



Barbados Shipping & Trading Company Limited

	BS&T
RECOMMENDATION	SELL
Current Price	TT\$19.50
Current Running P/E	17.92 times
Running EPS	TT\$1.088
Projected EPS FYE 06	BD\$0.48 – BD\$0.50 (TT\$1.53-TT\$1.60)
Projected Year-end Price	TT\$19.50-\$21.00
Projected Dividend Per Share FYE 06	BD\$0.18 – TT\$0.58
Net Asset Value	TT\$23.59
Market to Book	0.83 times

Results for the First Half-year Ended March 31, 2006

All figures quoted in Barbados Dollars unless otherwise stated

Figures translated to TT dollars was calculated at TT\$3.20 = BDS\$1.00

Barbados Shipping and Trading Company Limited (BS&T) in the half-year results to March 31, 2006 reported a fall in EPS from \$0.498 to \$0.208, representing a decline of 58%. This drop in performance is especially significant as this represents a fall in performance not only half year to half year, but from the first quarter to the second quarter.

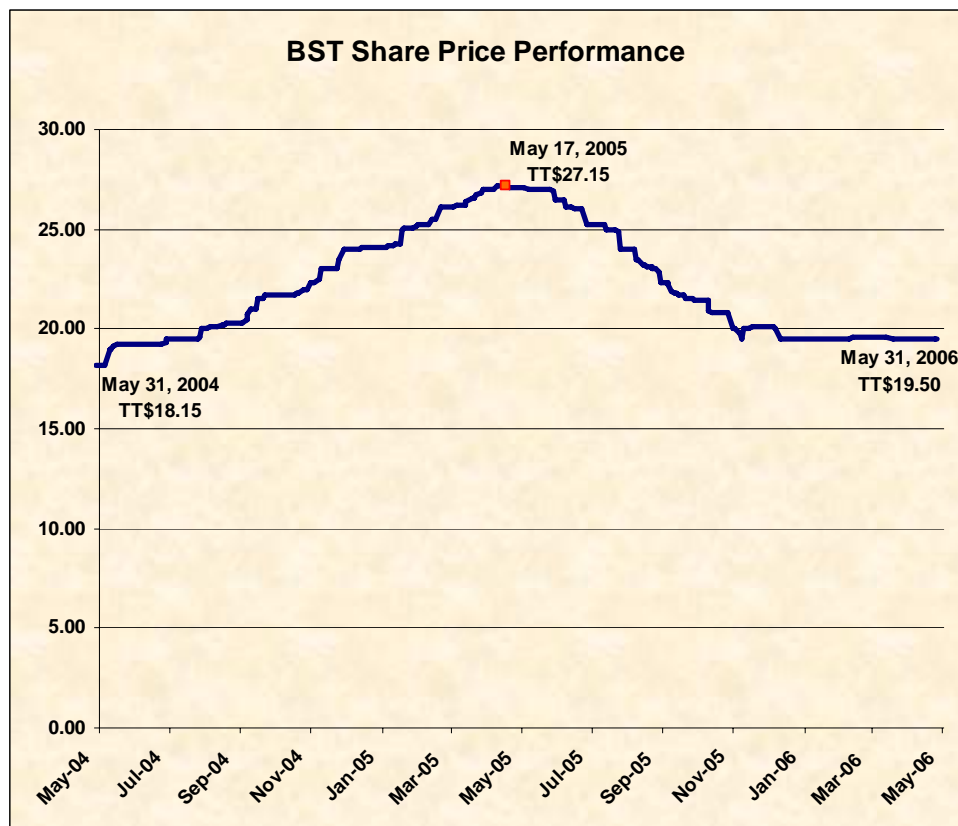
Even though the Group experienced a 9.6% increase in Revenues, the bottom line suffered a 58.23% fall. The Director's statement outlined a number of factors for the difference in performance. The most significant of these was the impact of the Group's shareholding in Neal and Massy Holdings Limited (NML). Last year BS&T benefited from the realisation of profits from a part disposal of its shareholding in NML as well as the unrealized gains due to the appreciation in the first half of last year of NML's share price. In the period under review though, the share price of NML declined (from TT\$47.48 as at September 30, 2005 to TT\$43.50 as at March 31, 2006), resulting in a negative impact on the bottom line. Currently the share price of NML is TT\$38.01, which means that if there is no significant recovery by June 30, 2006, the third quarter for BS&T would also reflect an unrealised loss. Our projection for the share price of NML by September is possibly a return to the price level of March 31, but not rebound to the \$47.48 level till the end of the calendar year. This would mean that there would be little or no unrealized gains recorded at the financial year-end for BS&T.

