



Jamaica Money Market Brokers

	JMMB
RECOMMENDATION	Speculative BUY
Current Price	TT\$1.25
Current Running P/E	11.36
Running EPS (Jca)	Jca\$1.14
Projected EPS	Jca\$1.14
Dividend Yield (FY 2005)	1.12%
Return on Assets	2.29%
Return on Equity	25.54%

Results for the Year ended March 31, 2006

All figures quoted in Jamaica Dollars

Jamaica Money Market Brokers (JMMB) reported an audited Earnings Per Share (EPS) of \$1.14 for the year ended March 31, 2006 down 0.88 per cent from 2005's year end EPS of \$1.13. These flat results suggest that JMMB's strategy to diversify revenue streams in order to increase profits was not successful for the FY 2006.

While at the end of the third quarter, JMMB's Interest Income was down, suffering from the falling interest rate environment, the end of the year saw Interest Income rising 6.44 per cent to \$8.188 billion. However, due to a 7.55 per cent increase in Interest Expense, Net Interest Income rose by a smaller margin of 3.07 per cent to \$1.970 billion.

Despite the negative impact the downturn in the equity markets had on a subsidiary, JMMB Securities Limited, the Group enjoyed a 29.40 per cent appreciation in Net Gains in Securities Trading to \$703.015 million. Fees and Commissions grew 12.07 per cent to \$95.658 million while Foreign exchange margins from cambio trading grew 185.93 per cent to \$76.220 million.

Though Operating Revenue Net of Interest Expense rose 10.84 per cent to \$2.845 billion, Operating Profit was down 0.85 per cent to \$1.349 billion due to an increase in administrative expenses of 24.06 per cent to \$1.496 billion. The increase in Administrative Expenses was necessary as JMMB had to make investments in this area in order to strengthen its capacity to handle its expansion plans.

At the end of the fiscal year, Dividend Income was actually 13.95 per cent higher than FY 2005 turning around from being down 35.30 per cent at the end of the third quarter. Share of profit of associated companies was a key factor in JMMB's financials increasing 45.31 per cent to \$573.830 million year on year and contributing 29.71 per cent to Profit Before Tax. The Group made a loss of \$0.772 million on disposal of property, plant and equipment in comparison to a gain of \$1.257 million in 2005.

COMPANY UPDATE

Profit Before Tax rose 9.43 per cent to \$1.932 billion while the effective tax rate rose from 6.43 per cent to 13.69 per cent which did not bode well for the bottom line. Profit for the year was therefore ultimately flat, increasing a marginal 0.96 per cent from \$1.652 billion in 2005 to \$1.668 billion in 2006.

The Company expects that future growth in profits will come largely from its overseas operations. The Company hopes that by diversifying its revenue streams and risks across sectors and markets, a negative force in one sector would have a minimal effect on overall shareholder value. Unfortunately, since this effort was not able to foster growth in EPS for this fiscal year, we are projecting a flat EPS for the next fiscal year.

In Jamaica, this share has traded as high as \$18.20 and as low as \$10.65 which suggest a high level of volatility. In Trinidad, it has crossed the floor as high as TT\$1.85 and as low as TT\$1.15 while there has frequently been large volumes of shares traded. Given that the share is currently trading at TT\$1.25 and there is a comparatively higher supply than demand on the market, it is likely that there could be some further downward movement in this share. JMMB is currently trading at a price/earnings ratio of 11.36 times earnings. Given that this share usually trades between 10 to 14 times earnings this would suggest a BUY on the share. However, given that at this point in time we are forecasting flat year end earnings for the next fiscal year, the buy would be purely on the speculation of the Company’s diversification strategy beginning to bear fruit.

