

Equity Research Team

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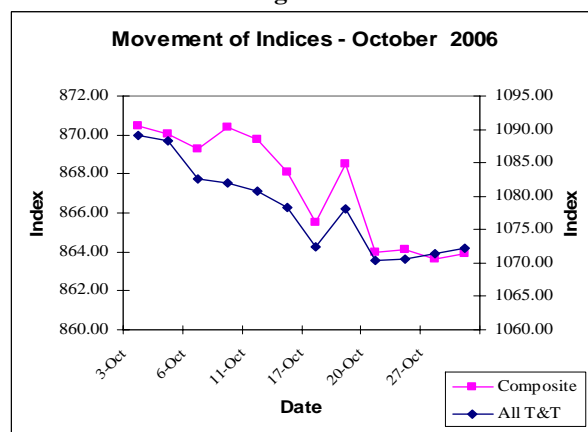
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Trading activity picked up considerably in October as a total volume of 13,330,358 shares changed ownership. This volume was up by a significant 211.11 per cent on September's volume of 4,284,740. The total value of shares traded for the month amounted to \$147,779,385.05 compared to \$48,984,681.48 in September. It should be noted however, that the month of September saw the lowest volumes and values for the year to date.

Despite the increase in market activity, both Indices continued to fall with the Composite Index reaching 863.9164, down 0.56 per cent and the All T&T Index ending at 1,072.1623, a drop of 1.66 per cent. (See Figure 1)

Figure 1



Advances were outnumbered by declines in a 10 to 15 ratio.

RBTT Financial Holdings Limited (RBTT) was the volume leader for the month of October, commanding 19.49 per cent of all trades with 2,598,555 shares changing hands. PLIPDECO (PLD) was next in line, trading 16.79 per cent of the market or 2,237,501. While National Commercial Bank of Jamaica Limited (NCBJ) followed close behind trading 16.09 percent or 2,144,642 of all trades.

National Flour Mills (NFM) emerged as the major advance last month, rising 10.06 per cent or 16 cents to close at \$1.75. Following closely as the second major advance was Angostura Holdings Limited (AHL), up 10.00 per cent from \$4.00 to end at \$4.40.

While NCBJ was the third major advance for the month, moving up 9.09 per cent or 15 cents to \$1.80. The major decline for the month of October was Jamaica Money Market Brokers (JMMB), which dropped 8.70 per cent from \$1.15 to \$1.05. RBTT followed with a decline of 7.14 per cent to end at \$26.00, while Prestige Holdings Limited (PHL) closed at \$5.11 after falling 7.09 per cent from \$5.50.

In Jamaica, the Indices ended the month in mixed territory. The JSE Market Index declined 0.28 per cent to end at 85,955.92, while the JSE Select Index and the All Jamaican Composite advanced by 3.97 per cent (2,436.73) and 4.30 per cent (90,550.41), respectively.

Overall market activity on the Jamaican Stock Exchange (JSE) resulted in an even advance to decline ratio of 22 to 16. Volumes traded amounted to 70,167,989 shares valued at over JMD839,243,032.67.

Jamaica Broilers Limited (JBG) was the volume leader, trading 14,736,380 shares or 21 per cent of the market. Followed by Supreme Ventures Limited (SVL) and Cable and Wireless Jamaica Limited (CWJA), with 14,724,598 shares (20.98 per cent) and 9,879,033 shares (14.08 percent), respectively.

Republic Bank Limited (RBL)

Audited Results for the Year Ended September 30, 2006

Republic Bank Limited (RBL) reported Earnings Per Share (EPS) of \$4.01 for the year ended September 30, 2006. This was a disappointing 25.67 per cent less

than 2005's EPS of \$5.04. In addition, this was the first financial year in the last five years in which the second half has not bettered the EPS of the first half.

One of the major reasons for this is the fact that the Group recorded a notable unrealized loss in the second half (2006) as a result of the fall in the price of First Caribbean International Bank Limited (FCIB). The first half of the year saw the price fall 4 cents or 0.30 per cent to \$13.45. The second half saw the FCIB share falling \$2.60 from \$13.45 at the end of the first half to \$10.85 at the end of RBL's financial year.

