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## Chairman's Report for the Second Quarter Ended October 31, 2022

On behalf of the board of directors of Lumber Depot Limited, I am pleased to share with you the results of our operations for the period ended October 31, 2022. Lumber Depot generated year-to-date profits of \$78.2 million on revenues of \$776.7 million. Our annualized return on equity continues to be strong and exceeds 30%. The business continues to be cash generative and has no long-term debt. During the quarter, Lumber Depot declared dividends of 5.2 cents per share.

During the second quarter, our customer base reacted to economic conditions -- including higher interest rates and increased prices for certain key construction inputs and hardware items -- with reduced certainty and confidence in their purchase decisions. Although we succeeded in maintaining our sales growth, the heightened competition in the market to avoid any buildup of inventory, led to some compression in gross margins (21.2% in 2022, relative to 18.7% for the comparable period of the prior year). As a result of these factors, our year-to-date net profit was down relative to the prior year net profit of \$107.2 million.

Lumber Depot continues to be a very prudent manager of its working capital. Notwithstanding the challenging economic environment, we have maintained or reduced our inventory and receivables balances -- relative to the prior year -- while growing sales and maintaining the availability of all key items.

Lumber Depot operates a full-service hardware store in Papine that serves the needs of large and small-scale building contractors, as well as homeowners doing construction projects, renovations, and repairs. The Lumber Depot business has been in operation for over 20 years and during this time has established a market leading position in the communities we directly serve and a strong reputation for excellent service and good value across the wider corporate area.

Despite the challenges generally associated with higher interest rates, supply chain disruptions, high commodity prices and a spike in logistics costs, Lumber Depot has continued to trade positively and to deliver strong results. Our strategy is to consistently offer competitive prices on our products and to maintain our service standards and inventory availability while prioritizing the safety of our customers and staff. We have been generally successful with this and in turn this has improved our standing with key customers.

We consider our location in Papine to be an important part of our success. The facility in Papine is now owned by the company and we are exploring options to optimize it for our operating efficiency and customer experience. Papine is a vibrant and fast-growing university community that also serves as a

main access point to the St. Andrew hills. Our location is immediately outside the most trafficked part of the community, is purpose built and well established.

Over the year ahead, we will continue to judiciously manage our cash and inventory levels with a view to paying dividends and improving shareholder returns while allowing the business to seize opportunities for investment and growth that we expect to arise in Jamaica when economic normalcy returns.

I thank our board, management, and staff for their effective work in successfully managing through a challenging business environment to deliver strong results for shareholders.


Jeffrey Hall

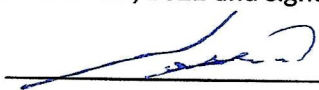
Chairman

**LUMBER DEPOT LIMITED**  
**Statement of Financial Position**  
**As at October 31, 2022**

	Unaudited October 31, 2022	Unaudited October 31, 2021	Audited April 30, 2022
<b>ASSETS:</b>			
<b>Non-current assets</b>			
Property, plant and equipment	176,566,079	182,172,221	179,835,007
Investments	<u>143,260,287</u>	<u>118,582,587</u>	<u>111,135,448</u>
	<u>319,826,366</u>	<u>300,754,808</u>	<u>290,970,455</u>
<b>Current assets</b>			
Cash and cash equivalents	117,900,412	115,060,295	82,808,589
Accounts receivable and prepayments	45,971,330	51,098,402	39,800,066
Inventories	158,554,261	161,655,564	167,852,845
Taxation recoverable	<u>2,011,325</u>	<u>1,350,375</u>	<u>1,821,875</u>
	<u>324,437,328</u>	<u>329,164,636</u>	<u>292,283,375</u>
<b>Current liabilities</b>			
Accounts payable	119,828,503	96,785,915	102,635,452
Other Payables [Cotrade]	-	127,600,000	-
Due to related company	<u>4,213,899</u>	<u>3,473,625</u>	<u>1,873,618</u>
	<u>124,042,402</u>	<u>227,859,540</u>	<u>104,509,070</u>
<b>Net Current Assets</b>	<u>200,394,926</u>	<u>101,305,096</u>	<u>187,774,305</u>
<b>Total assets less current liabilities</b>	<u><b>520,221,292</b></u>	<u><b>402,059,904</b></u>	<u><b>478,744,760</b></u>
<b>EQUITY</b>			
Share capital	170,061,991	170,061,991	170,061,991
Retained earnings	<u>350,159,301</u>	<u>231,997,913</u>	<u>308,682,769</u>
	<u>520,221,292</u>	<u>402,059,904</u>	<u>478,744,760</u>
<b>Total Equity</b>	<u><b>520,221,292</b></u>	<u><b>402,059,904</b></u>	<u><b>478,744,760</b></u>

Approved for issue by the Board of Directors on December 13, 2022 and signed on its behalf by:

 Chairman  
 Jeffrey Hall

 Director  
 Noel Dawes

**LUMBER DEPOT LIMITED**  
**Statement of Profit or loss and Other Comprehensive Income**  
**Six months ended October 31, 2022**

