

THE WISE CHRONICLE

ELECTRONIC VERSION

APRIL 2004

March was the busiest month of trading for the year thus far. A total of 45,596,543 shares were traded valued at \$286,297,893.36. This represents an increase of 62.35 per cent over last month's traded volume. Advances outnumbered declines by twenty-four (24) to five (5). The Composite Index, moved up 5.82 per cent or 46.1284 points to 839.3779 and the All T&T Index increased by 3.43 per cent or 37.0710 points to close at 1,118.3247.

National Commercial Bank Jamaica (NCJB) was the most actively traded share accounting for 28,637,859 shares traded or 62.81 per cent of all trades. Capital & Credit Market Bank (CCMB) was next with 4,019,246 shares traded accounting for 8.81 per cent of total volume and following in a distant third was National Enterprises with 2,529,290 shares traded representing 5.55 per cent of all trades.

Most of the trading activity was focussed on the banking sector. The total volume of shares traded in this sector was 30,658,196 or 67.24 per cent all trades. Most of these trades however were concentrated in NCBJ, which accounted for 93.41 per cent of the total trades in this sector. The non-bank/finance sector was second with 10,960,542 shares traded or 24.04 per cent of total volume.

JMMB made the biggest percentage price gain for March, up 45 cents or 39.13 per cent to close at \$1.60. NCBJ was next, up 37 cents or 22.70 per cent to close at \$2.00. Berger Paints rounded off the top three up 95 cents or 19.00 per cent to close at \$5.95.

The major declines were BWIA down 70 cents or 28 per cent to \$1.80, National Flour Mills down 90 cents or 22.50 per cent to \$3.10 and Trinidad Cement down 35 cents or 5.83 per cent to \$5.65.

Investors are paying close attention to current share valuations given the significant price gains in relation to expected earnings and are taking profits where they see an opportunity. In taking profits however most investors are simply shifting around their portfolio and moving into shares which are trading at a more attractive valuation.

ANSA McAl Limited

Results for the year ended December 31, 2003.

ANSA McAl (AML) recorded an increase in earnings per share of 16.1 per cent in fiscal 2003 when compared with 2002. EPS in 2003 was \$1.44, while in the previous year this amount was \$1.24. The table below illustrates some key top-line items:

| | 2003 | 2002 |
|----------------------|-------------|-------------|
| Third party turnover | \$2.417 B | \$2.246 B |
| Operating income | \$480.8 M | \$429.9 M |
| Operating margin | 19.9 % | 19.1 % |

The operating margin increased slightly in 2003, however AML exceeds its peers in this category. In 2003 Neal and Massy Holdings posted an operating margin of 7.3 per cent, while Grace Kennedy's measure for the same year was 8.0 per cent.

Profit before taxation, at \$382.3 million, was 18.2 per cent higher than the previous year's \$323.3 million. The effective tax rate was 22.4 per cent in 2003, decreasing from the 2002 level of 24.7 per cent. A decrease in this rate is a positive outcome as it means that the Company is managing its tax position to the benefit of its shareholders. Profit attributable to shareholders reached \$243.2 million in 2003 compared to 2002's \$203.8 million.

In 2003 AML's capital expenditure totalled approximately \$115 million, part of this being spent on a new kiln at Carib Glassworks. Management indicated that the full benefit of this expenditure will accrue in 2004, as the learning curve associated with the new equipment accelerates. AML has earmarked about \$1 billion in capital expenditure in the next three to four years.

In early 2004 AML, through its Barbados subsidiary Mc Eneaney Alstons acquired a majority shareholding in A.S Brydens (Barbados). With a recorded turnover in 2003 of Bds\$100 million (EC\$250 million) Brydens offers AML a Caribbean-wide distribution network. AML expects to improve on this performance in fiscal 2004.

The Board of Directors has approved a final dividend of 40 cents to shareholders on a date as yet to be determined. The month-end price of \$27.40 gives a P/E ratio of 19.0 based on the \$1.44 earnings per share in 2003. While this is high for the sector, we believe there is potential for this share. We therefore recommend a BUY for those investors with long-term horizons.

Trinidad Cement Limited

Results for the year ended December 31, 2003.

