

Barbados Shipping & Trading

All figures quoted in Barbados dollars unless otherwise stated

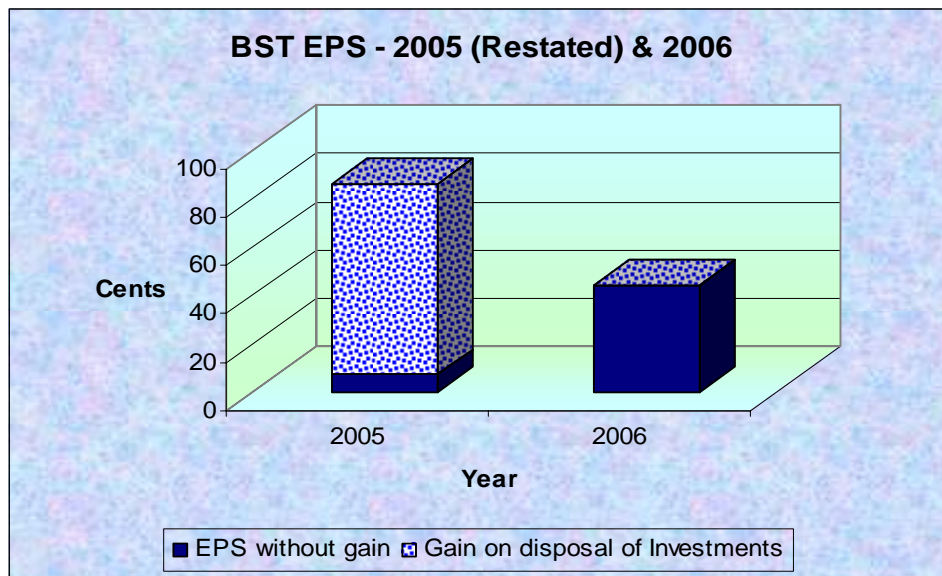
	BST
RECOMMENDATION	BUY
Current Price	TT\$16.75
Running EPS	TT\$1.34
Projected EPS	TT\$1.56
P/E at Projected EPS	10.74 times
Projected Dividend	TT\$0.60
Dividend Yield	3.58 per cent
Return on Assets	3.20 per cent
Return on Equity	6.45 per cent

Results for the Year Ended September 30, 2006

Earnings Per Share

Barbados, Shipping & Trading (BST) reported Earnings Per Share (EPS) of 44.2 cents for the year ended September 30, 2006. While this was 48.48 per cent less than 2005's EPS of 85.8 cents, in 2005, the Company had a one off transaction which substantially enhanced the books for that period. This was because a portion of the shares held in Neal & Massy were sold during that period and contributed approximately 78 cents to that period's EPS (See Figure 1). The gain was significant for that year especially considering that the Company's EPS was negatively affected by various restructuring charges and fire related losses.

Figure 1





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Financials

Revenue increased 8.35 per cent to \$735.882 million with Retail, Distribution and Manufacturing contributing 81.05 per cent compared to 85.82 per cent in 2005. According to the Annual Report, the Property, Financial and Other Services Segment recorded growth of 44.6 per cent excluding the effect of consolidating Warrens Motors Inc. The growth occurred mainly in United Insurance Company Limited and S.P. Musson & Son Company Limited.

Trading Profit rose 117.12 per cent to \$47.473 million which resulted from improvements across all segments. Though last year's trading results were impacted negatively by various restructuring charges and fire related losses, the Directors pointed out that this demonstrates good progress with its core businesses which collectively grew their profits at a higher rate than their growth in revenue. The increase in trading profit in the Property, Financial and Other Services Segment resulted mainly from a better performance of the underwriting portfolio in United Insurance Company Limited and increased land sales in S.P. Musson Son & Company Limited. The Retail, Distribution and Manufacturing Segment's trading profit increased substantially over the previous year with improved results from Da Costa Manning Inc. together with cost efficient growth in the other retail and distribution business units. However, while the associate companies generally performed better, its recent hotel ventures have not been able to deliver the level of returns which BST expects to begin to realize over the next two years.