	Unaudited 6 Mths Ended <u>October 31, 2022</u>	Unaudited 6 Mths Ended <u>October 31, 2021</u>	Unaudited 3 Mths Ended <u>October 31, 2022</u>	Unaudited 3 Mths Ended <u>October 31, 2021</u>	Audited <u>April 30, 2022</u>
Revenue	776,747,872	759,938,944	376,867,043	339,859,989	1,573,825,502
Cost of revenue	<u>(624,530,769)</u>	<u>(584,433,852)</u>	<u>(306,380,129)</u>	<u>(267,823,569)</u>	<u>(1,233,511,236)</u>
<b>Gross profit</b>	152,217,103	175,505,092	70,486,914	72,036,420	340,314,266
Impairment gains/(losses) on trade receivables	3,950,233	(1,098,651)	(2,099,313)	(1,098,651)	2,588,044
Impairment gains/(losses) on investments	25,292	112,233	(2,127)	112,233	844,263
Administrative and other expenses	<u>(78,691,779)</u>	<u>(73,287,214)</u>	<u>(39,017,656)</u>	<u>(43,036,678)</u>	<u>(165,374,290)</u>
	<b>77,500,849</b>	<b>101,231,460</b>	<b>29,367,818</b>	<b>28,013,324</b>	<b>178,372,283</b>
Other income	<u>1,689,407</u>	<u>9,212,558</u>	<u>312,530</u>	<u>8,569,703</u>	<u>12,771,189</u>
Profit before net finance costs and taxation	<u>79,190,256</u>	<u>110,444,018</u>	<u>29,680,348</u>	<u>36,583,027</u>	<u>191,143,472</u>
Finance income	3,316,356	1,602,854	2,457,717	1,053,842	3,145,381
Finance cost	<u>(4,305,731)</u>	<u>(4,842,849)</u>	<u>(2,269,914)</u>	<u>(2,217,388)</u>	<u>(10,399,974)</u>
Net financial income/(cost)	<u>(989,375)</u>	<u>(3,239,995)</u>	<u>187,803</u>	<u>(1,163,546)</u>	<u>(7,254,593)</u>
<b>Profit for the period</b>	<b>78,200,881</b>	<b>107,204,023</b>	<b>29,868,151</b>	<b>35,419,481</b>	<b>183,888,879</b>
Taxation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Profit attributable to members, being total comprehensive income for the period</b>	<b><u>78,200,881</u></b>	<b><u>107,204,023</u></b>	<b><u>29,868,151</u></b>	<b><u>35,419,481</u></b>	<b><u>183,888,879</u></b>
Earnings per stock unit	<u>\$ 0.11</u>	<u>\$ 0.15</u>	<u>\$ 0.04</u>	<u>\$ 0.05</u>	<u>\$ 0.26</u>

**LUMBER DEPOT LIMITED**  
**Statement of Changes in Equity**  
**Six months ended October 31, 2022**

	<u>Share Capital</u>	<u>Retained earnings</u>	<u>Total</u>
	\$	\$	\$
Balances as at April 30, 2021 (audited)	170,061,991	153,043,390	323,105,381
Dividends Paid		(28,249,500)	(28,249,500)
Profit for the period, being total comprehensive income for the quarter	<u>-</u>	<u>107,204,023</u>	<u>107,204,023</u>
Balances as at October 31, 2021 (unaudited)	<u>170,061,991</u>	<u>231,997,913</u>	<u>402,059,904</u>
 Balances as at April 30, 2022 (audited)	 170,061,991	 308,682,769	 478,744,760
Dividends Paid		(36,724,349)	(36,724,349)
Profit for the period, being total comprehensive income for the quarter	<u>-</u>	<u>78,200,881</u>	<u>78,200,881</u>
Balances as at October 31, 2022 (unaudited)	<u>170,061,991</u>	<u>350,159,301</u>	<u>520,221,292</u>

