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Angostura Searching for Optimism

Angostura Holdings' financial performance was impacted by weak international benchmark pricing and increasing raw material costs in the half year ended June 2006. Revenue for the Group recorded a significant 51% decline from TT\$ 684 million to TT\$ 337 million mainly because of the inclusion of a one-off gain from the sale of Cruzan Inc. in 2005. Local operations seem to be strengthening, as revenue from the Trinidad operations improved by 68% as imports grew in the U.S. and European markets. The aggressive global marketing thrust into is starting to show signs of gradual traction but this brand building initiative contributes lessening shareholders' earnings.

A turnaround in the company's core business came mainly from improved local bulk rum sales which took a pounding in 2005 through increasing competition and better branded cased export business. Despite reduction in top line sale operating profit improved based on a significant fall in Cost of Goods. Operating Profit Margin on a twelve month trailing basis increased from 31.6% to 44.3%. The Group was successful in reducing its marketing costs associated with the global brand building strategy and Administrative expenses. Accordingly, operational efficiency improved from 35% in 2005 to 27% at half year 2006.

Profit inflows from associates grew some 301% and contributed 15% of before tax profits. Profit before tax for the period was reduced by 18% and was impacted by a tax charge as opposed to a tax credit from Cruzan Inc. in the prior year. Earnings per share (EPS) was reduced to TT\$0.09 down from TT\$0.17 as the Group recorded a significant loss of 50% in profits, which stood at TT\$17.5 million at the end of June 2006. Overall profitability levels fell based on lower ROE and ROA ratios.

Although the world alcoholic and beverage industry is expected to expand Angostura's performance in the medium term is not expected to exceed its 2005 performance. This is based on the non-recurrence of the gain from sale of investment in the U.S., on-going long-term global branding initiatives, increasing costs of raw material and low pricing standards. In the long-term, however, the company is already taking steps to improve its operating efficiency levels and revenue inflows from international branded cased sales are improving.

Angostura is currently trading above its fair value with a P/E of 23.4 times, which is the highest in the

Manufacturing II Sector and puts it above the Industry P/E of 18 times. Year to date, the stock has already lost 18% of its value and is currently trading at TT\$4.70, higher than the year to date fall in the TTSE Composite of 16%.

Regional Market Review

In Trinidad, the TTSE lost a further 0.7% to close at 892.99 points while the All Trinidad Index fell by 0.9%. During the reviewed period NFM was the most favoured accounting for 87% of the total 6.8 million shares traded. In addition, the share jumped 10% to TT\$1.10 as the stock continued to trade under its book value. NFM's CEO, recently revealed the company's 18 month turn around plan which included, VSEP packages, lower overheads through improved imports and product distribution, and increased efficiency from new technology. With a sales target of TT\$40 million per month, revenues are expected to be lower than 2005. Other advancing stocks were TCL (6%) while NCBJ climbed 5.8%. Stocks losing value included GraceKennedy, which fell 8% followed by Plipdeco (3%).

In Barbados, Banks Brewery intends to penetrate the U.S. market with the Eastern seaboard and Caribbean Diaspora as the main targets. Given that the winter period is considered off-peak the brand will hit the U.S market in Spring of 2007. The equity market continued to be plagued with low trading activity. In this period two stocks advanced while FCIB fell 1.3%; however the majority (22 Shares) remained unchanged. Almond Resort remained on top as the stock with the largest volume traded and price appreciation of 6% followed by CWBL with 3.5%.

Jamaican Indices weighed under the pressure of contracting margins from recently released company reports as the JSE Composite and All Jamaican Index fell 0.9% and 1.4% after a two week rally. Competition in the financial industry is already weighing on margins of companies in the industry. More competition, however, can be expected as applications for 7 new commercial bank licenses were submitted to the Bank of Jamaica. The week's winners were MFP which gained 21% to close at J\$1.82. CWJA was among the top three stocks losing traction with a loss of 13%. GYR and PJam were the other decliners which contracted 10.5% and 8.7%, respectively.

Table:1 Regional Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
TTSE Composite	892.99	-0.67	-2.40	-16.29	-20.01
All Trinidad	1125.91	-0.93	-2.35	-14.87	-18.72
JSE Index	82680.54	-0.94	1.58	-20.31	-21.77
All Jamaica	78421.36	-1.42	2.05	-24.13	-26.77

JSE Select	2171.84	-1.01	1.96	-23.73	-24.76
BSE Composite	981.63	0.08	-0.55	-5.15	-4.54

Current Happenings

- NFM plans TTS\$40 million sales plan
- T&T world leader in housing
- Banks Breweries entering key markets
- Jamaican economy registers positive growth
- Profit growth elusive for Jamaican companies

Table:1 International Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
S&P 500	1268.21	-0.28	2.59	-0.05	2.78
Nasdaq Composite	2069.04	0.43	1.56	-7.79	-4.52
Dow Jones Industrial	11097.87	0.20	3.34	2.31	4.36
German Dax	5692.00	-0.19	4.98	4.24	15.64
FTSE 100	5870.90	0.82	2.68	3.33	9.86
Nikkei 225	15857.11	1.28	6.82	-1.58	29.38

International Market Review

U.S stocks fell after security forces unveiled a terrorist plot to blow up passenger planes between the U.S and U.K. The S&P 500, Dow Jones and Nasdaq recorded flat performances at the close of trade on 15 August. Japanese stocks advanced as lower wholesale prices on a U.S price report revealed tempered inflation concerns of the next Federal Reserve move. The Nikkei advanced 1.3% while the broader Topix Index climbed 1.5%. At the end of the prior week concerns that terrorism could hurt economic growth and negatively impact healthy corporate earnings caused stocks to retreat. The Stoxx 600 dropped from a five year high as interest rate tightening in European, U.S. and Asian Central banks threatened economic expansion. However investors were soon refocused as European stocks rallied after a cease-fire between Israeli and Lebanese forces and crude oil prices fell. FTSE 100 and Eurostoxx gained 0.3% and 0.8% while the German Dax fell by 0.2%.

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