



COMPANY UPDATE

National Enterprises Limited (NEL)

	NEL
RECOMMENDATION	SELL
Current Price	\$7.00
Running EPS	\$0.46
Projected EPS	\$0.55
P/E at Projected EPS	12.73 times
Dividend Yield @ Estimated Dividend	8.57%
Return on Assets	8.06%
Return on Equity	8.69%

Results for the Year Ended March 31, 2007

Earnings Per Share

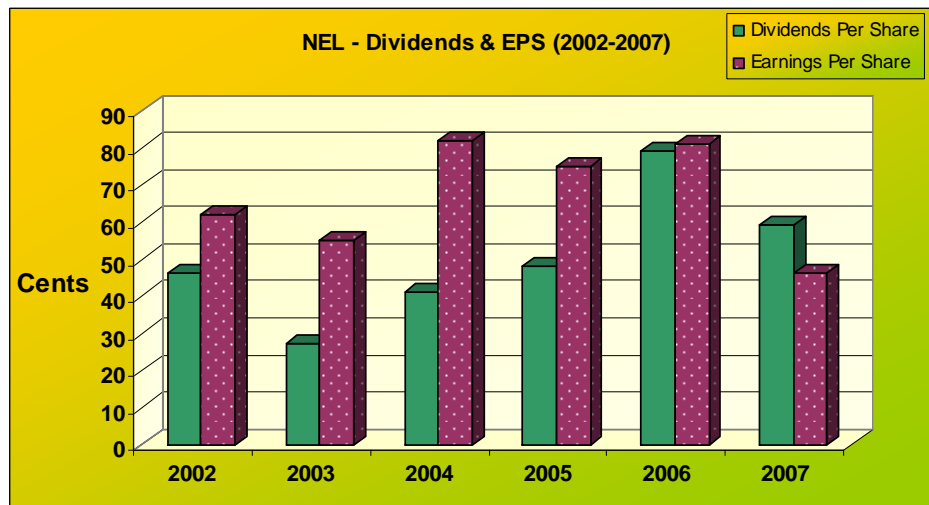
The Year Ended March 31, 2007 was indeed a difficult year for National Enterprises Limited (NEL). The Company reported Earnings Per Share (EPS) of 46 cents, down on the last financial year by a significant 43.21 per cent or 35 cents. The poor performance was due to the fact that two of NEL's investee companies, namely Telecommunications Services of Trinidad and Tobago Limited (TSTT) and National Flour Mills Limited (NFM), reported losses. The Chairman has stated that these losses were brought about by exceptional, and to a large extent, non-recurring costs.

Dividends

In accordance with NEL's dividend policy of paying out at least 90 per cent of dividends received net of expenses, the Directors of NEL have declared a final dividend of 40 cents per share. This brings the total dividends paid for the year ended March 31, 2007 to 59 cents (79 cents in FY06).

See Graph 1 for NEL's Dividends paid and EPS over the fiscal period 2002-2007.

Graph 1





West Indies Stockbrokers Ltd.
1st Floor, Albion Plaza,
22-24 Victoria Avenue,
Port of Spain.
Tel: 625-9473; Fax: 627-5002

Equity Research Team
Gia Singh (Ext 2264)
gias@wisett.com
Nancy Chen (Ext 2225)
nancvc@wisett.com

Financials

Turnover for the year amounted to \$366.84 million compared to \$587.21 million in FY06- a significant fall of 37.53 per cent. Cost of Sales also fell by a similar margin of 37.08 per cent from \$525.03 million in FY06 to \$330.35 million in FY07. Thus, Gross Profit ended the year at \$36.48 million, down 41.32 per cent from \$62.17 million in the corresponding period in the last financial year.

