

HARDWARE & LUMBER LTD

Notes to the Financial Statements

31 December 2002

1 Identification and Principal Activities

Hardware & Lumber Limited ('the company') is 87% owned by Pan-Jamaican Investment Trust Limited. The company and its subsidiaries trade in hardware, lumber, household items, agricultural products and boat engines, and provide construction related and janitorial services.

The company, its holding company and subsidiaries are incorporated in Jamaica.

All amounts are stated in Jamaican dollars unless otherwise indicated.

2 Significant Accounting Policies

(a) Accounting convention

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with Jamaican generally accepted accounting principles.

(b) Comparative information

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(c) Use of estimates

The preparation of financial statements in conformity with Jamaican generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(d) Consolidation

The consolidated financial statements present the results of operations and financial position of the company and its subsidiaries as detailed below:

	<u>Principal Activities</u>	<u>Shareholding</u>
H. & L. True Value Limited	Trading	100%
H&L Agri and Marine Company Limited	Trading	100%
Hole-In-The-Wall Limited	Trading (Dormant)	100%
Office Services Limited	Construction and Janitorial Services	100%
Wherry Wharf Sales Company Limited	Trading (Dormant)	93%
Scott's Preserves Limited	Trading	100%
Scott's of Jamaica Limited	Trading (Dormant)	100%

Goodwill arising on acquisition of subsidiaries has been adjusted against capital reserves.

(e) Fair value of financial instruments

Financial instruments carried on the balance sheet include long term receivables, trade

investments, amounts due to/from group companies, accounts receivable, cash and bank balances, accounts payable, long term loans and net obligations under finance leases.

The fair values of the group's and the company's financial instruments are discussed in Note 22.

(f) Fixed assets and depreciation

Fixed assets are stated at cost or valuation. In accordance with group policy, the cost or valuation of fixed assets, other than freehold land, is written off on the straight line method over the expected useful lives of the assets held at the beginning of the year.

The expected useful lives are as follows:

Freehold buildings	10 - 55 years
Furniture and office equipment	10 years
Vehicles and forklift trucks	5 - 7 years
Scaffolding	20 years
Equipment	10 years
Leasehold improvements	5 & 10 years
Computer equipment	5 years

Gains and losses on disposal of fixed assets are dealt with in the profit and loss account.

Repair and maintenance expenditure are charged to the profit and loss account.

Improvement expenditure is included in the cost of the related asset or in leasehold improvement as appropriate.

(g) Foreign currency balances

Balances denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are converted at the rates of exchange ruling on the transaction dates. Gains or losses arising on translation and conversion are reflected in the profit and loss account.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value, cost being determined on the weighted average cost method.

(i) Investment in subsidiaries

In the company's financial statements, investments in subsidiaries are stated at cost.

(j) Finance leases

The present value of minimum lease payments under finance leases is capitalised as fixed assets and a corresponding obligation to the lessor is recorded. Lease payments are treated as consisting of principal repayment and finance charges. The finance charges are recorded so as to give a constant periodic interest rate on the outstanding obligation.

(k) Retirement benefit plan

The group participates in contributory retirement plans. Retirement benefits are actuarially determined based on career earnings. Employers' contributions to fund past service deficiencies and future service liabilities are made monthly and are charged to the profit and loss account.

(l) Deferred expenses

Deferred expenses are being written off over the period of benefit.

(m) Deferred taxation

Deferred taxation is not recognised in these financial statements because the timing differences are not expected to reverse in the foreseeable future.

(n) Revenue

Revenue is recognised upon delivery of products and customer acceptance or performance of services, if any, net of General Consumption Tax and discounts and after eliminating sales within the Group.

3 Turnover

Turnover represents the value of goods sold to third parties, net of returns and General Consumption Tax.

