

Equity Research Team

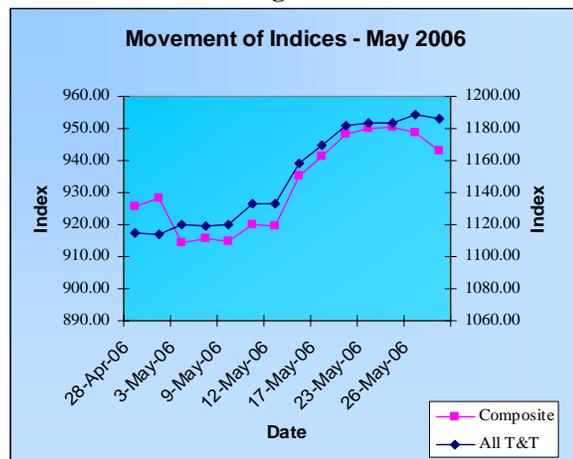
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The bear loosened its grasp on the market in May as both the Composite and All T&T Indices experienced positive strides from April's close. The Composite Index increased 1.86 per cent to 942.99 while the All T&T Index rose 6.35 per cent to 1,185.73. Growth in the Indices however was inconsistent as the Composite Index dropped to as low as 914.35 on May 3 while the All T&T Index fell to as low as 1,114.34 on May 2. (See Figure 1). This is the lowest that these Indices have been since its peak on May 17, 2005. Advances outnumbered declines by a 16 to 10 margin.

Figure 1



The total volume of shares traded for the month of May was 17,242,735 which was 70.50 per cent more

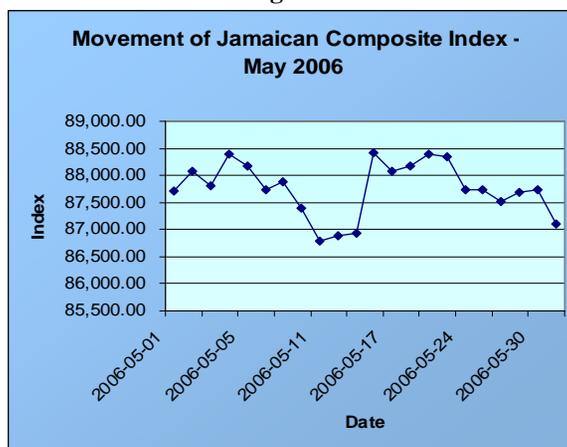
than April's total of 10,113,017 and 8.07 per cent less than May 2005. The majority of shares traded in May 2006, was from a non-traditional market driver, Flavorite Foods Limited which saw 5,709,393 shares crossing the floor which was 33.11 per cent of all trades. RBTT Financial Holdings followed capturing 15.62 per cent of the market with 2,692,852 shares crossing the floor while Sagicor saw 2,690,985 shares changing ownership which was 15.61 per cent of the market.

The price leader for the month of May belonged to National Flour Mills rising 125.68 per cent to close at \$1.67. This share has traded as low as 68 cents in the past 52 weeks. Guardian Holdings Limited followed rising 56.76 per cent from \$17.00 to \$26.65 while Trinidad Publishing increased 25.00 per cent from \$14.00 to \$17.50.

Declining the most for the month of May was Prestige Holdings Limited falling 18.11 per cent from \$8.67 to \$7.10. First Caribbean International Bank followed dropping 14.50 per cent from \$13.45 to \$11.50 while Neal & Massy Holdings dropped 4.38 per cent to \$38.01.

In Jamaica, the Indices fluctuated (See Figure 2) throughout the month, closing as high as 88,418.56 (May 4) and as low as 86,790.73 (May 11).

Figure 2



Scotiabank (T&T) Limited

Results for the Half Year ended April 30, 2006

Scotiabank (T&T) Limited (SBTT) continued to show the consistency which many have associated as a trademark with the local bank. In its unaudited half-year results SBTT reported an impressive EPS of \$1.224, which represents an improvement of 39.4% over the corresponding period last year (hy- 05: \$0.878). Based on the results posted, the Directors have resolved to pay a first interim dividend of \$0.23 cents per share, a 21% improvement over the amount paid for the same period last year (\$0.19). This brings the dividends for the year to date to \$0.46.

