

**Hardware & Lumber Limited**

**Unaudited Financial Statements  
30 June 2012**

# Hardware & Lumber Limited

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30 June 2012

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**HARDWARE & LUMBER LIMITED**  
**UNAUDITED FINANCIAL RESULTS**  
**June 30, 2012**

Total revenues for the 6 months ended June 30, 2012 were \$3,114 million representing a 3.1% increase over the \$3,021 million in the comparative period of the prior year.

Gross profit was \$794 million or 2.9% more than the \$772 million recorded in the same period last year. The stronger revenue accompanied by similar margins resulted in profit after tax of \$2.3 million compared to a loss of \$1.4 million in 2011.

The agricultural division registered the highest percentage revenue growth increasing by 13.3% in the period under review. However, there was a slow-down in sales in the month of June as customers reacted negatively to the new tax measures that resulted in the introduction of General Consumption Tax (GCT) on previously exempt agricultural products. Revenues in the retail segment increased by 2.9%, while revenues in the wholesale segment declined by 10.0% largely due to increased market competition and reduced customer demand.

Total year to date operating expenses were \$767 million representing a 0.7% increase compared to the same period last year. Several initiatives have been introduced to improve operational efficiencies and profitability and these will continue for the rest of the year.

The Company continues to focus on working capital management with encouraging results. Inventory on hand at June 30, 2012 was \$1,380 million representing a 20.8% reduction compared to last year. Likewise, Trade and Other Payables at \$992 million was 30.5% lower than the \$1,427 million at June 30, 2011. Significant effort was invested in collecting outstanding Trade and Other Receivables to reduce the balance to \$459 million representing a 15.7% reduction compared to last year. Cash of \$226 million generated from operating activities was primarily used to liquidate short-term loans.

We will continue to focus on providing the right products and services to meet sales demand in the second half of the year. In addition, we plan to upgrade the Rapid True Value stores in Mandeville and Portmore as we work towards improving the shopping experience for our customers.

We wish to thank all our customers and other stakeholders for their continued patronage and support. We also thank our directors, management and colleagues for their dedication and commitment to the business.

Handwritten signature of Erwin Burton in black ink.

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**ERWIN BURTON**  
**CHAIRMAN**

Handwritten signature of Andrea Coy in black ink.

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**ANDREA COY**  
**CHIEF EXECUTIVE OFFICER**

# Hardware & Lumber Limited

## Unaudited Statement of Comprehensive Income

6 months to 30 June 2012

(expressed in Jamaican dollars)

	Note	3 months to 30 June 2012 \$'000	6 months to 30 June 2012 \$'000	3 months to 30 June 2011 \$'000	6 months to 30 June 2011 \$'000
<b>Revenue</b>		<b>1,602,683</b>	<b>3,114,496</b>	<b>1,552,111</b>	<b>3,021,280</b>
Cost of sales		(1,192,696)	(2,320,043)	(1,166,098)	(2,249,329)
<b>Gross Profit</b>		<b>409,987</b>	<b>794,453</b>	<b>386,013</b>	<b>771,951</b>
Other operating income		8,099	14,599	10,297	20,090
Operating expenses		(397,649)	(767,392)	(383,203)	(762,042)
<b>Profit from Operations</b>		<b>20,437</b>	<b>41,660</b>	<b>13,107</b>	<b>29,999</b>
Finance costs	<b>3</b>	(15,892)	(38,168)	(16,361)	(32,155)
<b>Profit/(Loss) before Taxation</b>		<b>4,545</b>	<b>3,492</b>	<b>(3,254)</b>	<b>(2,156)</b>
Taxation		(1,515)	(1,164)	1,085	719
<b>Profit/(Loss), being total comprehensive income for the period</b>		<b>3,030</b>	<b>2,328</b>	<b>(2,169)</b>	<b>(1,437)</b>
Number of Stock Units Issued ('000)		80,842	80,842	80,842	80,842
<b>Earnings/(Loss) per Stock Unit</b>		<b>\$0.04</b>	<b>\$0.03</b>	<b>(\$0.03)</b>	<b>(\$0.02)</b>

**Hardware & Lumber Limited**  
 Unaudited Statement of Financial Position  
 30 June 2012  
 (expressed in Jamaican dollars)