4 Operating Profit

Operating profit is arrived at after charging/(crediting) the following items:

	<u>The Group</u>		<u>The Company</u>	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Depreciation	19,620	18,909	10,252	10,089
Profit on disposal of fixed assets	(302)	(1,013)	-	(433)
Directors' emoluments -				
Management remuneration	12,354	9,602	6,500	4,811
Auditors' remuneration	3,640	3,440	1,735	1,625
Staff costs (Note 5)	65,997	148,219	52,740	48,201
Deferred expenditure	-	360	-	360
Provision for bad and doubtful debts - net	2,000	4,193	314	3,029
	=====	=====	=====	=====

5 Staff Costs

	<u>The Group</u>		<u>The Company</u>	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	139,187	124,721	43,401	40,881
Statutory contributions	13,395	11,738	4,192	3,702
Pension costs	4,812	4,784	2,296	2,249
Staff welfare	7,162	6,484	2,851	1,369
Termination costs	1,441	492	-	-

	165,997	148,219	52,740	48,201
	=====	=====	=====	=====
Average number of employees				
Regular	134	146	46	50
Contract	342	308	34	32
	-----	-----	-----	-----
	476	454	80	82
	=====	=====	=====	=====

6 Finance Costs - net

	<u>The Group</u>		<u>The Company</u>	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Interest expense	13,884	15,155	10,739	13,079
Interest income	(1,060)	(1,159)	(8,815)	(3,086)
	-----	-----	-----	-----
	12,824	13,996	1,924	9,993
	=====	=====	=====	=====
Foreign exchange loss	5,557	6,609	5,093	5,166
	-----	-----	-----	-----
	18,381	20,605	7,017	15,159
	=====	=====	=====	=====

7 Exceptional Item

Exceptional item represented stock losses resulting from flooding at the company's premises in November 2001. The loss is net of insurance proceeds

	<u>The Group</u>		<u>The Company</u>	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Inventory written off	-	7,302	-	2,503
	=====	=====	=====	=====

8 Taxation

(a) Taxation is based on the profit for the year adjusted for taxation purposes and comprises:

	<u>The Group</u>		<u>The Company</u>	
	2002	2001	2002	2001

	\$'000	\$'000	\$'000	\$'000
Income tax at 33 1/3%	7,962	-	3,727	-
Prior year under/(over) provision	<u>120</u>	<u>(482)</u>	<u>-</u>	<u>-</u>
	<u>8,082</u>	<u>(482)</u>	<u>3,727</u>	<u>-</u>
	=====	=====	=====	=====

- (b) The group and the company have available tax losses of \$47,113,000 (2001 - \$93,722,000) and nil (2001 - \$1,639,000) respectively for set off against future taxable profits. The set off against future taxable profits of these tax losses is subject to agreement with the Commissioner of Income Tax.

9 Net Profit and Retained Earnings

- i) The net (loss)/profit is dealt with in the financial statements as follows:

	2002	2001
	\$'000	\$'000
Parent company	(1,384)	(6,637)
Subsidiaries	<u>49,469</u>	<u>22,989</u>
	<u>48,085</u>	<u>16,352</u>
	=====	=====

- ii) The retained earnings is reflected in the financial statements as follows:

	2002	2001
	\$'000	\$'000
Parent company	32,391	38,781
Subsidiaries	<u>154,635</u>	<u>105,666</u>
	<u>187,026</u>	<u>144,447</u>
	=====	=====

10 Earnings Per Stock Unit

The calculations of earnings per stock unit are based on:

- (i) the profit after taxation of \$48,085,000 (2001 - \$16,352,000)
- (ii) the number of stock units in issue throughout both years.

11 Fixed Assets

THE GROUP

	Freehold Land \$'000	Freehold Buildings \$'000	Furniture and Office Equipment \$'000	Leasehold Improvements \$'000	Equipment and Scaffolding \$'000	Vehicles and Forklift Trucks \$'000	Total \$'000
At Cost or Valuation							
1 January 2002	77,230	134,448	60,678	29,260	12,838	10,058	324,512
Additions	-	-	2,285	-	1,681	750	4,716
Disposals	-	-	(154)	-	(247)	-	(401)
31 December 2002	<u>77,230</u>	<u>134,448</u>	<u>62,809</u>	<u>29,260</u>	<u>14,272</u>	<u>10,808</u>	<u>328,827</u>
Depreciation -							
1 January 2002	-	10,936	24,526	12,398	4,430	2,886	55,176
Charge for the year	-	5,468	6,242	5,201	869	1,840	19,620
Relieved on disposals	-	-	(62)	-	(133)	-	(195)
31 December 2002	<u>-</u>	<u>16,404</u>	<u>30,706</u>	<u>17,599</u>	<u>5,166</u>	<u>4,726</u>	<u>74,601</u>
Net Book Value -							
31 December 2002	<u>77,230</u>	<u>118,044</u>	<u>32,103</u>	<u>11,661</u>	<u>9,106</u>	<u>6,082</u>	<u>254,226</u>
31 December 2001	<u>77,230</u>	<u>123,512</u>	<u>36,152</u>	<u>16,862</u>	<u>8,408</u>	<u>7,172</u>	<u>269,336</u>

