

Angostura Holdings Limited (AHL)

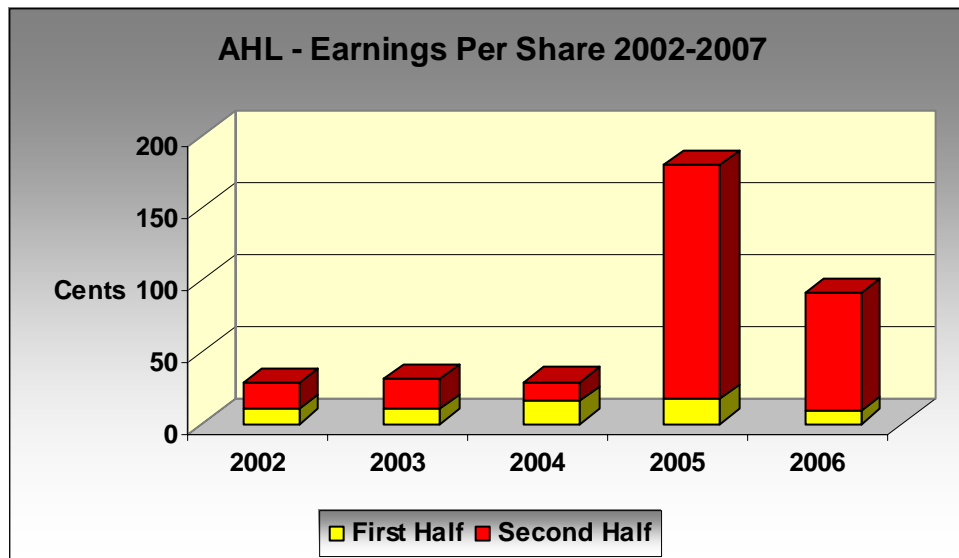
	<u>AHL</u>
RECOMMENDATION	SELL
Current Price	\$5.00
Running EPS	\$0.91
Return on Assets	6.26 per cent
Return on Equity	15.41 per cent

Results for the Year Ended December 31, 2006

Earnings Per Share

For the Year Ended December 31, 2006, Angostura Holdings Limited (AHL) reported Earnings Per Share (EPS) of 91 cents. This represents a significant fall of 89 cents or 49.44 per cent from the \$1.80 recorded in the previous financial year. Included in these results was a \$203.514 million Fair Value gain arising from the market valuation of certain Belvedere related financial instruments. Additionally, the results also reflect a one-time gain of \$38 million from the disposal of part of the Group's Belvedere holdings. Thus, excluding these gains, AHL's earnings from core operations, would actually be in a loss position. **Figure 1** below shows AHL's first half and second half EPS over the period 2002 to 2007.

Figure 1



Financials

Sales for the period under review fell a substantial 43.02 per cent or \$515.669 million from \$1.199 billion in fiscal 2005 to \$682.973 million in fiscal 2006. However after adjusting for the consolidation effect of Cruzan Inc. in 2005, net sales actually increased by 28 per cent. Cost of Goods Sold fell from \$773.070 million in FY2005 to \$439.783 million in FY2006. This represents a reduction of 43.11 per cent or



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\$333.287 million. Thus, Gross Profit amounted to \$243.190 million, down 42.86 per cent or \$182.382 million on the corresponding period last year.

Year on year, the Company saw a fall in Operating Expenses. Selling and Marketing Costs amounted to \$158.214 million, down 18.64 per cent or \$36.242 million while Administrative Expenses fell a significant 48.84 per cent or \$110.130 million to \$115.341 million. Other Income totaled \$179.018 million, a reduction of 51.98 per cent or \$193.769 million from FY2005. As previously stated, AHL results included a net non-cash gain of \$203.514 million. As a result, Operating Profit stood at \$352.167 million, down 6.94 per cent or \$26.265 million from the prior financial year.

Finance Costs grew a considerable 148.16 per cent or \$148.276 million from \$100.078 million in FY2005 to \$248.354 million in FY2006. In addition, Finance Income fell to \$66.704 million in fiscal 2006, down 11.04 per cent or \$8.276 million from \$74.980 million in fiscal 2005. Share of results of associates before tax recorded significant growth from a negative \$0.859 million to a positive \$21.438 million, a substantial increase of \$22.297 million for the financial year. Ultimately, Profit Before Taxation was \$191.955 million for fiscal 2006, compared to the \$352.475 million reported on the comparable period last year.

Taxation for the period amounted to \$4.106 million compared to a Tax Credit of \$18.885 million in fiscal 2005. Thus, AHL's Profit After Tax for fiscal 2006 amounted to \$187.849 million. This figure showed a significant fall of 49.42 per cent or \$183.511 million on the corresponding total for fiscal 2005.

Table 1 shows AHL Year End Financials over the period 2004-2006.