The improvement in earnings was driven by growth at the top line especially Net Interest Income, the main income stream. Net Interest Income increased by 23.25% from \$199 million to \$245.75 million. The top line growth was helped by a relatively small increase in Non-Interest Expenses (9.28%). The major components of expenses, Salaries and Staff Benefits, and Premises and Technology saw marginal increases, while the major relative increases were in the less significant areas. The combination of top line growth and expenditure control pushed the improvement in Income before Taxation to 30% from \$145 million to \$188 million. SBTT also benefited from a reduction in the effective tax rate, which moved from 29% to 23.5%. The resulting Income after Taxation was \$143.8 million, 39.3% higher than the corresponding prior year period (\$103.2 million).

The Asset Base of SBTT has grown from \$8.7 billion to \$9.2 billion over the six-month period under review (Oct 05-Apr 06). Total Liabilities of the Bank increased from \$7.5 billion to \$7.9 billion, with the majority of this growth coming from increased Deposits (\$6.16 billion to \$6.62 billion). Shareholders Equity was also enhanced, moving from \$1.16 billion to \$1.24 billion.

Given that the Company has achieved two consistent quarters of growth with earnings in each quarter of over \$0.60, the confidence placed in the stock should be maintained. The relatively small available float of shares combined with the impressive growth to date

adds to the ability of the shares to trade at a relative premium to the rest of the market. Shareholders though, have approved a proposal by the Bank to increase the Issued and Fully Paid Shares from One Hundred and Seventeen Million Five Hundred (117,562,500) to One Hundred and Seventy-six Million Three Hundred and Forty-three Thousand Seven Hundred and Fifty (176,343,750), via a One (1) for Two (2) Bonus Issue. The date of the issue had not been finalized up to the date this report was prepared. Whether this increase in the number of shares will impact on the premium investors are willing to pay for the shares is uncertain. However when the issue takes place, the average number of shares used to calculate the EPS would increase. Thus, even with the strides the Bank is making with growth to date above 30%, the actual EPS achieved would be restricted by the increase in the number of shares.

At the current price of \$40.01 and the running EPS of \$2.279, the shares of SBTT are trading at a multiple of 17.56 times. The initial forecast we targeted for the EPS at the year-end was based on a conservative growth rate of 17%, however, given the half-year performance, we have increased the projected rate to 25%. Using the growth rate of 25%, the new estimated EPS for the 2006 financial year is in the range of \$2.40 to \$2.45, without accounting for the Bonus Issue, which would translate to a multiple in the 15 times range. Assuming that the new shares would be available by the fourth quarter, the new weighted average number of shares would be in the range of 132 million shares (117 million*9/12+176 million*3/12). This would bring our projected EPS down to \$2.20 to \$2.25.

We maintain our recommendation as a HOLD.

Neal & Massy Holdings Limited Unaudited Half Year to March 31, 2006

Neal and Massy Holdings Limited (NML) in the unaudited results for the half-year ended March 31, 2006 have reported a growth in EPS of 11.48%, from \$1.22 to \$1.36. This growth was driven primarily by an increase in Third Party Revenue, which moved 12%

from \$1.7 billion to \$1.96 billion, filtering down to the bottom line.

The Chairman placed this performance into context, highlighting that the results of the corresponding period last year were impacted by a substantial capital gain from one of the Group's Associated Companies, which if excluded would have resulted in an increase in Profit after Tax of 23%. Last year the Associated Companies of the Group increased their contribution by 53.85 percent year on year from \$17.264 to \$26.6 million. In the period under review, the contribution by the Associated Companies was \$16.2 million. Despite the fall in this income stream, the Group attained an 11.25% growth in Profit before Taxation, which because of the effective tax rate being maintained translated to the same level of growth in Profit after Taxation, from \$115.6 million to \$128.6 million.

