

Equity Research Team

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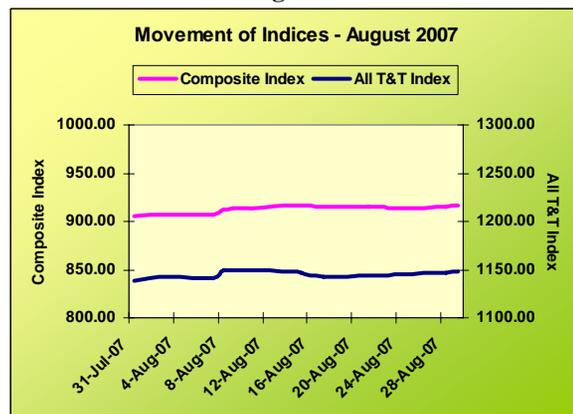
SEPTEMBER 2007

Local Market Summary

The local equity market showed positive strides for the month of August as both Indices trended upward. The Composite Index rose 12.0274 points or 1.33 per cent to 917.0086 while the All T&T Index closed the month at 1,147.7891, up 9.7530 points or 0.86 per cent (See Figure 1). Advances were outnumbered by declines by a margin of 11 to 14.

Market activity for August picked up considerably as a total of 12,068,241 shares crossed the floor. This represented a significant increase of 131.92 per cent when compared to July, which saw a total of 5,203,609 shares change hands. Additionally, when compared to the corresponding period in 2006, volumes were up by a healthy 21.27 per cent from 9,951,374 shares traded. The value of shares traded for August was \$115,894,615.77, up a substantial 31.84 per cent on last month's value of \$87,902,870.39.

Figure 1



The volume leader for the month was National Flour Mills (NFM) with 4,166,375 shares traded or 34.52 per cent of the market. Sagicor Financial Corporation (SFC) moved one spot up from last month, to capture the title of second volume leader, with 3,238,717 shares traded or 26.84 per cent of all trades. Angostura Holdings Limited (AHL) after being the volume leader in July, came in third this month, with 982,157 shares changing ownership or 8.14 per cent of the total volume traded.

With the battle for Barbados Shipping & Trading Company Limited (BST) still on the forefront, the Barbadian conglomerate emerged as the major advance, up an outstanding 48.82 per cent or \$8.30 to end the month at \$25.30. National Enterprises Limited (NEL) came in as the second major advance, rising 16.09 per cent or 97 cents to \$7.00. Dehring Bunting & Golding (DBG) followed advancing 4.27 per cent or 9 cents to close at \$2.20.

Declines were led by NFM this month, which fell 54 cents or 38.85 per cent to \$0.85. One Caribbean Media Limited (OCM) followed declining \$1.15 or 5.75 per cent to \$18.84 while Jamaica Money Market Brokers Limited (JMMB) was the third major decline, down 5 cents or 5.26 per cent to \$0.90.

Market Summary for Jamaica

Similar to the local market, August saw all three Indices in Jamaica end the month in positive territory. The Market Index closed at 94,544.99 after advancing 2,523.13 points or 2.67 per cent; the Select Index was up 163.57 points or 6.05 per cent to 2,703.19; while the All Jamaican Composite rose 5,240.67 points or 5.31 per cent to close at 98,698.74. Advances outnumbered declines by a substantial ratio of 24 to 11.

The volume of shares traded for August was 121,679,095 shares valued at over JMD1,368,642,828.03. Cable and Wireless Jamaica Limited (CWJA) was the volume leader with 18,763,110 shares traded or 15.42 per cent of the market. The major advance for the month was Salada Foods Limited (SALF), which rose 40.58 per cent or

JMD12.99 to JMD45.00. After being the major advance last month, Montego Freeport Limited (MFP) was the major decline this month, down 39.66 per cent or JMD1.15 to JMD1.75.

