\$' 000	\$' 000	\$' 000
External operating revenue	<u>246,423</u>	<u>872,970</u>	<u>349,776</u>	<u>1,469,169</u>
(Loss)/profit from operations	(9,477)	(6,178)	32,547	16,892
Finance cost	(2,611)	(9,370)	(3,813)	(15,794)
(Loss)/profit before tax	<u>(12,088)</u>	<u>(15,548)</u>	<u>28,734</u>	<u>1,098</u>

Hardware & Lumber Limited
 Notes to the Interim Financial Statements
 31 March 2012
 (expressed in Jamaican dollars)

5. Group Companies and Other Related Party Transactions and Balances

(a) Due (to)/from group companies comprises:

	March 2012 \$'000	March 2011 \$'000
Due to Grace	(8,571)	(7,041)
Due to fellow subsidiaries	<u>(4,054)</u>	<u>(1,041)</u>
	<u>(12,625)</u>	<u>(8,532)</u>
Due from Grace	1,280	2,265
Due from fellow subsidiaries	<u>11,321</u>	<u>6,844</u>
	<u>12,601</u>	<u>9,109</u>

(b) The statement of comprehensive income includes the following transactions with related parties;

	March 2012 \$'000	March 2011 \$'000
Income:		
Fellow subsidiaries	3,375	4,476
Parent company	-	1,256
Expenses:		
Fellow subsidiaries	1,966	5,542
Parent company	15,956	14,257
Directors and key management	<u>21,853</u>	<u>31,929</u>

Hardware & Lumber Limited
 Notes to the Interim Financial Statements
 31 March 2012
 (expressed in Jamaican dollars)

6. Short Term Loans

	March 2012 \$'000	March 2011 \$'000
Balance at the beginning of the period	593,198	593,445
Loans received	-	354,811
Loans repaid	<u>(374,948)</u>	<u>(355,262)</u>
Balance at the end of the period	<u>218,250</u>	<u>592,994</u>

7. Long Term Loans

	March 2012 \$'000	March 2011 \$'000
Balance at the beginning of the period	375,343	253,625
Loans received	500,000	-
Loans repaid	<u>(147,435)</u>	<u>(23,024)</u>
Balance at the end of the period	<u>727,908</u>	<u>230,601</u>