Trinidad Cement results for fiscal 2003 were flat when compared with the 2002 performance, with marginal increases in the key items listed below.

| | 2003 | 2002 | % Ch. |
|-------------------|-------------|-------------|--------------|
| Revenue | \$1.156 B | \$1.132 B | + 2.1 % |
| Operating profit | \$264.0 M | \$246.7 M | + 7.0 % |
| Net finance costs | \$90.7 M | \$86.3 M | + 5.1 % |

Profit attributable to shareholders increased by just 2.5 per cent to \$121.4 million in 2003 from the 2002 amount of \$118.5 million. Earnings per share totalled 50 cents in 2003 compared to the 2002 figure of 49 cents on a fully diluted basis.

A total of 1,697 million tonnes of cement were sold in 2003, exceeding the previous year's record of 1,658 million tonnes. Additionally, clinker production increased in Barbados and Jamaica by 6 and 13 per cent respectively. In Jamaica, the local currency depreciated by 19 per cent against the US dollar. Caribbean Cement Company Limited (CCCL), the local subsidiary faced cheaper imported cement in 2003 and lost 22 per cent of market share. TCL also re-acquired previously leased equipment from a third party, the effect being a write off of deferred income (\$93.9 million) on the balance sheet.

The authorities in Jamaica have since levied duties of 25.8 per cent on all imported cement, and additionally a 96.3 per cent duty on Chinese cement. The Group expects the level of demand in T&T and Jamaica to remain strong, and this is expected to continue for 2004. The Group has also embarked upon a capacity upgrade project expected to cost US\$120 million. The current long-term debt-to-equity ratio is 1.1, and any external financing should also be accompanied with an equity injection. We welcome the initiative to reduce the cost of production, which in our view, will enable TCL to better cope with foreign competition and even result in cost savings passed on to consumers.

A final dividend of 10 cents per share has been approved by the Board, payable on May 21, 2004 to registered shareholders as at May 7, 2004.

Guardian Holdings Limited

Results for the year ended December 31, 2003.

Guardian Holdings' results for the year ended December 31, 2003 were by all accounts excellent. There were non recurring gains in the income statement which impacted on the 85.8 per cent growth in revenues for 2003 but even so the operating performance was still impressive. Overall in 2003 revenues grew to \$2.827 billion from the 2002 level of \$1.522 billion. The operating profit in 2003 of \$545.6 million was more than one-and-a half times that of the previous year of \$212.5 million.

Negative goodwill arising from the purchase of Fatum Holding NV contributed \$57.4 million to the income statement over the same period and the sale of RBTT shares resulted in a further one-off gain of \$680.8 million. This gain comprised a realised amount of \$194.6 million and a mark to market adjustment of \$486.2 million. GHL

is required under International Accounting Standards to adjust the value of their RBTT share holding to reflect the current share price.

On the expense side finance charges increased in 2003 by 38.5 per cent to \$118.7 million, compared to \$85.7 million in 2002.

Profit attributable to shareholders in 2003 was \$1.056 billion, more than four and a half times that of the previous year's \$0.184 billion. These results now gives GHIL the distinction of being the first Trinidad and Tobago company listed on the stock exchange to post after tax profits of over \$1 billion.

In order to compare GHIL's results to prior years and across industries we have adjusted for the effect of the non-recurrent items described above. The adjusted profit after tax figure of \$411.3 million still represents a 123.8 per cent improvement over the 2002 performance. At the end of 2003 there were 190.7 million shares outstanding and using the adjusted profit gives fully-diluted earnings per share (EPS) of \$2.15. The resulting price earnings (P/E) ratio is 15.6X based on a current share price of \$33.50. Book value per share using shareholders equity of \$2.501 billion would be \$13.11. The price to book multiple, a good proxy for companies in the industry is 2.5 times for GHIL.

GHIL revealed another acquisition in the form of Link Underwriting Agency Limited a UK-based company. This company was purchased in September 2003 and gives GHIL access to the European market. The aforementioned acquisitions coupled with the consolidation of the operations of Nemwil and Caribbean Home Insurance Company Limited into the single entity, Guardian General Limited suggests that GHIL has the capacity to improve both the revenue line as well as reduce its operating costs.

The Directors have decided to pay a final dividend 42 cents per share, which comprises an ordinary dividend of 36 cents and a special dividend of 6 cents. Using our fully diluted EPS of \$2.15 and the month-end trading price of \$33.50, with the resultant P/E of 15.6, we anticipate some capital appreciation and therefore recommend a buy on GHIL.