Guardian Holdings Limited (GHL)

Results for the Half Year Ended June 30, 2007

For the Half Year Ended June 30, 2007, Guardian Holdings Limited (GHL) reported an Operating Profit (before fair value losses) of \$167.56 million compared to an Operating Loss (before fair value losses) of \$21.89 million for HY06. Thus, HY07 on HY06 the Group saw a substantial increase of \$189.45 million. Operating Profit for the second quarter of FY07 stood at \$80.91 million, up \$110.55 million on the corresponding quarter in FY06. However, when Q207 is compared with Q107, Operating Profit from core operations was down 6.62 per cent or \$5.74 million from \$86.65 million.

While GHL saw substantial growth in core earnings, these profits were nonetheless eaten away by unrealized fair value losses which amounted to \$249.74 million for HY07. As such, the Group reported a diluted Loss Per Share (LPS) of \$0.81 for HY07 compared to a diluted LPS of \$2.67 in the corresponding period in the last financial year. However, it is interesting to note that Q207 had a fair value gain of \$1.40 million and as such reported Earnings Per Share (EPS) of \$0.14 compared to a LPS of \$0.75 for Q206.

For the Half Year period under review Net Insurance Premium Revenue amounted to \$2.06 billion, up a significant 24.09 per cent on the corresponding period in FY06. This was the result of a 10.83 per cent increase in Insurance Premium Revenue to end at \$2.43 billion coupled with a 30.38 per cent decrease in Insurance Premium Ceded to Reinsurers, from \$533.89 million (HY06) to \$371.68 million (HY07). The growth in Insurance Premium Revenue was primarily due to the recovery of the Group's UK operations where premiums increased by 31 per cent from \$741 million to \$974 million. The premium growth in the UK was as a result of several factors –

increased rates, increased volume of premiums and an appreciation in the exchange rate. The fall in Insurance Premium Ceded to Reinsurers was due to a change in the product mix in the UK from property insurance to motor vehicle insurance. Q207 on Q206, Net Insurance Premium Revenue also saw a significant increase from \$818.86 million to \$1.03 billion, however when Q207 is compared to Q107- this figure fell by a marginal 0.47 per cent mainly due to a fall of 6.61 per cent in Insurance Premium Revenue.

The Chairman has attributed the positive performance of the Group to notable revenue growth in all classes of the business over the 2006 levels. Life Premiums increased by 20 per cent, Health Premiums by 10 per cent and Property and Casualty Premiums by 29 per cent.

Investment Income ended the Half Year at \$392.72 million, up 16.89 per cent or \$56.76 million on the corresponding period in FY06. While Fees and Commission income saw exceptional growth, moving from \$17.58 million for HY06 to \$62.87 million for HY07- a substantial increase of 257.67 per cent. Other Revenue also increased, but by a significantly smaller margin of 10.83 per cent from \$103.08 million (HY06) to \$114.25 million. Thus, the Group's Total Revenue amounted to \$2.63 billion for the period under review which represented growth of 24.24 per cent on the comparable period in FY06. Q207 on Q206, this figure rose by a similar margin of 25.71 per cent; however quarter on quarter, Total Revenue fell by a marginal 0.59 per cent from \$1.32 billion (Q107) to \$1.31 billion (Q207).

Net Insurance Benefits and Claims amounted to \$1.58 billion for HY07, up a considerable 29.50 per cent or \$359.67 million on the same period for FY06. Quarter on quarter, this figure fell by 5.10 per cent or \$41.86 million from \$820.12 million (Q107) to \$778.26 million (Q207). HY07 on HY06, Expenses fell by 3.94 per cent or \$36.16 million to end the period at \$882.50 million. Q207 on Q206, Expenses were also controlled, however Q207 on Q107, this figure rose by 9.68 per cent or \$39.83 million.

As stated previously, the Group reported an Operating Profit (before fair value losses) of \$167.56 million for HY07. After deducting the Fair Value Losses of \$249.74 million, the Group reported an Operating Loss of \$82.18 million, which was a significant improvement on the Operating Loss of \$509.03 million for HY06.

Share of Profits of Associated Companies for the period under review stood at \$18.89 million, up a significant 183.06 per cent or \$12.22 million on the same figure for HY06. Q207 on Q206, this figure also saw substantial growth moving from \$0.002 million to \$11.43 million. Finance Charges for the period totaled \$74.08 million, up 12.33 per cent or \$8.13 million on the corresponding period for FY06. Thus, GHL's Loss Before Taxation was \$137.37 million for HY07 compared to a loss of \$568.30 million for HY06.