THE COMPANY

	Freehold Land \$'000	Freehold Buildings \$'000	Furniture and Office Equipment \$'000	Vehicles & Forklift Trucks \$'000	Total \$'000
At Cost or Valuation -					
1 January 2002	77,230	134,448	32,412	6,747	250,837
Additions	-	-	1,939	-	1,939
31 December 2002	77,230	134,448	34,351	6,747	252,776
Depreciation -					
1 January 2001	-	10,936	16,966	2,335	30,237
Charge for the year	-	5,468	3,520	1,264	10,252
31 December 2002	-	16,404	20,486	3,599	40,489
Net Book Value -					
31 December 2002	77,230	118,044	13,865	3,148	212,287
31 December 2001	77,230	123,512	15,446	4,412	220,600

(a) Freehold land and buildings are stated at fair market value and depreciated replacement cost, respectively, as appraised by C.D. Alexander Company Realty Limited, real estate brokers and appraisers in December 1999.

All other fixed assets are stated at cost.

(b) Included in vehicles and forklift trucks are motor vehicles costing \$3,382,000 (the group and the company) which have been lease financed (Note 18).

(c) Included in furniture and office equipment is equipment costing \$537,000 (the group

and the company) which has been lease financed (Note 18)

12 Long Term Receivables

These comprise National Housing Trust contributions to 31 July 1979 made in compliance with The National Insurance (Amendment) Act 1976 which are recoverable in the years 2003 and 2004.

13 Holding Company and Fellow Subsidiaries

	<u>The Group</u>		<u>The Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Due to holding company	(2,083)	(2,253)	(2,253)	(2,253)
Due to fellow subsidiaries	-	-	(47)	-
Due to subsidiaries	-	-	(122,384)	(88,154)
	<u>(2,083)</u>	<u>(2,253)</u>	<u>(124,684)</u>	<u>(90,407)</u>
Due from fellow subsidiaries	2,709	2,507	-	320
Due from subsidiaries	-	-	105,431	145,738
	<u>626</u>	<u>254</u>	<u>(19,253)</u>	<u>55,651</u>
	=====	=====	=====	=====

See Note 19 for related party transactions.

14 Current Assets

	<u>The Group</u>		<u>The Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Inventories	363,727	284,090	126,712	82,430
Trade receivables, less provision				
\$19,428,000 (2001 - \$21,579,000)	119,083	85,597	81,432	57,794
Other receivables and prepayments	14,110	16,202	9,279	7,531
Taxation recoverable	17,352	17,177	7,399	8,612
Bank deposits	1,325	8,190	1,325	1,076

Cash on hand and in bank	<u>15,761</u>	<u>6,088</u>	<u>7,593</u>	<u>704</u>
	<u>531,358</u>	<u>417,344</u>	<u>233,740</u>	<u>158,147</u>
	=====	=====	=====	=====

15 Current Liabilities

	<u>The Group</u>		<u>The Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Payables and accruals	268,111	224,186	116,374	107,921
Bank loans and overdrafts	65,508	31,920	41,898	30,392
Taxation payable	4,459	-	727	-
Dividend proposed	3,000	6,000	3,000	6,000
Current maturities of longterm loans (Note 17)	19,100	17,602	16,991	13,213
Current portion of net obligations under finance leases (Note 18)	<u>648</u>	<u>329</u>	<u>648</u>	<u>329</u>
	<u>360,826</u>	<u>280,037</u>	<u>179,638</u>	<u>157,855</u>
	=====	=====	=====	=====

The bank loans and overdrafts are secured by:

- (a) Demand debentures stamped \$21,900,000 with power to upstamp providing a charge over the fixed assets and a floating charge over all the other assets of the company.
- (b) Joint and Several Demand Debenture incorporating composite guarantee of the company and its subsidiaries in respect of credit facilities of each of the others, stamped \$26,500,000 with the power to upstamp without notice and providing a charge over the fixed assets and a floating charge over all other assets of the company and its subsidiaries.
- (c) Legal Mortgages stamped collateral to Debentures over real estate of the company.
- (d) Security sharing agreement between the company, The Bank of Nova Scotia Jamaica Limited and CitiBank N.A.