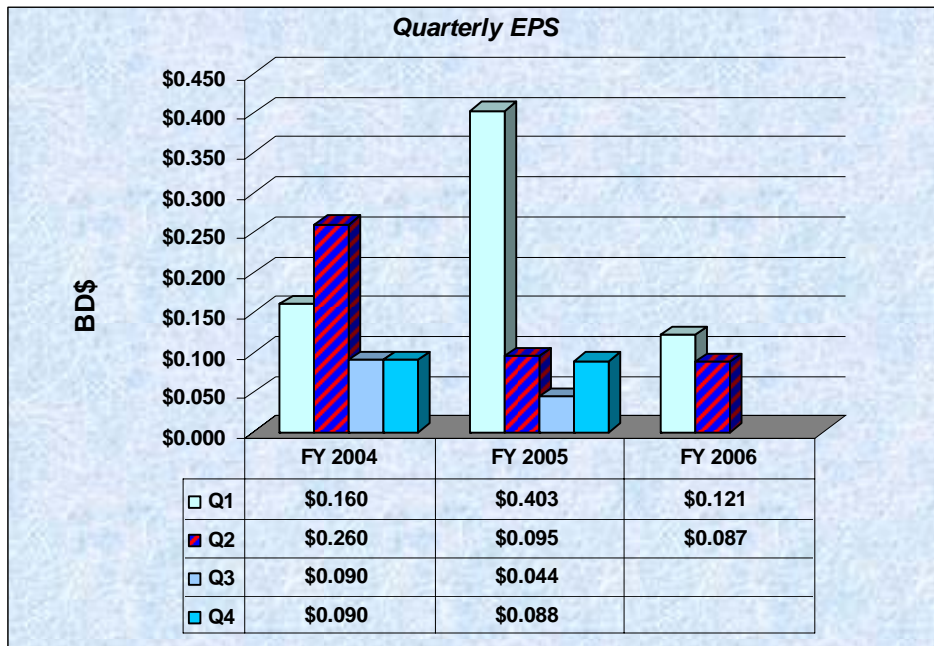
The drop in the contribution from Associated Companies from \$6.9 to \$4.7 million was attributed to a mediocre first half performance by Banks Holdings Limited and the share of pre-opening costs at the hotel properties of Casuarina Barbados and Morgan Bay St. Lucia. Although the half year-performance showed a fall in contribution, the 2005 year-end actually reflected a drop from the 2005 half-year due to initial losses with the new hotel properties that were not fully operational and disappointing results at Warren Motors. This year Morgan Bay is fully operational, while Casuarina is still closed awaiting



approvals, thus it is likely that the contribution from Associated Companies would be flat at the September 2006 year-end.

At the current price of TT\$19.50 and running EPS of TT\$1.088, the shares of BS&T are trading at a P/E ratio of 17.92 times. The fading performance of the company does not lend support to the high multiple currently associated with the Group's shares. The positive for the Group's share price is that the shares are trading at a discount to the Net Asset Value (TT\$23.59). However, this may not translate into a price rise to the NAV. We expect that at best the price to remain flat, but there may be downward pressure on the share price. Given the flat prospects; both in terms of Financial Performance and Share Price Movement, and the fact that BS&T has a relatively low Dividend Yield (less than 3%) we believe that there are other alternatives that would offer a better return on investment. As a result we continue to recommend a SELL on this share.





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