Table 1

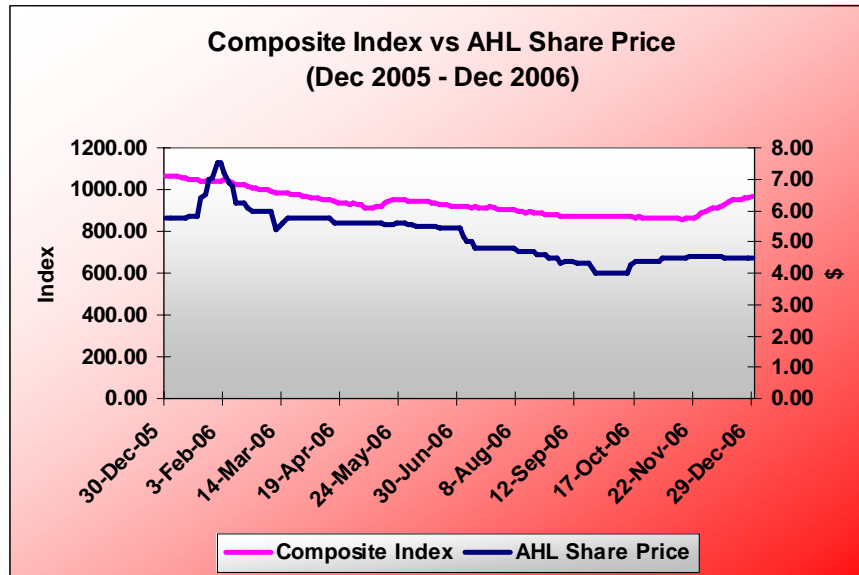
Angostura Holdings Limited Year End Financial Data (2004-2006)					
	YE 2006 \$'000	% Change '05-'06	YE 2005 \$'000	% Change '04-'05	YE 2004 \$'000
Sales	682,973	-43.02%	1,198,642	18.24%	1,013,758
Cost of Goods Sold	439,783	-43.11%	773,070	25.73%	614,846
Gross Profit	243,190	-42.86%	425,572	6.68%	398,912
Expenses	273,555	-34.86%	419,927	21.75%	344,905
Operating Profit	352,167	-6.94%	378,432	297.58%	95,183
Profit Before Taxation	191,955	-45.54%	352,475	784.30%	39,859
Profit for the Period	187,849	-49.42%	371,360	602.92%	52,831
EPS	\$0.91	-49.44%	\$1.80	520.69%	\$0.29
Market Price @ Financial Year End (TT\$)	\$4.50	-21.88%	\$5.76	15.20%	\$5.00
P/E Ratio @ Financial Year End	4.95		3.20		17.24
Dividend	\$0.05	-58.33%	\$0.12	0.00%	\$0.12
Dividend Payout Ratio (%)	5.49		6.67		41.38
Dividend Yield (%)	\$1.11		\$2.08		2.40
Net Asset Value	\$6.30	14.13%	\$5.52	25.17%	\$4.41
Market to Book Ratio	0.71		1.04		1.13
Return on Equity (%)	15.41		36.27		7.40
Return on Assets (%)	6.26		15.25		2.49
Shares Outstanding	206,277,630		206,277,630		206,277,630



Share Price

The share price of AHL started the year at \$5.76 and subsequently started a sharp climb to reach its high of \$7.50 on February 1, 2006. AHL's share price then fell to a price of \$5.41 on March 8 and traded mostly steady to June 30 before it started its descent to its low of \$4.00 on September 22. The share price traded at its low for nine trading days after which the price rose to close the year at \$4.50 (See Figure 2).

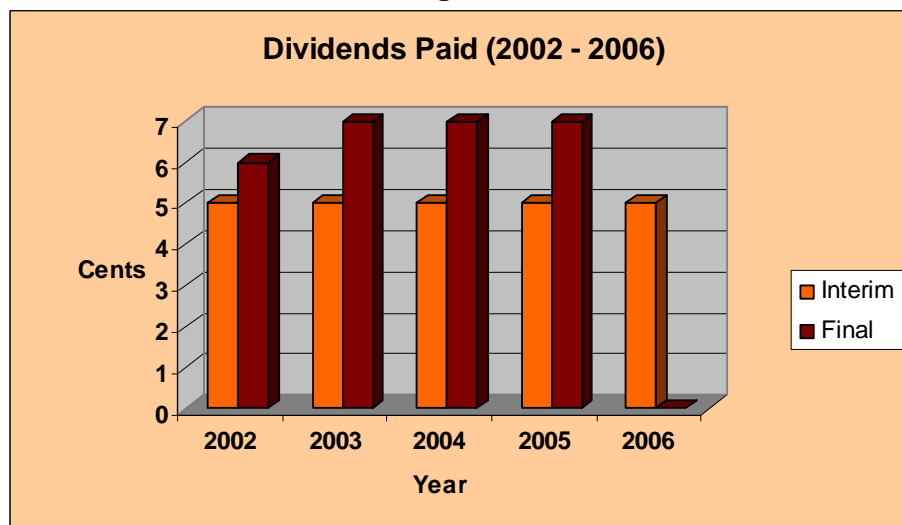
Figure 2



Dividends

The Board of Directors has decided to forego a final dividend, in view of the significant non-cash gains this year, and the Group's various overseas and soon to be implemented investment rationalization initiatives. As such the total dividends paid for the year was 5 cents per share. Figure 3 shows AHL's dividends paid over the period 2002 to 2006.

Figure 3





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Recommendation

It is Angostura's vision to build a global drinks group. However, as can be seen from the results, the earnings of the Company continue to be challenged by its ongoing and relentless commitment to this vision. The Chairman has noted this challenge and has stated that the Group plans to ease this financial burden by embarking on certain investment rationalization initiatives during 2007. Additionally, the Chairman has stated that growth in future earnings will only come about by ongoing penetration and development of its overseas markets. Thus, while AHL's vision may come to fruition in the long term, at this time we continue to recommend a **SELL** on this share.

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