Interest Expenses rose 7.51 per cent to \$12.346 million while Other Expenses fell 78.10 per cent to \$0.548 million. Gain on disposal of investments fell almost 100 per cent as the prior year contained a one-off transaction concerning the sale of a portion of shares held in Neal & Massy (as mentioned before) while this year no such sale took place. It is also important to note that 2005's figures in respect of these gains have been restated in accordance with the revised requirements of accounting standard IAS 39 as it relates to "Available-for-Sale Investments". Changes in the value of such investments are now recognized within BST's Reserves in the Balance Sheet until the investment is sold. Only at the time of sale will the realized gain or loss be recorded in the Income Statement. In this way, the volatile effect of major share price movements is removed and it brings focus to the trading performance of the Group's subsidiaries and associates. Accordingly, the restatement of last year's income figures removed all unrealized gains. The realized gain on the sale of the shares reflects the gain over the original cost at which the investment was established rather than the gain over the prior year's closing value.

Profit Before Tax was down 47.23 per cent to \$34.642 million however without the gain Profit Before Tax would have been up 339.68 per cent. The effective tax rate rose from 2.99 per cent in 2005 to 11.52 per cent in 2006 while Profit After Tax was down 47.39 per cent to \$35.953 million. The notable rise in the effective tax rate was no doubt as a result of the large gain from the previous year.

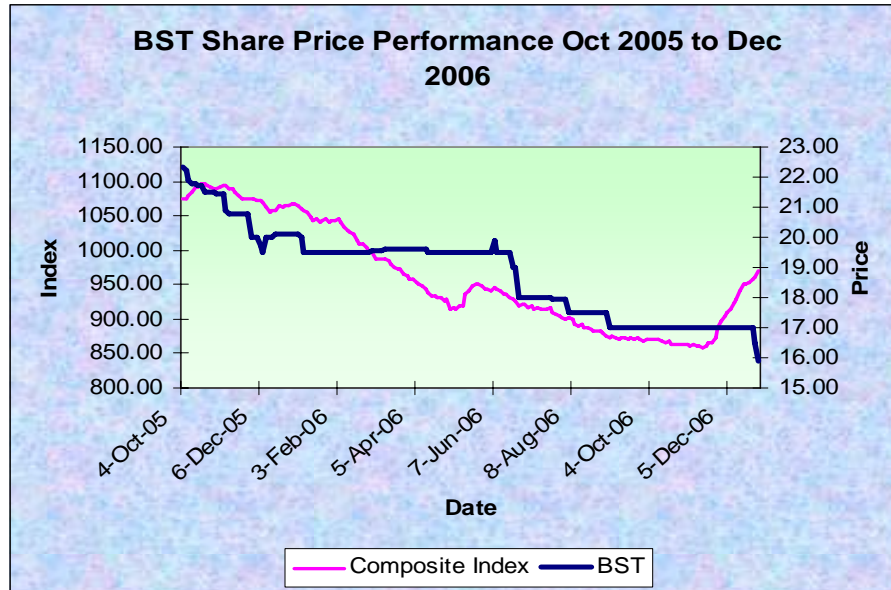
Share Price

Since October 2005, BST's share price has tumbled to eventually settle around TT\$19.50 in January 2006. It subsequently fell to TT\$18.00 over two different trading days in June 2006.



From June 21, 2006, the BST's share price fell every time the shares crossed the floor (See Figure 2). Hence, the plateaus on the graph subsequent to this date indicate periods when no shares in this Company changed ownership. This can also be seen in Figure 3.