Total Expenses for the year ended March 31, 2007 totaled \$114.72 million of which Voluntary Separation Costs (NFM) represented \$57.16 million (\$0.61 million in FY06) and was the largest Expense for the period. Administrative Expenses was the second largest expense and amounted to \$34.56 million, up a marginal 2.64 per cent on the comparable period in the last financial year. Selling and Distribution Expenses stood at \$21.50 million, down 15.38 per cent on FY06, while Finance Charges increased by a substantial amount from \$0.44 million in FY06 to \$4.41 million in the period under review. Additionally, the Company reported Net Pension Income of \$2.91 million in FY07 compared to a Net Pension Expense of \$5.31 million in FY06. Thus, NEL reported an Operating Loss of \$78.24 million for FY07 while FY06 saw a loss of \$3.26 million.

On a more positive note, Interest Income saw an outstanding increase of 60.60 per cent, moving from \$19.06 million to \$30.60 million. Other Income also saw an increase, up an outstanding 201.93 per cent from \$1.29 million (FY06) to \$3.91 million. Share of Profit before Tax of Equity Accounted Investments ended the period at \$349.94 million, down 41.70 per cent or \$250.35 million on the corresponding figure for FY06. Profit Before Taxation stood at \$306.21 million compared to \$617.37 million in the last fiscal year.

The Effective Tax Rate for the period under review was 17.69 per cent compared to a Tax Rate of 20.93 per cent for FY06. Thus, Profit After Taxation was \$252.04 million, a decline of 48.37 per cent on FY06 profit of \$488.17 million.

Share of Profits from Associates

NEL's share of profits from **NGC NGL Company Limited** and **NGC Trinidad and Tobago LNG Limited** increased by \$23.5 million and \$63.9 million, respectively. The increase in profits in the former was due to higher volumes of natural gas liquids being processed by Phoenix Park Gas Processors Limited (PPGPL) as a result of the coming on stream of the Atlantic LNG Train 4. While the latter saw an increase in part due to continuing high LNG prices but also due to surplus cash being distributed and no loan repayments being made for the current year by PPGPL due to refinancing of its loan.

Share of Profits from Joint Ventures

TSTT reported its first loss in the company's history due to several factors related to the liberalization of the telecommunications sector and the advent of competition. Thus, NEL recorded \$122 million share of loss from TSTT for FY07 compared to a share of profit of \$133.13 million in FY06. NEL also saw a decline in share of profits from Trinidad Nitrogen Company Limited (TRINGEN), as this company's contribution to the Group for FY07 was \$183.08 million, down \$16 million on the comparable period in FY06.



West Indies Stockbrokers Ltd.
 1st Floor, Albion Plaza,
 22-24 Victoria Avenue,
 Port of Spain.
 Tel: 625-9473; Fax: 627-5002

Equity Research Team
 Gia Singh (Ext 2264)
gias@wisett.com
 Nancy Chen (Ext 2225)
nancvc@wisett.com

Share of Profits from Subsidiary

NEL's share of NFM's results also decreased, down \$32.7 million. This was mainly due to the \$57.1 million provision for voluntary separation costs previously mentioned.

See Table 1 for NEL's Year End Financial Data Comparison over the period 2005-2007.