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WEST INDIES STOCKBROKERS LIMITED
STOCK MARKET QUOTATIONS
AS AT MARCH 31, 2004

| | Hist EPS | Est EPS | Est Div | Curr Price | Est Yield % | Est P/E Ratio |
|------------------------|-------------|------------|------------|---------------|-------------------|---------------------|
| Shares | ¢ | ¢ | ¢ | | | |
| Banks | | | | | | |
| First Caribbean | 29.1 | 29.1 | 15.8 | 8.70 | 1.82 | 29.90 |
| NCB J'ca | 12.0 | 12.0 | 5.4 | 2.00 | 2.70 | 16.67 |
| RBTT Fin Hold | 169.0 | 230.0 | 98.0 | 45.30 | 2.16 | 19.70 |
| Republic Bank | 367.0 | 367.0 | 180.0 | 66.76 | 2.70 | 18.19 |
| Scotiabank | 165.6 | 190.0 | 80.0 | 29.40 | 2.72 | 15.47 |
| Non-Bank Fin | | | | | | |
| ANSA Fin & Merch | 98.0 | 98.0 | 42.0 | 14.00 | 3.00 | 14.29 |
| Capital & Credit | 5.2 | 7.5 | 1.1 | 0.80 | 1.38 | 10.67 |
| Guardian Holdings | 215.0 | 215.0 | 54.0 | 33.50 | 1.61 | 15.58 |
| JMMB | 4.7 | 10.5 | 1.5 | 1.60 | 0.94 | 15.24 |
| National Enterprises | 55.0 | 60.0 | 42.0 | 10.15 | 4.14 | 16.92 |
| Conglomerates | | | | | | |
| Ansa Mcal Ltd | 144.0 | 144.0 | 65.0 | 27.40 | 2.37 | 19.03 |
| Bdos Ship & Trad | 135.5 | 140.0 | 47.5 | 18.00 | 2.64 | 12.86 |
| Grace, Kennedy | 63.7 | 63.7 | 7.1 | 7.70 | 0.92 | 12.09 |
| Neal and Massy | 190.0 | 190.0 | 67.0 | 30.10 | 2.23 | 15.84 |
| Trading | | | | | | |
| Agostini's Ltd | 34.9 | 34.9 | 16.0 | 8.25 | 1.94 | 23.64 |
| BWIA | 0.0 | 0.0 | 0.0 | 1.80 | 0.00 | 0.00 |
| Furness Trinidad | 25.0 | 25.0 | 5.0 | 5.60 | 0.89 | 22.40 |
| L J Williams Ltd - 'A' | 0.0 | 0.0 | 0.0 | 0.56 | | |
| L J Williams Ltd - 'B' | 0.0 | 0.0 | 0.0 | 1.50 | | |
| Prestige Holdings | 27.4 | 27.4 | 20.0 | 6.70 | 2.99 | 24.45 |
| Property | | | | | | |
| PLIPDECO | 99.0 | 60.0 | 21.0 | 16.87 | 1.24 | 28.12 |
| Valpark | 47.3 | 47.3 | 0.0 | 5.00 | | 10.57 |
| Manufacturing | | | | | | |
| Angostura Holdings | 31.0 | 31.0 | 12.0 | 5.00 | 2.40 | 16.13 |
| Berger Paints | 39.0 | 39.0 | 17.0 | 5.95 | 2.86 | 15.26 |
| CCN | 54.0 | 54.0 | 25.0 | 7.25 | 3.45 | 13.43 |
| Flavorite Foods | 24.0 | 24.0 | 10.5 | 4.05 | 2.59 | 16.88 |
| Lever Brothers WI | 142.0 | 142.0 | 155.0 | 30.00 | 5.17 | 21.13 |
| National Flour Mills | 23.0 | 23.0 | 16.0 | 3.10 | 5.16 | 13.48 |
| Readymix WI | 44.0 | 44.0 | 15.0 | 6.75 | 2.22 | 15.34 |
| Trinidad Cement | 50.0 | 50.0 | 18.0 | 5.65 | 3.19 | 11.30 |
| Trinidad Publishing | 45.0 | 45.0 | 25.0 | 7.70 | 3.25 | 17.11 |
| WITCO | 104.5 | 104.5 | 103.0 | 20.00 | 5.15 | 19.14 |

West Indies Stockbrokers Limited is a subsidiary of RBTT Financial Holdings Limited. From time to time West Indies Stockbrokers Limited and/or its staff may take positions in some or all of the shares mentioned in our report. West Indies Stockbrokers Limited welcomes your comments. E-mail: wise@carib-link.net

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