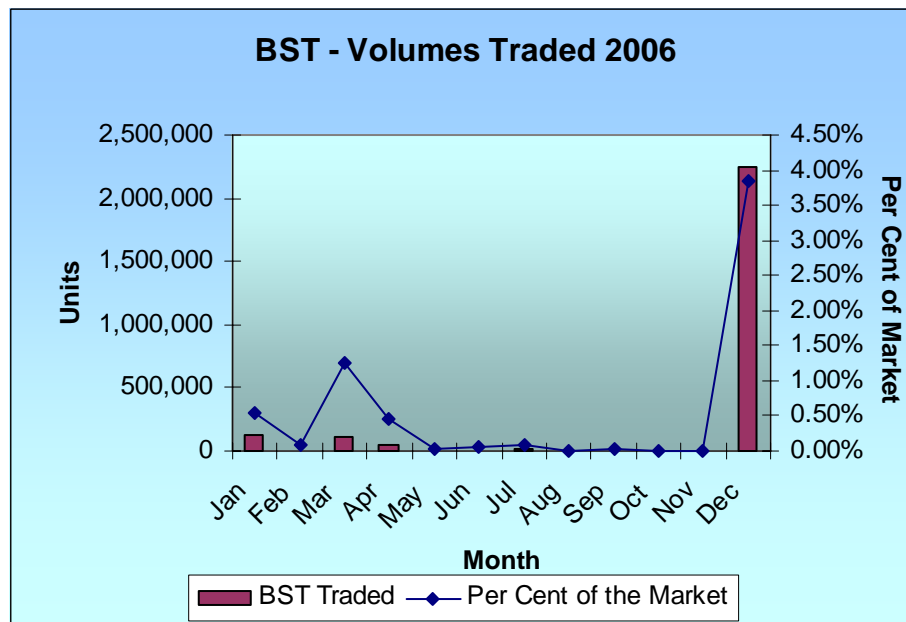
Figure 2



Volumes

For the calendar year 2006, BST generally traded in extremely small volumes trading less than four per cent of the market in any single month. The largest volume of shares was traded in December when over 2.2 million shares crossed the floor. (See Figure 3)

Figure 3





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Neal & Massy Interest

The Chairman has stated that BST has maintained its strong links with Neal & Massy which has a 20 per cent investment in BST. He further stated that BST continues to examine various avenues by which it can leverage this relationship to the mutual benefit of the stakeholders of the two Companies.

Outlook & Recommendation

The Chairman expects the Group to benefit from several of the initiatives taken in past year. Given these results we are forecasting year end earnings for 2007 of approximately 50 cents (TT\$1.56). At this forecasted EPS and the current price of TT\$16.75, BST is trading at a price/earnings ratio of approximately 10.74 times which is attractive considering it usually trades above 15 times earnings. Hence, in light of these results, we recommend a BUY on this share.

Figure 4

BST Financial Data Comparison for Year End (2004-2006)					
	YE 2006 BBD'000	% Change '05 -'06	YE 2005 BBD'000 Restated	% Change '04 -'05	YE 2004 BBD'000
Revenue	735,882	8.35%	679,154	3.29%	657,514
Trading Profit	47,473	117.12%	21,865	9.20%	20,022
Interest Expense	(12,346)	7.51%	(11,484)	-8.04%	(12,488)
Other Income, net	(485)	-100.88%	55,261	74.90%	31,595
Profit before Taxation	40,635	-42.32%	70,452	46.54%	48,076
Taxation	(4,682)	122.21%	(2,107)	3862.50%	56
Net Income	35,953	-47.39%	68,345	41.99%	48,132
Attributable to Shareholders	33,233	-48.34%	64,327	44.29%	44,581
Earnings per Share	\$0.44	-48.48%	\$0.86	43.00%	\$0.60
Market Price @ Financial Year End (TT\$)	\$17.00	-23.94%	\$22.35	10.10%	\$20.30
P/E Ratio @ Financial Year End	12.36		8.37		10.87
Dividend	\$0.19	2.78%	\$0.18	5.88%	\$0.17
Dividend Payout Ratio (%)	41.86%		20.98%		28.33%
Dividend Yield	3.39%		2.51%		2.61%
Net Asset Value	\$7.04	5.55%	\$6.67	-0.74%	\$6.72
Market to Book Ratio	0.78		1.08		0.97
Return on Equity	6.45%		9.89%		10.17%
Return on Assets	3.20%		5.54%		5.34%
Shares Outstanding	73,279,335		73,279,335		73,279,335

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