Table 1

NEL Financial Data Comparison for Year End (2005-2007)					
	YE 2007 \$000	% Change '06 -'07	YE 2006 \$000	% Change '05 -'06	Restated YE 2005 \$000
Turnover	366,837	-37.53%	587,206	-10.75%	657,950
Cost of Sales	(330,354)	-37.08%	(525,032)	-191.23%	575,506
Gross Profit	36,483	-41.32%	62,174	-24.59%	82,444
Selling and distribution expenses	21,498	-15.38%	25,404	16.86%	21,738
Administration expenses	34,559	2.64%	33,669	-18.01%	41,064
Voluntary Separation Costs	57,157	9316.31%	607	***	***
Net Pension (Income)/Expense	(2,907)	-154.73%	5,312	***	***
Finance Charges	4,413	893.92%	444	-33.63%	669
Operating (loss)/profit	(78,237)	2298.44%	(3,262)	-117.19%	18,973
Interest Income	30,603	60.60%	19,055	459.29%	3,407
Other income	3,907	201.93%	1,294	-84.65%	8,428
Share of profit before tax of equity accounted investments	349,939	-41.70%	600,284	-1.25%	607,875
Profit before taxation	306,212	-50.40%	617,371	-3.34%	638,683
Taxation	(54,170)	-58.07%	(129,197)	-171.80%	179,942
Profit for the year	252,042	-48.37%	488,174	6.42%	458,741
Earnings Per Share	\$0.46	-43.21%	\$0.81	8.00%	\$0.75
Price at Year End	\$7.00	-21.35%	\$8.90	-23.28%	\$11.60
Price/Earnings Multiple	15		11		15
Dividend	\$0.59	-25.32%	\$0.79	64.58%	\$0.48
Dividend Payout Ratio	128.26%		97.53%		64.00%
Dividend Yield	8.43%		8.87%		4.14%
Net Asset Value	\$4.64	-7.94%	\$5.04	6.78%	\$4.72
Market to Book Ratio	1.51		1.77		2.45
Return on Equity	8.69%		16.70%		16.75%
Return on Assets	8.06%		15.59%		17.30%
Shares Outstanding	600,000,641		600,000,641		600,000,641



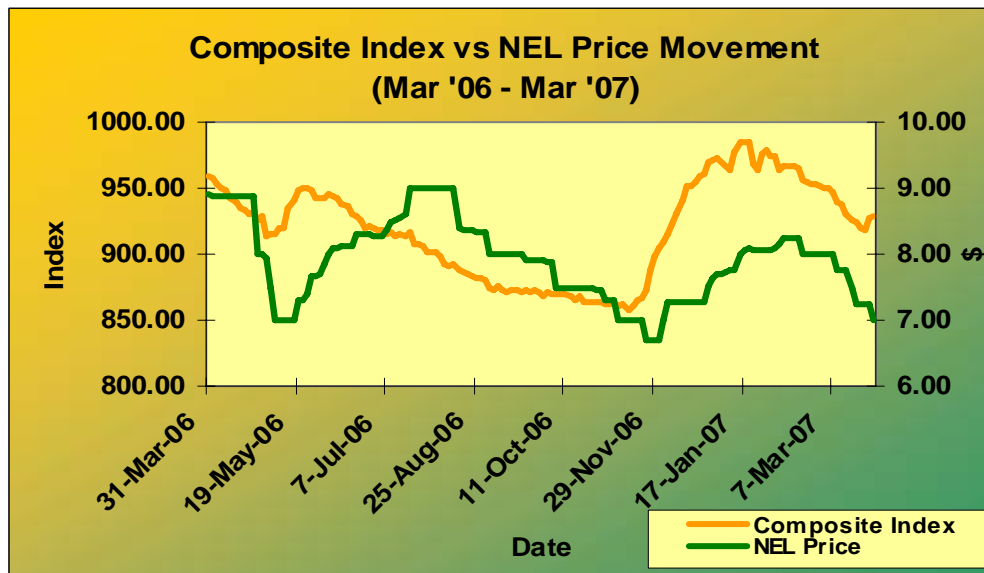
Dividends

In accordance with NEL's dividend policy of paying out at least 90 per cent of dividends received net of expenses, the Directors of NEL have declared a final dividend of 40 cents per share. This brings the total dividends paid for the year ended March 31, 2007 to 59 cents (79 cents in FY06).

Share Price

NEL's share price has been volatile over the period March 2006 to March 2007. The share started the twelve month period at a high of \$9.00 and dropped to \$7.00 after only two months. After which the share price made an upward swing to regain its high of \$9.00 in July 2006. The price maintained the high of \$9.00 for eleven trading days before descending to its 52 week low of \$6.69 on November 28, 2006. Subsequently, the price had a short upward trend before falling once more to end the period at \$7.00. (See Graph 2)