- (e) Items (a) and (b) above rank pari passu to Debenture/Supplemental mortgages for \$64,000,000 in favour of CitiBank N.A., over the assets of the company and H. & L. True Value Limited.
- (f) Assignment of peril insurance providing full cover over buildings, inventory, furniture, fixtures and equipment owned by the company and its subsidiaries.

Bank loans and overdrafts include foreign currency denominated liabilities of approximately US\$806,000 (2001 - US\$630,000).

Payables and accruals include foreign currency denominated liabilities in various currencies, the equivalent of J\$188,235,000 (2001 - J\$151,312,000).

16 Share Capital

	2002 \$'000	2001 \$'000
Authorised -		
50,000,000 Ordinary shares of 50 cents each	25,000 =====	25,000 =====
Issued and fully paid -		
40,000,000 Ordinary stock units of 50 cents each	20,000 =====	20,000 =====

	Number of Stock Units \$'000	Ordinary Stock Units \$'000	Share Premium \$'000	Total \$'000
At 31 December 2000	<u>40,000</u>	<u>20,000</u>	<u>25,934</u>	<u>45,934</u>
At 31 December 2001	<u>40,000</u>	<u>20,000</u>	<u>25,934</u>	<u>45,934</u>
At 31 December 2002	<u>40,000</u>	<u>20,000</u>	<u>25,934</u>	<u>45,934</u>

17 Long Term Loans

		The Group		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Bank of Nova Scotia	(a)	1,150	1,751	-	-
Citibank N. A.	(b)	21,237	35,548	21,237	35,548
First Life Insurance Company Limited	(c)	838	1,328	838	1,328
First Life Insurance Company Limited	(c)	-	23	-	23
First Life Insurance Company Limited	(c)	-	243	-	243
Pan Caribbean Merchant Bank Limited	(d)	<u>1,509</u>	<u>4,763</u>	<u>-</u>	<u>-</u>
		24,734	43,656	22,075	37,142
Current maturities (Note 15)		<u>(19,100)</u>	<u>(17,602)</u>	<u>(16,991)</u>	<u>(13,213)</u>
		<u>5,634</u>	<u>26,054</u>	<u>5,084</u>	<u>23,929</u>
		=====	=====	=====	=====

- (a) This loan is secured by an unlimited guarantee of the holding company, Pan-Jamaican Investment Trust Limited. At 31 December 2002, the interest rate was 21 % per annum. The loan is repayable in 2004
- (b) This loan is denominated in United States dollars. It is guaranteed by a composite debenture, which contains a fixed and floating charge over the present and future assets of the company. At 31 December 2002, the interest rate was 12% per annum and the loan balance US\$417,000 (2001 - US\$750,000). The loan is repayable in 2004.
- (c) This is a related party loan that was used to acquire a motor vehicle and is secured by a Bill of Sale on the vehicle. At 31 December 2002, the interest rate was 21 % per annum. The loan is repayable in 2004.
- (d) This loan is due to a related party and is secured by the hypothecation of the funds of the holding company. The loan, which is denominated in United States dollars, attracts interest at 13% per annum. The loan balance is US\$30,000 (2001 - US\$101,000) and is repayable in 2003.

18 Net Obligations Under Finance Leases

The group and the company entered into finance lease agreements for the purchase of motor vehicles and office equipment. Obligations under these agreements are as follows:

		2002	2001
		\$'000	\$'000
in the year ending 31 December			
	2002	-	329
	2003	884	634
	2004	884	634
	2005	716	528
Minimum lease payments		<u>2,484</u>	<u>2,125</u>
Less: Future interest payments		<u>(1,071)</u>	<u>(761)</u>
Net obligations under finance leases		1,413	1,364
Repayable within one year (Note 15)		<u>(648)</u>	<u>(329)</u>
		<u>765</u>	<u>1,035</u>
		=====	=====

19 Related Party Transactions

		2002	2001
		\$'000	\$'000
Rental charges -			
Related company		4,732	3,576
Sales -			
Fellow subsidiaries		17,487	18,377
Management fees -			
Parent company		6,376	2,376
Purchases -			
Related company		42	-
Interest expense -			
Fellow subsidiaries		1,778	2,215
Other charges -			
Fellow subsidiary		508	-
		<u>=====</u>	<u>=====</u>

20 Prior Year Adjustment

This arose as a result of errors made in the inventory costing at December 2000.