The Chairman commented that the decline in the FCIB share price for the period under review was driven by the impending sale by Barclays to Canadian Imperial Bank of Commerce (CIBC) of its FCIB shareholding. He further noted that CIBC has indicated its intention to make the mandatory purchase offer to the remaining FCIB shareholders. Should the Group accept this offer, it would result in a significant realized gain to the Group and shareholders in the coming year.

Though the bottom line was down, the Group's core operations recorded an impressive 18.34 per cent increase in profit to \$1,139.355 million up from \$962.745 million in 2005. Profit Before Tax was affected by an Unrealized Loss of \$175.428 million on the value of the Group's holding in First Caribbean International Bank (FCIB) shares as discussed before. This was a sharp contrast to the corresponding period for 2005 which had seen an Unrealized Gain of \$236.301 million as FCIB climbed 42.00 per cent from \$9.50 to \$13.49.

In addition, in 2005, the Group also had to contend with two non-recurring charges; a Goodwill write-off of \$124.119 million from its operations in the Dominican Republic and an Impairment of Grenada Government Debt of \$70.184 million.

In actuality, Profit Before Tax was down 4.06 per cent to \$963.927 million while Profit After Tax fell 14.37 per cent to \$736.661 million. The Effective Tax Rate moved from 14.38 per cent in 2005 to 23.58 per cent in 2006. Profit Attributable to Shareholders fell 20.32 per cent to \$640.257 million. The Board of Directors has declared a final dividend of \$1.73, bringing the

total dividend for FY 2006 to \$2.50. The final dividend will be paid on December 1, 2006.

Given that the Bank's core operations were strong coupled with the fact that the Unrealised Loss as a result of the Bank's holding in FCIB shares is not expected to recur next year, we are forecasting year end earnings of \$5.30. At this forecast and the price of \$85.35 (closing price on October 31, 2006), RBL is trading at a price/earnings ratio of 16.10. This multiple is considered high for this Company given the current state of the market and as such we recommend a **SELL** on this share.

Prestige Holdings Limited (PHL)

Results for the Nine Months Ended August 31, 2006

For the nine months ended August 31, 2006 Prestige Holdings Limited (PHL) reported a Diluted Earnings Per Share (EPS) of 26.42 cents. When compared to the nine months ended August 31, 2005, this represents a 19.45 per cent drop in Earnings. However, for the three months ended August 31, 2006 PHL's EPS was actually up by a marginal 0.54 per cent (12.98 cents) when compared to the same period in 2005 (12.91 cents). Also, the results for the three months ended August 31, 2006 have been the highest the Company has seen for the third quarter over the period 2004 to present.

Sales for the nine month period were up by \$21.34 million or 5.16 per cent to end the period at \$434.51 million. For the quarter this figure amounted to \$153.65 million and represented an increase of 7.29 per cent on the comparable period in the previous financial year. While sales are currently up, the Chairman has pointed out that the drop in profits in the year to date results have been the product of reduced sales in KFC Trinidad and Tobago in the first half of the year. He has also stated that there have been improvements in this unit in the third quarter and that sales are currently ahead of prior year levels.

Cost of Sales for the period amounted to \$291.99 million, up by a minimal 5.43%. Thus Gross Profit for the nine months under review stood at \$142.52 million compared to \$136.21 million for the same period in 2005, an increase of \$6.30 million or 4.63 per cent.

An increase in Operating Restaurant Expenses of \$14.44 million or 15.03 per cent resulted in a nine month figure of \$32.01 million. As such, Operating Profit for the period amounted to \$32.01 million, down by \$8.13 million or 20.26 per cent. Net Finance Costs also increased, from \$6.65 million in the corresponding period in 2005 to \$7.78 million in the current period (16.86 per cent). As a result, Profit before Taxation amounted to \$24.23 million a drop of \$9.26 million or 27.64 per cent on the same period in the last financial year.

The Effective Tax Rate for the period stood at 31.50 per cent while the comparable nine month Tax Rate in 2005 was 34.20 per cent. Profit after Taxation ended the period at \$15.09 million a significant fall of 26.52 per cent or \$5.45 million on the comparable figure for the period ended August 31, 2005.