	June 30, 2012 \$'000	December 31, 2011 \$'000	June 30, 2011 \$'000
<b>NET ASSETS EMPLOYED</b>			
<b>Non-Current Assets</b>			
Property, plant & equipment	608,410	621,842	619,606
Intangible assets	14,429	16,116	35,714
Deferred tax asset	146,072	147,238	151,366
Retirement plan asset	3,274	3,367	50,955
	772,185	788,563	857,641
<b>Current Assets</b>			
Inventories	1,379,568	1,290,325	1,741,346
Trade and other receivables	458,726	450,009	544,130
Group companies	16,713	9,486	11,608
Taxation recoverable	51,884	51,818	51,476
Cash and bank balances	195,816	319,659	215,212
	2,102,708	2,121,297	2,563,772
<b>Current Liabilities</b>			
Trade, other payables and provisions	992,051	729,117	1,426,688
Short term loans	-	593,198	343,645
Group companies	9,519	10,125	10,105
Current portion of long term debt	193,121	174,331	187,153
	1,194,690	1,506,771	1,967,591
<b>Net Current Assets</b>	908,018	614,526	596,181
	<u>1,680,203</u>	<u>1,403,089</u>	<u>1,453,822</u>
<b>Financed by:</b>			
Share capital	616,667	616,667	616,667
Capital reserve	290,619	290,619	290,619
Retained earnings	57,083	54,755	42,778
	964,369	962,041	950,064
<b>Non-Current Liabilities</b>			
Long term debt	458,333	201,012	270,772
Retirement plan obligations	257,501	240,036	232,986
	<u>1,680,203</u>	<u>1,403,089</u>	<u>1,453,822</u>

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



Erwin Burton

Director



Andrea Coy

Director

# Hardware & Lumber Limited

Unaudited Statement of Changes in Stockholders' Equity

6 months to 30 June 2012

(expressed in Jamaican dollars)

	2012				Total \$'000
	Share Capital \$'000	Other Reserve \$'000	Capital Reserve \$'000	Retained Earnings \$'000	
<b>Balance at 1 January 2012</b>	616,667	4,244	290,619	50,511	962,041
Profit, being total comprehensive income for the period	-	-	-	2,328	2,328
<b>Balance at 30 June 2012</b>	616,667	4,244	290,619	52,839	964,369

	2011				Total \$'000
	Share Capital \$'000	Other Reserve \$'000	Capital Reserve \$'000	Retained Earnings \$'000	
<b>Balance at 1 January 2011</b>	616,667	4,244	290,619	39,971	951,501
Loss, being total comprehensive income for the period	-	-	-	(1,437)	(1,437)
<b>Balance at 30 June 2011</b>	616,667	4,244	290,619	38,534	950,064

# Hardware & Lumber Limited

Unaudited Statement of Cash Flows

6 Months to 30 June 2012

(expressed in Jamaican dollars)

	June 30, 2012 \$'000	June 30, 2011 \$'000
<b>Cash Generated from Operating and Investing Activities:</b>		
Operating Activities		
Net Profit / (Loss)	2,328	(1,437)
Items not affecting cash	62,051	71,277
	<u>64,379</u>	<u>69,840</u>
Changes in non-cash working capital components	161,964	160,813
Net Cash provided by operating activities	<u>226,343</u>	<u>230,653</u>
Net Cash used in investing activities	<u>(8,184)</u>	<u>(28,078)</u>
<b>Cash provided by operating and investing activities</b>	<u>218,159</u>	<u>202,575</u>
<b>Cash used in Financing Activities</b>	<u>(342,002)</u>	<u>(80,133)</u>
Net (decrease) / increase in cash and cash equivalents	(123,842)	122,442
Cash and cash equivalents at the beginning of the period	<u>319,659</u>	<u>92,770</u>
<b>Cash and Cash Equivalents at the end of the period</b>	<u><u>195,816</u></u>	<u><u>215,212</u></u>
<b>Comprised of:</b>		
Cash at bank	<u>195,816</u>	<u>215,212</u>
<b>Cash and Cash Equivalents at the end of the period</b>	<u><u>195,816</u></u>	<u><u>215,212</u></u>