Taxation for the period under review was \$47.12 million compared to \$32.06 million for the same period in the last financial year. Consequently, Loss After Taxation ended at \$184.48 million compared to \$600.36 million for HY06.

The Board declared a modest interim dividend of 5 cents per share, which was paid on August 30, 2007 to shareholders on record as at August 23, 2007.

Management does not expect the passage of the first hurricane for the season, Dean, on the Group's operations in St. Lucia, Jamaica, the Cayman Islands and Belize to have any significant impact on its results.

The shares of GHL ended the month of August at a price of \$19.00. While the current results continue to be hampered by the depressed state of the regional markets, the Company's core earnings for the Half Year have shown considerable growth over the corresponding period. Additionally, the Group continues to maintain a healthy Balance Sheet, with a Net Asset Value per share of \$16.98 which translates into an attractive market to book ratio 1.12 times at the price of \$19.00. As such we continue to recommend a **LONG TERM BUY**.

WEST INDIES STOCKBROKERS LIMITED STOCK MARKET QUOTATIONS AS AT AUGUST 31, 2007

	Hist Eps	Est Eps	Est Div	Curr Price	Est Yield %	Est P/E Ratio
Bank						
FirstCaribbean	70.0	95.0	43.0	11.00	3.91	11.58
NCB Jca	21.0	26.0	6.0	1.99	3.02	7.65
RBTT Fin Hold	276.0	300.0	135.0	31.00	4.35	10.33
Republic Bank	401.0	760.0	265.0	80.00	3.31	10.53
Scotiabank	178.7	215.0	85.0	28.00	3.04	13.02
Non-Bank Fin						
ANSA Fin & Merch	177.0	215.0	90.0	21.96	4.10	10.21
Capital & Credit	11.0	8.0	1.8	0.95	1.89	11.88
DB&G	22.0	24.0	8.0	2.20	3.64	9.17
Guardian Holdings	-114.0	0.00	15.0	19.00	0.79	0.00
JMMB	7.0	8.0	1.8	0.90	2.00	11.25
National Enterprises	46.0	55.0	60.0	7.00	8.57	12.73
Sagicor Financial Corp	158.0	175.0	44.0	14.01	3.14	8.01
Conglomerates						
Ansa Mcal Ltd	276.0	350.0	95.0	48.00	1.98	13.71
Bdos Ship & Trad	138.0	165.0	69.0	25.30	2.73	15.33
GraceKennedy	53.3	65.0	12.0	5.79	2.07	8.91
Neal and Massy	337.0	430.00	133.0	46.00	2.89	10.70
Trading						
Agostini's Ltd	81.3	110.0	37.0	9.85	3.76	8.95
Furness Trinidad	68.0	80.0	0.0	6.15	0.00	7.69
L J Williams Ltd. - 'A'	0.8	0.5	0.2	0.60	0.33	120.00
L J Williams Ltd. - 'B'	15.0	20.0	9.0	1.40	6.43	7.00
Prestige Holdings	23.9	45.0	20.0	5.75	3.48	12.78
Property						
PLIPDECO	372.00	410.0	20.0	8.01	2.50	1.95
Valpark	47.3	47.3	0.0	5.00	0.00	10.57
Manufacturing						
Angostura Holdings	91.0	0.0	0.0	5.10	0.00	0.00
Berger Paints	-27.0	7.0	19.0	3.40	5.59	48.57
Flavorite Foods	67.0	80.0	35.0	5.11	6.85	6.39
National Flour Mills	-45.0	10.0	8.0	0.85	9.41	0.00
One Caribbean Media	131.0	140.0	77.0	18.84	4.09	13.46
Readymix WI	129.0	300.0	3.0	7.30	0.41	2.43
Trinidad Cement	60.0	90.0	20.0	7.31	2.74	8.12
Trinidad Publishing	117.0	130.0	55.0	20.00	2.75	15.38
Unilever Caribbean Ltd	133.0	145.0	120.0	19.00	6.32	13.10
WITCO	171.0	200.0	196.0	27.50	7.13	13.75

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