

Barbados Shipping & Trading Company Limited (BST)

All figures quoted in BDS\$ unless otherwise stated

Exchange Rate: 1BDS\$: 3.1129TT\$

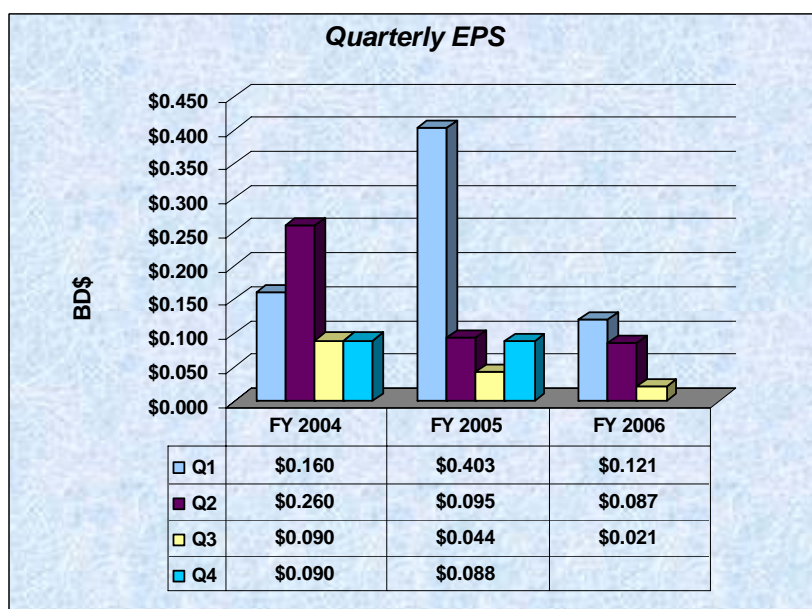
	<u>BST</u>
RECOMMENDATION	HOLD
Current Price	TT\$17.00
Running EPS	BBD 0.32; TT\$1.00
Projected EPS	BBD 0.32; TT\$1.00
P/E at Projected EPS	17 times
Dividend Yield	3.30%

Results for the Nine Months Ended June 30, 2006

Earnings Per Share

Barbados Shipping and Trading Company Limited (BST) for the nine months ended June 30, 2006 has reported an EPS of 22.9 cents. Although this represents a fall in the comparable EPS in 2005 of 57.75% or 31.3 cents, it is not purely reflective of core operations. In fact, the Operating Profit of the Group actually increased by 39.90% to \$35.71 million. The fall in Earnings is attributable to an unrealized loss of \$8.31 million in the current period, due to the decline in Neal & Massy's share price. Where as, in the same period last year, the Group benefited from an unrealized gain of \$17.78 million on the same share. Moreover, the nine month period ended June 30, 2005 also included a one off item, whereby 5 million shares of Neal & Massy were sold at a gain of \$20.95 million. However, as can be seen from **Graph 1**, this is the lowest Earnings the Group has seen for a quarter over the period 2004 to 2006.

Graph 1





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Financials

Revenue for the nine months period amounted to \$554.78 million, up 10.75% on the comparable period in 2005. Interest Expenses were down by a marginal 0.26% from \$8.93 million in 2005 to \$8.90 million in 2006. There were no Other Expenses for the nine months ended June 30, 2006, however, in the comparable period in 2005, this figure stood at \$12.1 million. These Other Expenses in 2005 were the result of substantial one time charges and provisions arising from a business review exercise including the rationalization of the many lines of inventory being carried by Dacosta Mannings Inc (DMI) and its credit portfolio. Also included in these Other Expenses is a one time loss arising from a fire at Sheraton. Thus, Overall Profit before gains/losses on Investments and Amortization which amounted to \$26.81 million for the current period, increased by 495.34% or \$22.31 million on the comparable period in 2005. However, Profit before Taxation was down to \$24.69 million, a fall of 50.18%, but this was mainly due to the unrealized loss on investments in the current period as opposed to realized and unrealized gains in the comparable period.

The Effective Tax Rate for the period was 19.17% compared to 6.19% in the comparable period in 2005. Net Income for the nine months amounted to \$19.96 million down by 56.74% or \$26.17 million.

Table 1 shows BST's Financial Data Comparison on the Nine Months period 2004-2006.

Table 1

BST Financial Data Comparison on Nine Months (2004-2006)					
	Nine Months 2006 BBD'000	% Change '05 -'06	Nine Months 2005 BBD'000	% Change '04 -'05	Nine Months 2004 BBD'000
Revenue	554,776	10.75%	500,915	3.64%	483,343
Operating Profit before Interest Expense and Other Expenses	35,716	39.90%	25,529	-11.48%	28,841
Interest Expense	(8,902)	-0.26%	(8,925)	8.95%	(8,192)
Other Expenses	-		(12,100)		-
Profit before Gains/(Losses) on Investments & Amortization	26,814	495.34%	4,504	-78.19%	20,649
Net Realized and Unrealized Gains/(Losses) on Investments	(8,311)	-121.46%	38,734	117.67%	17,795
Amortization of Intangible Assets	(863)	-53.28%	(1,847)		-
Profit before Taxation	24,687	-50.18%	49,553	6.45%	46,552
Taxation	(4,732)	38.20%	(3,424)	-32.36%	(5,062)
Net Income	19,955	-56.74%	46,129	11.26%	41,460
Attributable to Shareholders	17,188	-57.68%	40,610	6.41%	38,165
Earnings per Share	\$0.23	-57.41%	\$0.54	5.88%	\$0.51



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Table 1 shows BST's Financial Data Comparison on the Year End 2003-2005.