The Group's Asset Base grew significantly for the period under review, moving from \$2.7 billion to \$3.2 billion. In this period, the Group added 100% of Shell Jamaica's LPG operations and 40% of the petroleum retailing activities, with three additional projects in the pipeline, which the management expects to complete before the end of the financial year.

The current share price of NML is \$38.01. Using this share price and the running EPS of \$2.94, the shares are trading at a P/E multiple of 12.93 times. The second half of the year is traditionally the stronger period for the Company and as such we expect that NML will meet its commitment of 15% growth at the year-end. Based on this projection, we anticipate an EPS in the range of \$3.22-3.25. Given the changing investment climate in the local market, we expect that the combination of the consistent past performance and the prospects for the rest of the year, that investors would be attracted to this share, translating to upward push on the share price. We recommend a BUY on this share.

WEST INDIES STOCKBROKERS LIMITED STOCK MARKET QUOTATIONS AS AT MAY 31, 2006

	Hist Eps	Est Eps	Est Div	Curr Price	Est Yield %	Est P/E Ratio
Bank						
FirstCaribbean	106.5	75.0	18.8	11.50	1.63	15.33
NCB Jca	17.4	20.3	4.8	1.66	2.89	8.18
RBTT Fin Hold	268.0	310.0	124.0	33.01	3.76	10.65
Republic Bank	509.0	510.0	225.0	88.49	2.54	17.35
Scotiabank	193.0	225.0	92.0	40.01	2.30	17.78
Non-Bank Fin						
ANSA Fin & Merch	121.0	145.0	32.0	19.95	1.60	13.76
Capital & Credit	19.3	19.0	2.5	1.55	1.61	8.16
DB&G	27.5	29.0	8.0	1.74	4.60	6.00
Guardian Holdings	185.0	0.0	0.0	26.65	0.00	0.00
JMVB	11.3	11.3	1.5	1.32	1.14	11.68
National Enterprises	76.0	76.0	48.0	7.67	6.26	10.09
Sagikor Financial Corp	163.0	147.0	60.0	13.98	4.29	9.51
Conglomerates						
Ansa Mcal Ltd	261.0	325.0	65.0	42.02	1.55	12.93
Bdos Ship & Trad	198.0	160.0	58.0	19.50	2.97	12.19
GraceKennedy	61.1	65.0	10.4	6.50	1.60	10.00
Neal and Massy	280.0	325.0	97.0	38.01	2.55	11.70
Trading						
Agostini's Ltd	91.5	93.0	33.0	10.75	3.07	11.56
BWIA *suspended*	0.0	0.0	0.0	0.97	0.00	0.00
Furness Trinidad	47.0	47.0	0.0	6.15	0.00	13.09
L J Williams Ltd. - 'A'	1.4	0.9	0.4	0.60	0.67	0.00
L J Williams Ltd. - 'B'	14.0	9.0	4.0	1.32	3.03	0.00
Prestige Holdings	46.4	46.4	21.0	7.10	2.96	15.30
Property						
PLIPDECO	116.0	116.0	22.0	9.17	2.40	7.91
Valpark	47.3	47.3	0.0	5.00	0.00	10.57
Manufacturing						
Angostura Holdings	180.0	5.0	12.0	5.55	2.16	111.00
Berger Paints	24.0	7.0	17.0	3.40	5.00	0.00
Flavorite Foods	54.0	54.0	21.0	5.10	4.12	9.44
National Flour Mills	8.6	8.6	8.0	1.67	4.79	19.42
One Caribbean Media	109.0	109.0	60.0	19.50	3.08	17.89
Readymix WI	-210.0	20.0	3.0	3.80	0.79	0.00
Trinidad Cement	66.0	58.0	10.0	8.74	1.14	15.07
Trinidad Publishing	91.0	91.0	32.0	17.05	1.88	18.74
Unilever Caribbean Ltc	133.0	145.0	120.0	16.94	7.08	11.68
WITCO	137.4	137.4	135.0	23.04	5.86	16.77

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