Figure 1

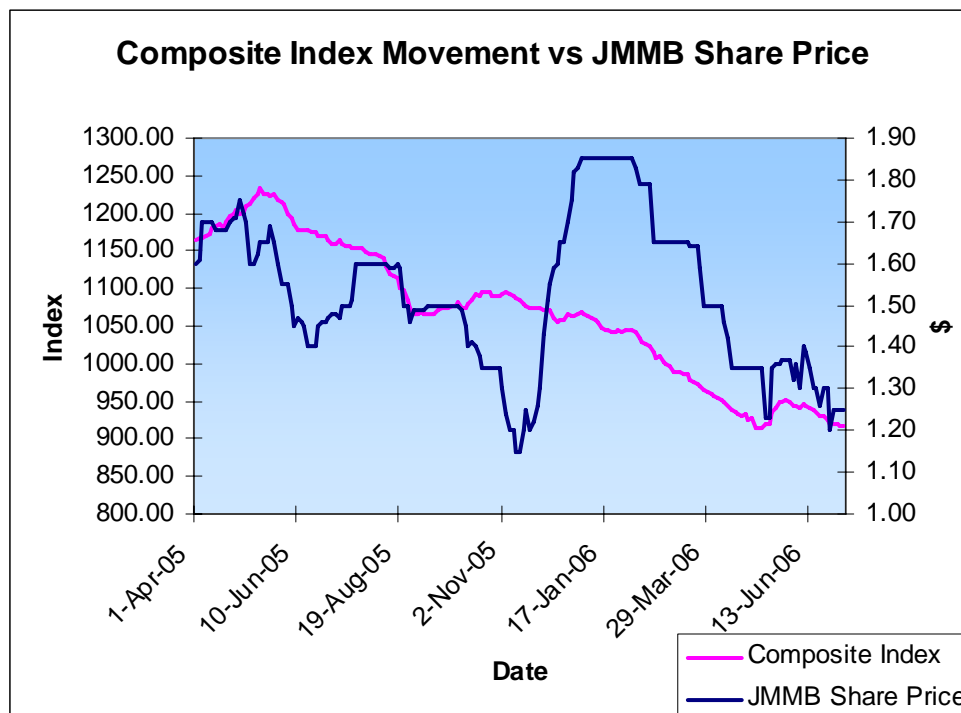
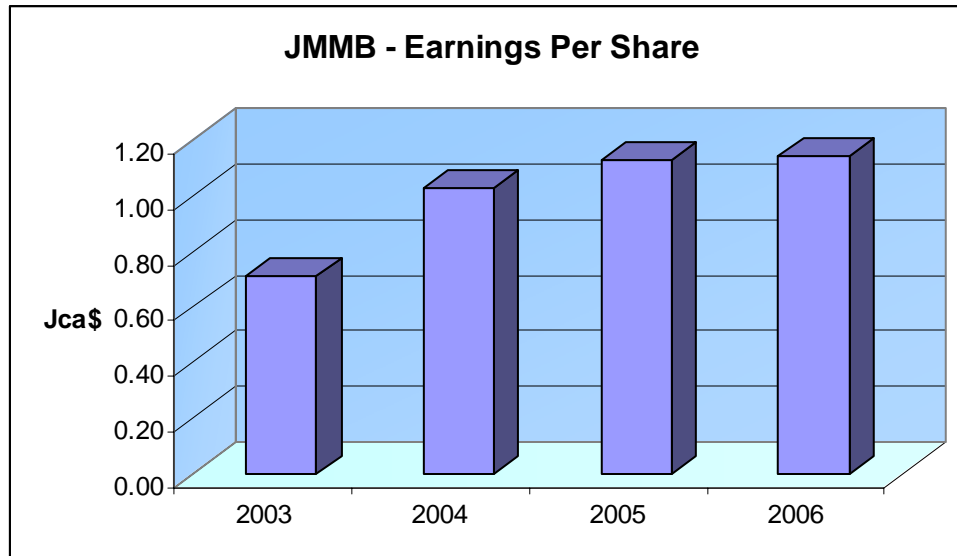


Figure 2

Figure 3

JMMB Year End Financials	2004	Percentage Change	2005	Percentage Change	2006
	(J\$'000)	2004-2005	(J\$'000)	2005 - 2006	(J\$'000)
Operating Revenue Net of Interest Expense	1,990,529	28.95%	2,566,810	10.84%	2,845,131
Profit Before Tax	1,518,604	16.24%	1,765,177	9.43%	1,931,667
Net Profit	1,505,213	9.73%	1,651,673	0.96%	1,667,528
Earnings Per Share	\$1.03	9.71%	\$1.13	0.88%	\$1.14
Price/Earnings Ratio	14.7		13.4		14
Dividend	\$0.16		\$0.18		
Dividend Payout Ratio	15.53%		15.93%		
Dividend Yield	0.97%		1.12%		
Net Asset Value	4,012,109		5,808,462		7,249,288
Market to Book Ratio	5.93		4.08		3.13
Shares Outstanding	1,463,386,752		1,463,386,752		1,463,386,752

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