Table 2

BST Financial Data Comparison on Year End (2003-2005)					
	YE 2005 BBD'000	% Change '04 -'05	YE 2004 BBD'000	% Change '03 -'04	YE 2003 BBD'000
Revenue	679,154	3.29%	657,514	3.80%	633,430
Trading Profit	22,104	10.40%	20,022	-36.81%	31,685
Interest Expense	(11,484)	-8.04%	(12,488)	-12.60%	(14,288)
Other Income, net	37,969	20.17%	31,595	227.55%	9,646
Profit before Taxation	54,961	14.32%	48,076	10.77%	43,402
Taxation	(3,669)	6651.79%	56	101.28%	(4,363)
Net Income	51,292	6.57%	48,132	23.29%	39,039
Attributable to Shareholders	47,274	6.04%	44,581	21.02%	36,838
Earnings per Share	\$0.63	5.00%	\$0.60	20.00%	\$0.50
Market Price @ Financial Year End (TT\$)	\$22.35	10.10%	\$20.30	59.22%	\$12.75
P/E Ratio @ Financial Year End	11.40		10.87		8.20
Dividend	\$0.18	5.88%	\$0.17	13.33%	\$0.15
Dividend Payout Ratio (%)	28.57%		28.33%		30.00%
Dividend Yield	2.51%		2.61%		3.66%
Net Asset Value	\$7.37	9.67%	\$6.72	9.45%	\$6.14
Market to Book Ratio	0.97		0.97		0.67
Return on Equity	9.89%		10.17%		9.09%
Return on Assets	5.54%		5.34%		4.59%
Shares Outstanding '000	73,379		73,379		73,379

Exchange Rate used for Calculations: 1BDS\$: 3.1129TT\$

Pending Transaction

BS&T has expanded its reach to the Bahamas, joining a team of Bahamian investors to purchase a majority interest in a chain of 12 supermarkets owned by the Winn Dixie Company of Florida. As a result of the US\$56 million transaction, the new holding company BSL Holdings Limited has replaced Winn Dixie as the major shareholder. BS&T's investment in BSL Holdings is pending the submission of an application to the Bahamian Government for approval to secure a 40 per cent shareholding in that company. Shareholding in BSL Holdings includes Bahamian Pension Funds, Corporate Entities and Private Individuals.

In addition, BS&T has been awarded a management oversight contract for the supermarket chain of 12 stores. Nine of those stores trade as City Markets in New Providence and three others as Winn Dixie on Grand Bahama Island.



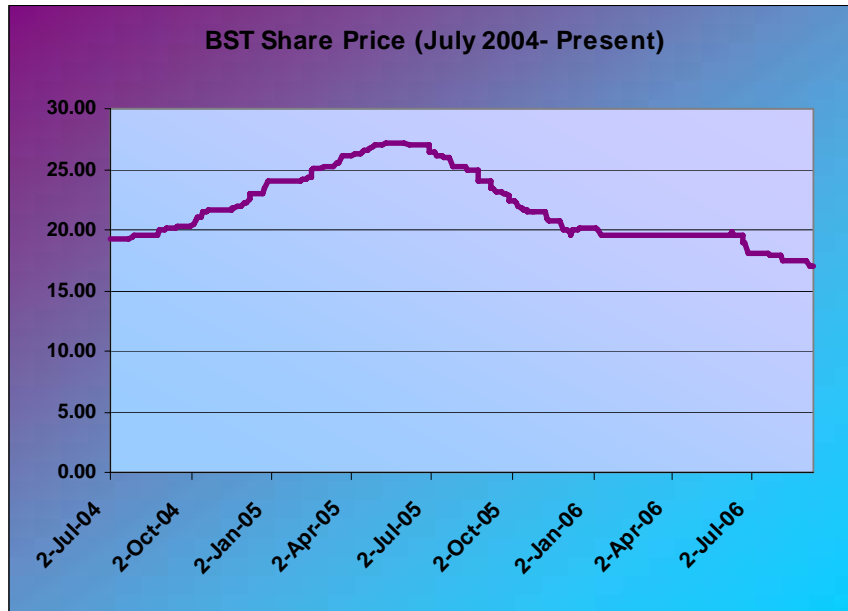
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Share Price

The share price of BST over the period July 2004 to present has seen a high of \$27.17 and a low of \$17.00. The share traded at the high of \$27.15 on May 10th, 2005 and is currently trading at its low of \$17.00. This represents a fall in value of 38.18%. **Graph 2** shows the trend of the share price over the period July 2004 to present.

Graph 2



Chairman's Outlook

The Chairman is not deterred by the effect of the unfavorable swing in Investment Earnings this year; instead he is encouraged by the improved earnings derived from core operations and believes that this holds well for the future performance of the Group.

Recommendation

The EPS for the third quarter was significantly less than previous quarters: 12.1 cents (Q1); 8.7 cents (Q2); and 2.1 cents (Q3). In light of this, we have revised our forecasted EPS down to TT\$1.00, with a projection of flat earnings year on year in the fourth quarter. At the current price of TT\$17.00 and the revised forecasted EPS of TT\$1.00, the shares are trading at a P/E multiple of 17.00 times. Although, this multiple is high for the sector we believe that current results from core operations are promising for the future. Thus, we have revised our recommendation to a HOLD.

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