# Hardware & Lumber Limited

Notes to the Interim Financial Statements

30 June 2012

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

## 3. Finance Costs

	6 months to June 30, 2012 \$'000	6 months to June 30, 2011 \$'000
Interest expense	36,324	34,631
Exchange losses/(gains)	1,844	(2,476)
	<u>38,168</u>	<u>32,155</u>



# Hardware & Lumber Limited

Notes to the Interim Financial Statements  
30 June 2012  
(expressed in Jamaican dollars)

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## 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:

	<b>6 months to 30 June 2012</b>			
	<b>Wholesale Hardware</b>	<b>Retail Hardware Household</b>	<b>Agricultural</b>	<b>Consolidated</b>
	<b>\$' 000</b>	<b>\$' 000</b>	<b>\$' 000</b>	<b>\$' 000</b>
External operating revenue	<u>488,116</u>	<u>1,794,721</u>	<u>831,659</u>	<u>3,114,496</u>
(Loss)/profit from operations	(30,872)	(11,760)	84,292	41,660
Finance cost	(6,131)	(21,798)	(10,239)	(38,168)
(Loss)/profit before tax	<u>(37,003)</u>	<u>(33,557)</u>	<u>74,052</u>	<u>3,492</u>

	<b>6 months to 30 June 2011</b>			
	<b>Wholesale Hardware</b>	<b>Retail Hardware Household</b>	<b>Agricultural</b>	<b>Consolidated</b>
	<b>\$' 000</b>	<b>\$' 000</b>	<b>\$' 000</b>	<b>\$' 000</b>
External operating revenue	<u>542,549</u>	<u>1,744,780</u>	<u>733,951</u>	<u>3,021,280</u>
(Loss)/profit from operations	(24,140)	(24,773)	78,912	29,999
Finance cost	(5,733)	(18,552)	(7,870)	(32,155)
(Loss)/profit before tax	<u>(29,873)</u>	<u>(43,325)</u>	<u>71,042</u>	<u>(2,156)</u>

# Hardware & Lumber Limited

Notes to the Interim Financial Statements  
**30 June 2012**  
**(expressed in Jamaican dollars)**

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## 5. Group Companies and Other Related Party Transactions and Balances

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

	<b>June 30, 2012 \$'000</b>	<b>June 30, 2011 \$'000</b>
Due to GraceKennedy	(7,517)	(7,640)
Due to fellow subsidiaries	<u>(2,002)</u>	<u>(2,465)</u>
	<u><u>(9,519)</u></u>	<u><u>(10,105)</u></u>
Due from GraceKennedy	4,989	494
Due from fellow subsidiaries	<u>11,724</u>	<u>11,114</u>
	<u><u>16,713</u></u>	<u><u>11,608</u></u>

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

	<b>6 months June 30, 2012 \$'000</b>	<b>6 months June 30, 2011 \$'000</b>
Income:		
Fellow subsidiaries	7,488	11,178
Parent company	28	1,935
Expenses:		
Fellow subsidiaries	9,862	10,790
Parent company	31,929	27,737
Directors and key management	<u>39,155</u>	<u>48,979</u>

# Hardware & Lumber Limited

Notes to the Interim Financial Statements  
**30 June 2012**  
 (expressed in Jamaican dollars)

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## 6. Short Term Loans

	<b>June 30, 2012 \$'000</b>	<b>June 30, 2011 \$'000</b>
Balance at the beginning of the period	593,198	593,445
Loans received	-	483,603
Loans repaid	<u>(593,198)</u>	<u>(728,403)</u>
Balance at the end of the period	<u>-</u>	<u>348,645</u>

## 7. Long Term Loans

	<b>June 30, 2012 \$'000</b>	<b>June 30, 2011 \$'000</b>
Balance at the beginning of the period	375,343	253,625
Loans received	500,000	250,000
Loans repaid	<u>(223,889)</u>	<u>(45,695)</u>
Balance at the end of the period	<u>651,454</u>	<u>457,930</u>

In 2012, the company received a loan of \$500,000,000 from National Commercial Bank Jamaica Limited denominated in Jamaican dollars. The annual interest rate is 9.75%. The loan is repayable by 2017 in quarterly installments.

In 2011, the company received a loan of \$250,000,000 from First Global Financial Services Limited denominated in Jamaican dollars. The interest rate is 10.05%. The loan is repayable by 2013 in biannual installments.