21 Dividend

	2002 \$'000	2001 \$'000
Dividends comprise:		
Interim - \$0.15 per ordinary stock unit	6,000	-
Final - \$0.075 per ordinary stock unit (2001 -\$0.15)	<u>3,000</u> 9,000 =====	<u>6,000</u> 6,000 =====

The dividend is subject to withholding tax.

22 Financial Instruments

(a) Currency risk

The net foreign currency exposures as at 31 December 2002 are as follows, asset/(liability):

	<u>The Group</u>		<u>The Company</u>	
	2002	2001	2002	2001
United States (\$'000):				
Cash	91	42	52	-
Other Balances	<u>(4,937)</u>	<u>(4,680)</u>	<u>(3,084)</u>	<u>(3,258)</u>
	<u>(4,846)</u>	<u>(4,638)</u>	<u>(3,032)</u>	<u>(3,258)</u>
	=====	=====	=====	=====
Pound Sterling ('000)	(9)	(9)	(7)	(7)
	=====	=====	=====	=====

(b) Credit risk

The group and company have no significant concentrations of credit risk. Cash and short-term deposits are placed with substantial financial institutions.

(c) Interest rate risk

The interest rate exposure of the borrowings are as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Total borrowings:				
At fixed rates	24,159	41,675	22,650	36,912
At floating rates	67,496	35,265	42,736	31,986
	=====	=====	=====	=====
Weighted average effective interest rates:				
	%	%	%	%
Bank overdrafts	21	24	21	24
Jamaican dollar loans	21	24	21	24
US dollar loans	9	13	9	12
Jamaican dollar leases	25	25	25	25
	=====	=====	=====	=====

(d) Fair value

The amounts included in the financial statements for cash and bank balances, receivables, inter-company balances, other liabilities and payables reflect their approximate fair values because of the short-term maturity of these instruments.

The estimated fair values of other financial instruments are as follows:

	<u>The Group</u>			
	<u>2002</u>		<u>2001</u>	
	<u>Carrying</u>	<u>Fair</u>	<u>Carrying</u>	<u>Fair</u>
	<u>Amount</u>	<u>Value</u>	<u>Amount</u>	<u>Value</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Finance leases	1,413	1,413	1,364	1,364
Long term loans	24,734	24,734	43,656	43,656
	=====	=====	=====	=====

	<u>The Company</u>			
	<u>2001</u>		<u>2001</u>	
	<u>Carrying</u> <u>Amount</u> <u>\$'000</u>	<u>Fair</u> <u>Value</u> <u>\$'000</u>	<u>Carrying</u> <u>Amount</u> <u>\$'000</u>	<u>Fair</u> <u>Value</u> <u>\$'000</u>
Finance leases	1,413	1,413	1,364	1,364
Long term loans	22,075	22,075	37,142	37,142
	=====	=====	=====	=====

The fair value of long term liabilities is based upon projected cash flows discounted at an estimated current market rate of interest. However, considerable judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented above are not necessarily indicative of the amounts that the company would realise in a current market exchange.

23 Retirement Benefit Plans

The group participates in contributory pension plans administered by First Life Insurance Company Limited.

The company and most of its subsidiaries participate in a plan whose benefits are based on 2% of final five years' average salary for each year of service. The latest actuarial valuation, which was carried out as at 31 December 2002, indicated that there was a past service surplus of \$5,000,000. The actuary recommends that the employer contributes at the rate of 4% of members' earnings until the next valuation date. The employees contribute at a rate of 5% of earnings.

One subsidiary, Office Services Limited, participates in a plan whose benefits are based on career earnings. The latest actuarial valuation, which was carried out as at 31 December 2002, indicated that there was a funding surplus of \$5,300,000.

During the year, contributions made by the group and the company were \$4,812,000 (2001 - \$4,784,000) and \$2,296,000 (2001 - \$2,249,000) respectively.

24 Lease Commitments

At 31 December 2002, the group had lease commitments in respect of certain properties. Lease payments are estimated at \$26,112,000 for the year 2003, and are expected to continue at that level for the foreseeable future.

