



Neal and Massy Maintains Consistent Growth

The Neal and Massy Group (NML) registered a good performance in its half year ending March 2006. Group Third Party Revenue grew by 12% to TT\$1.9 billion while Operating Profits increased by 21% over the corresponding first half of 2005. Profits from Associate companies weighed on the Group's performance reflecting a smaller contribution from Barbados, Shipping and Trading (BS&T). Last year's results included a substantial capital gain from the sale of equity by BS&T. BS&T is not expected to have such an impact on the Group in the 2nd half of fiscal 2006. The Group's effective tax rate remained flat at 28.5% resulting in Net Profits of TT\$120 million. EPS grew 11% year on year to TT\$1.36 (up from TT\$1.22) and Management expects to surpass the TT\$3.00 EPS target for 2006.

The Group acquired 100% of the LPG operations of Shell Jamaica and 40% of the petroleum retail operations which includes 56 Shell gas stations and 8 convenience stores. This transaction was financed through cash of US\$25 million and approximately US\$37.75 million in bonds totaling US\$62.75 million. In addition debt was used to complete the financing as evidenced by the increase of 38% in medium and long-term borrowings and a resultant increase in the Group's leverage. The Group's debt to Equity Ratio jumped to 122% up from 97.4%, while Debt to Assets also inched up to 55% from 49.3% at the end of 2005. Management intends to address this issue before the end of the financial year.

Revenues from the Financial and Property sectors were up by 40%, while revenues in the Industrial Gases Segment climbed 63% and included 1 month's contribution (TT\$2 million in Profits) from the LPG operations. Revenue contributions and profits from the recent acquisition are expected to be better in the second half of 2006. Further growth is projected for the Energy segment with plans for 3 more acquisitions before the end of the financial year.

Share capital increased by TT\$2.67 million as two retiring executives exercised their first year options and not as a result of an actual increase in issued shares. This was also reflected in the increase in the Other Reserve movements on the Changes in Equity Statement. ROE fell marginally from 18.2% to 18% On a twelve month trailing basis and ROA fell to 8% down from 9.21%.

Our outlook for NML remains positive. The mature business units continue to provide some level of stability as well as increase revenue. The Energy Services segment is expected to continue to add to the Group's overall profitability given the bright prospects for the industry as a whole. The newly refurbished Hi-Lo Food Stores in St. Ann's and St. Augustine were re-opened and plans are afoot to expand the St. Ann's store. In addition, the Group increased its holdings to 50% in the Neal and Massy Wood Group Limited. The share is currently trading at TT\$39.00 and is considered fairly valued in the range of TT\$57.00 and TT\$58.16.

Regional Market Review

By 23 May 2006, Jamaica and Trinidad equity indices had recorded year to date returns of -14.8% and -10.9%, respectively. The star performer on a weekly comparison was the All T&T Index which tracks stocks resident in Trinidad, improved marginally (1.2%) suggesting that local equities are searching for optimism. Accordingly, the advance decline ratio mirrored the Index performance as 14 stocks advanced, 2 declined (as opposed to 6 in

the prior period) with 17 remaining unchanged. Market Value also recorded healthy growth week on week of 111%; the Composite Index closed at 950.04 points.

Trading was dominated by Republic Bank which accounted for 49% of the 4.3 million shares traded, followed by an up tick in activity for RBTT, which represented 28% of the volume. Top advancers were NFM, GHL and FFL. In other news the Trinidad Stock Exchange may move to delist the suspended BWIA shares after rejecting a third request for a further 3 months grace to keep the stock suspended. The matter has been referred to the SEC.

The Barbados Local Index recorded negative returns of 0.1% as market activity continued to be sluggish with 18 shares trading firm, 2 advanced and 3 retreated. Barbados National Bank and Ansa McAl were the only two stocks recording gains.

In Jamaica, the advance/ decline ratio reaffirmed that market activity is increasing as 13 stocks advanced, 7 declined and 20 failed to move. A total of 17.6 million units changed ownership, representing a decline of 41% over the prior week. It seems that the improvement in performance of cross-listed stocks helped to slow the fall in the Jamaican Composite Index (-14.9%) as the All JA Composite, which tracks stocks resident in Jamaica fell lower to -17.0%. The securities with the largest price appreciation were Montego Freeport (18.5%), Desnoes and Geddes (7.5%) and FJI (6.0%). While Ciboney, Hardware and Lumber and Lascelles des Mercado lost traction.

Table:1 Regional Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
TTSE Composite	950.04	0.95	1.81	-10.95	-22.42
All Trinidad	1,183.25	1.20	4.46	-10.53	-24.37
JSE Index	88,337.85	0.29	3.13	-14.86	-23.96
All Jamaica	85,716.90	0.62	-2.55	-17.07	-28.92
JSE Select	2,358.12	0.81	-2.28	-17.19	-25.58
BSE Local	3,884.58	-0.13	-0.40	-1.16	-0.92

Current Happenings

- Regulators move to delist BWIA
- Government focuses on non-energy sector; oil, gas and downstream industries hampered by skill shortage
- Barbados economic growth keeping pace with the rest of the region
- Jamaica gets ready for another active hurricane season
- Political impasse threatens elections in Guyana

Table:1 International Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
S&P 500	1,262.07	-0.65	-3.57	-0.53	5.71
Nasdaq Composite	2,172.86	-1.04	-7.26	-3.16	5.65
Dow Jones	11,125.33	0.72	-1.96	2.56	5.72
German Dax	5,546.24	-1.88	-8.76	1.57	25.85
FTSE 100	5,532.70	-2.52	-9.75	-2.62	10.88
Nikkei 225	15,857.87	-2.76	-6.25	-1.57	42.11

International Market Review

Both international bond and stock markets seem to be waiting to exhale as the Federal Reserve Chairman battles with the decision to raise interest rates again. The U.S economy seems to be softening but inflation remains untamed. The decline of the U.S dollar is prompting investors to look to international stocks and is boosting returns for those who already hold a foreign portfolio of stocks and bonds given that foreign currency can now purchase more of the US dollar. The dollar has lost ground against currencies such as the Yen, Euro and Pound Sterling for the year to date.

The New York Stock Exchange in a race to become the first Trans- Atlantic stock Exchange is attempting to acquire Euronext NV, an European Exchange Operator. The acquisition would facilitate futures and derivative trading and European stock trading, creating “the world’s largest and most liquid global securities market place” according to the NYSE Group. The name of the Exchange would then be changed to NYSE Euronext, and will have a combined listing of US\$27 trillion. All three US Indices recorded negative growth at the close of May 23rd, 2006.

German stocks picked up steam after reaching a four month low. However markets dipped across Europe on concern that rising interest rates could hinder a three year rally. The German Dax, FTSE and Euro Stoxx all fell about 2% during the period. Likewise Asian stocks mirrored European markets dropping to a two month low as issues pertaining to interest rate increases weighed on stock performance. The Nikkei and Hang Seng fell by 2.7% and 4.9%, respectively. On a more positive note, S&P raised its outlook to positive from stable for the Japan economy, a clear acknowledgement of the recovery of the Japanese economy.

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