**LUMBER DEPOT LIMITED**  
**Statement of Cash Flows**  
**Six months ended October 31, 2022**

	<u>Unaudited</u> <u>October 31, 2022</u>	<u>Unaudited</u> <u>October 31, 2021</u>	<u>Audited</u> <u>April 30, 2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the quarter	78,200,881	107,204,023	183,888,879
<b>Adjustments for:</b>			
Depreciation	3,871,031	6,702,807	10,544,609
Adjustment to property, plant and equipment	-	(3,985)	(3,985)
Gain on termination of Leased Property	-	(1,259,767)	-
Interest Income	(930,605)	(1,965,625)	(3,145,381)
Interest expense	-	1,064,497	1,064,497
Cash generated before changes in working capital	81,141,307	111,741,950	192,348,619
Accounts receivables and prepayments	(6,171,264)	(8,867,565)	2,559,575
Inventories	9,298,584	(30,056,875)	(36,254,156)
Accounts payable	17,193,051	(29,738,625)	(23,889,088)
Other Payables [Cotrade]	-	127,600,000	-
Due from/to related party	2,340,281	(920,114)	(2,520,121)
Taxation recoverable	(189,450)	(547,783)	(1,019,283)
Cash provided by operations	103,612,509	169,210,988	131,096,742
Taxation paid	-	-	-
Net cash provided by operating activities	103,612,509	169,210,988	131,096,742
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	(602,103)	(164,412,500)	(165,935,268)
(Purchase/Sale) of investments	(32,124,839)	(1,116,236)	6,330,903
Interest paid	-	(1,064,497)	(1,064,497)
Interest received	930,605	1,965,625	3,016,577
Net cash used by investing activity	(31,796,337)	(164,627,608)	(157,523,481)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	(36,724,349)	(28,249,500.00)	(28,249,500)
Lease liability, net	-	(3,935,503)	(5,177,090)
Net cash used by financing activities	(36,724,349)	(32,185,003)	(33,426,590)
Net increase in cash and cash equivalents	35,091,823	(27,601,623)	(59,853,329)
Cash and cash equivalents at beginning of the period	82,808,589	142,661,918	142,661,918
Cash and cash equivalents at end of period	<u>117,900,412</u>	<u>115,060,295</u>	<u>82,808,589</u>

**LUMBER DEPOT LIMITED**  
**Notes to the Unaudited Financial Statements**  
**October 31, 2022**

**1 Identification and principal activities**

Lumber Depot Limited (the company) was incorporated and domiciled in Jamaica on July 30, 2019. The registered office of the company is located at 4 Victoria Avenue Kingston CSO, with retail outlet at 17c Gordon Town Road, Kingston 6. The company is listed on the Junior Market of the Jamaica Stock Exchange since December 16, 2019.

The main activities of the company comprise the sale of lumber, hardware supplies and related products.

The company commenced operations on August 1, 2019. Also, as at August 1, 2019 Blue Power Group Limited sold its' Lumber division to the company, and at that time certain assets and liabilities of the Lumber division were transferred at book value to the company (see note 3).

**2 Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board, and comply with the provisions of the Jamaican Companies Act.

**New and amended standards that became effective during the period**

Certain new and amended standards which were in issue, came into effect during the current financial period. The adoption of these standards did not have any impact on the amounts recognized or disclosures in the financial statements.

**3 Use of estimates and judgements:**

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities at the reporting date and the income and expense for the year then ended. Actual amounts could differ from those estimates.

**4 Financial instruments:**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. In these financial statements, financial assets comprise investments, cash and cash equivalents and accounts receivable. Financial liabilities comprise accounts payable and due to related party.

**5 Revenue:**

Revenue is measured based on the consideration specified in a contract with a customer. The company recognises revenue when it transfers control over a good or service to a customer.

**6 Foreign currencies:**

Transactions in foreign currencies are converted at the foreign exchange rates ruling at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are measured at historical cost, are translated at the foreign exchange rates ruling at the reporting date. Foreign exchange differences arising from fluctuations in exchange rates are recognised in profit or loss.

#### **7 Significant accounting policies**

The accounting policies followed in these interim financial statements are consistent with those used in the audited financial statements for the period ended April 30, 2021.

#### **8 Net realisable value of inventories:**

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

Estimates of net realisable value also take into consideration the purpose for which the inventory is held.

#### **9 Finance cost**

Finance cost comprises bank charges, foreign exchange losses and lease interest and is recognised in profit or loss.





October 31, 2022

TOTAL SHARES OUTSTANDING:

706,237,500

## DIRECTORS AND CONNECTED PARTIES REPORT

PRIMARY HOLDER (JOINT HOLDER)	RELATIONSHIP	UNITS	PERCENTAGE
NOEL DAWES*	SELF	16,627,150	2.3543
VIKRAM DHIMAN	SELF	100,000	0.0142
LISA KONG	SELF	100,000	0.0142
GEORGE OVERTON	SELF	100,000	0.0142
JEFFREY HALL (SWEE TEEN CHUA)***	SELF	0	0.0000
PAUL SCOTT****	SELF	0	0.0000
MELANIE SUBRATIE****	SELF	0	0.0000
*KAREL DAWES	CONNECTED PARTY	38,070	0.0054

## TOP 10 SHAREHOLDERS

PRIMARY HOLDER (JOINT HOLDER)	UNITS	PERCENTAGE
STONY HILL CAPITAL LIMITED****	116,189,064	16.4518
BLUE POWER GROUP LIMITED***	116,189,064	16.4518
J KENNETH BENJAMIN & SHEILA BENJAMIN	59,954,650	8.4893
MARY J. FRAY	30,954,000	4.3829
PAM-POOLED EQUITY FUND	29,568,191	4.1900
JN FUND MANAGERS LIMITED	23,919,341	3.3900
QWI INVESTMENTS LTD	17,783,269	2.5180
NOEL DAWES	16,627,150	2.3543
JPS EMPLOYEES SUPERAN.FUND		
-PRIME ASSET MANAGEMENT	10,102,288	1.4304
THE MAYBERRY FOUNDATION	10,000,000	1.4160

TOTAL UNITS OWNED BY TOP 10	431,287,017	61.0700
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