The Board has resolved that the Company pay an Interim Dividend of 7 cents per share in respect of the financial year ending November 30, 2006- payable on October 27, 2006 to shareholders on record on October 13, 2006. The comparable Interim Dividend in 2005 was 9 cents per share.

The Chairman believes that the improved performance in the third quarter is an indication that the Company is recovering from the very difficult first half of 2006. His outlook is positive for the final quarter as the KFC business in Trinidad & Tobago is recovering to prior levels of profitability, while the T.G.I. FRIDAY'S businesses in Puerto Rico and in Jamaica, both of which have been operating at significant losses, are now generating improved results. However, while he expects improved profitability in the final quarter he does not expect the Company to achieve the prior year's level in 2006.

Prestige Holdings Limited closed at a price of \$5.11 on October 31, 2006. In light of the current results and the Chairman's outlook we are revising our Forecasted EPS to 38 cents. At the price of \$5.11 and our revised Forecasted EPS, this share is trading at a multiple of 13.45 times, which is not only attractive for the sector but is also in the lower end of PHL's traditional trading range. Thus, at this time we revise our recommendation to a **BUY**.

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

	Hist Eps	Est Eps	Est Div	Curr Price	Est Yield %	Est P/E Ratio
Bank						
FirstCaribbean	106.5	70.0	18.0	10.87	1.7	15.5
NCB Jca	17.4	20.3	4.8	1.80	2.7	8.9
RBTT Fin Hold	268.0	295.0	130.0	26.00	5.0	8.8
Republic Bank	401.0	450.0	250.0	85.35	2.9	19.0
Scotiabank	193.0	220.0	92.0	25.30	3.6	11.5
Non-Bank Fin						
ANSA Fin & Merch	121.0	120.0	32.0	19.49	1.6	16.2
Capital & Credit	19.3	13.0	2.5	1.10	2.2	8.5
DB&G	27.5	30.0	9.0	1.85	4.9	6.2
Guardian Holdings	185.0	0.00	35.0	19.60	1.8	0.0
JMMB	11.0	11.0	1.5	1.05	1.4	9.5
National Enterprises	81.0	81.0	79.0	7.45	10.6	9.2
Sagicor Financial Corp	163.0	147.0	60.0	12.91	4.6	8.8
Conglomerates						
Ansa Mcal Ltd	261.0	325.0	80.0	40.63	2.0	12.5
Bdos Ship & Trad	198.0	100.0	56.0	17.00	3.3	17.0
GraceKennedy	61.1	60.0	10.4	5.80	1.8	9.7
Neal and Massy	280.0	325.00	97.0	37.08	2.6	11.4
Trading						
Agostini's Ltd	91.5	70.0	33.0	10.99	3.0	15.7
BWIA *suspended*	0.0	0.0	0.0	0.97	0.0	0.0
Furness Trinidad	47.0	60.0	0.0	6.15	0.0	10.3
L J Williams Ltd. - 'A'	0.8	0.5	0.2	0.60	0.3	0.0
L J Williams Ltd. - 'B'	8.0	5.0	2.0	1.25	1.6	0.0
Prestige Holdings	46.4	38.0	16.0	5.11	3.1	13.4
Property						
PLIPDECO	116.0	70.00	22.0	5.51	4.0	7.9
Valpark	47.3	47.3	0.0	5.00	0.0	10.6
Manufacturing						
Angostura Holdings	180.0	20.0	12.0	4.40	2.7	22.0
Berger Paints	24.0	7.0	19.0	3.40	5.6	0.0
Flavorite Foods	54.0	54.0	21.0	5.10	4.1	9.4
National Flour Mills	8.6	-58.0	8.0	1.75	4.6	0.0
One Caribbean Media	109.0	150.0	75.0	19.49	3.8	13.0
Readymix WI	-210.0	50.0	3.0	3.83	0.8	0.0
Trinidad Cement	66.0	52.0	8.0	6.09	1.3	11.7
Trinidad Publishing	91.0	130.0	45.0	18.50	2.4	14.2
Unilever Caribbean Ltd	133.0	145.0	120.0	18.07	6.6	12.5
WITCO	137.4	172.0	160.0	24.00	6.7	14.0

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