Detailed Profit and Loss Account

	Note	2002 \$'000	2001 \$'000
Contribution			
Yard (Page 24)		41,882	43,553
Warehouse (Page 24)		<u>9,412</u>	<u>2,128</u>
		<u>51,294</u>	<u>45,681</u>
Other Operating Income			
Cement income		410	214
Profit on sale of fixed assets		-	433
Rent received		17,249	17,209
Other		<u>4,592</u>	<u>4,461</u>
		22,251	22,317
Expenses			
Administrative (Page 26)		<u>64,185</u>	<u>56,973</u>
Operating Profit	4	9,360	11,025

Finance costs - net	6	<u>(7,017)</u>	<u>(15,159)</u>
Profit/Loss before Exceptional Item		2,343	(4,134)
Exceptional Item	7	<u>-</u>	<u>(2,503)</u>
Profit/Loss before Taxation		2,343	(6,637)
Taxation	8	<u>(3,727)</u>	<u>-</u>
Net Loss		<u>(1,384)</u>	<u>(6,637)</u>
		=====	=====

Contribution Accounts

	2002	2001
	\$'000	\$'000
Yard Department		
Gross profit (Page 25)	<u>66,149</u>	<u>62,430</u>
Less direct expenses -		
Salaries, wages and N.I.S.	8,383	7,652
Motor fleet operation and maintenance	2,944	2,733
Other direct expenses	<u>12,940</u>	<u>8,492</u>
	<u>24,267</u>	<u>18,877</u>
Contribution	41,882	43,553
	=====	=====
Warehouse Department		

Gross profit (Page 25)	<u>22,483</u>	<u>16,695</u>
Less direct expenses		
Salaries, wages and N.I.S.	5,044	4,417
Motor fleet operation and maintenance	2,947	2,361
Other direct expenses	<u>5,080</u>	<u>7,789</u>
	<u>13,071</u>	<u>14,567</u>
Contribution	<u>9,412</u>	<u>2,128</u>
	=====	=====

Trading Accounts

		2002	2001
		\$'000	\$'000
Yard			
Pine	Sales	392,168	400,290
	Cost of sales	<u>342,505</u>	<u>348,527</u>
	Gross profit	<u>49,663</u>	<u>51,763</u>
Hardware	Sales	168,055	120,207
	Cost of sales	<u>151,569</u>	<u>109,540</u>
	Gross profit	<u>16,486</u>	<u>10,667</u>
Total Yard Gross Profit		<u>66,149</u>	<u>62,430</u>

Warehouse Hardware	Sales	=====	=====
		126,209	136,817
	Cost of sales	<u>103,726</u>	<u>120,122</u>
	Gross profit	<u>22,483</u>	<u>16,695</u>
		=====	=====

Administrative Expenses

	2002	2001
	\$'000	\$'000
Advertising and promotions	2,320	1,898
Audit fees - current year	1,735	1,625
Bad debts written off	314	3,031
Canteen	1,360	1,242
Company's contribution to superannuation scheme	3,036	3,048
Debt collection	822	1,825
Depreciation	10,252	10,089
Education tax	924	867
H.E.A.R.T.	1,808	1,762

Health insurance	1,116	1,118
Insurance	2,697	2,387
Janitorial services	1,051	923
Legal, secretarial and professional fees	1,706	931
Maintenance - buildings and equipment	11,516	10,513
Management fee	1,913	761
Miscellaneous	3,214	3,794
Motor car operation and maintenance	8,416	7,338
National Housing Trust	988	930
Printing and stationery	1,141	1,023
Rates and taxes	1,415	1,066
Salaries, wages and N.I.S.	32,008	29,825
Staff welfare	2,609	4,435
Telephone, cables and postage	464	301
Travelling and entertaining	<u>3,929</u>	<u>2,150</u>
	<u>96,754</u>	<u>92,882</u>
Shared Expenses Charged to Subsidiaries		
H&L Agri & Marine	(5,219)	(7,790)
H. & L. True Value	(24,136)	(21,293)
Office Services Limited	<u>(3,214)</u>	<u>(6,826)</u>

	(32,569)	<u>(35,909)</u>
Net Administration Expenses	<u>64,185</u>	<u>56,973</u>