Graph 2



Volumes

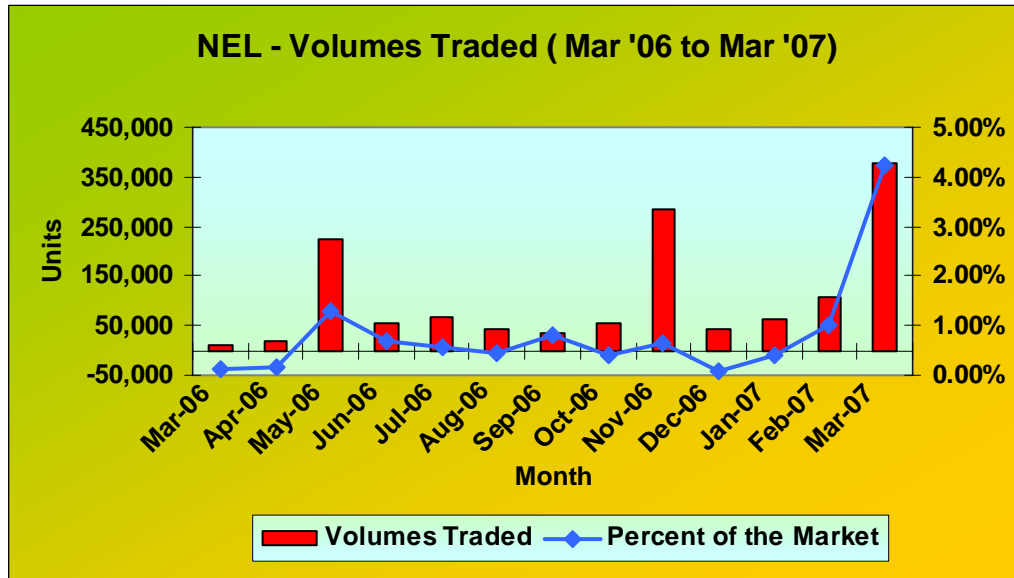
Over the twelve month period March 2006 to March 2007, NEL saw 1,376,452 shares change hands which accounted for a marginal 0.62 per cent of the market. March 2007 saw the largest volume traded of 376,752 shares or 4.24 per cent of the market, while March 2006 saw the lowest volume traded of 10,944 shares or 0.12 per cent of all trades for that period. (See Graph 3)



West Indies Stockbrokers Ltd.
1st Floor, Albion Plaza,
22-24 Victoria Avenue,
Port of Spain.
Tel: 625-9473; Fax: 627-5002

Equity Research Team
Gia Singh (Ext 2264)
gias@wisett.com
Nancy Chen (Ext 2225)
nancyc@wisett.com

Graph 3



Chairman's Outlook

The Chairman has stated that the Company expects that TSTT will return to profitability in the 2007-2008 financial year. He also said that given the continuing buoyant condition in the energy sector, namely natural gas, natural gas liquids and ammonia, in addition to defensive strategies being pursued by both TSTT and NFM in their competitive environments- he is confident that NEL's investments will continue to provide good shareholder value and adequate dividends in the coming years.

Recommendation

NEL last closed at a price of \$7.00 on the local exchange. In light of these results and the forward looking statements of the Chairman, we are forecasting an EPS of 55 cents for fiscal 2008. At this forecasted EPS and the current price, these shares are trading at a price to earnings multiple of 12.73, which is high for this Company's usual trading range. Thus, at this time we continue to recommend a **SELL** on this share.

This document is based on information obtained from sources, which we believe to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, West Indies Stockbrokers Limited. Expressions of opinion herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell securities. West Indies Stockbrokers Limited and or their officers, directors, and employees may own or have positions in any of the securities mentioned herein, and may from time to time add or dispose of any such securities. This document is for the information of clients only and is not for publication in the Press or elsewhere without the permission of West Indies Stockbrokers Limited. WISE is a subsidiary of RBTT Financial Holdings Limited

West Indies Stockbrokers Limited, 1st Floor Albion Plaza, 22-24 Victoria Avenue, Port of Spain, Trinidad (868) 623-4861 Fax (868)-627-5002 e-mail: info@wisett.com Member of the Trinidad and Tobago Stock Exchange Ltd.