

**Jamaica Money Market Brokers Limited (JMMB)**

*All figures quoted in Jamaican Dollars unless otherwise stated*

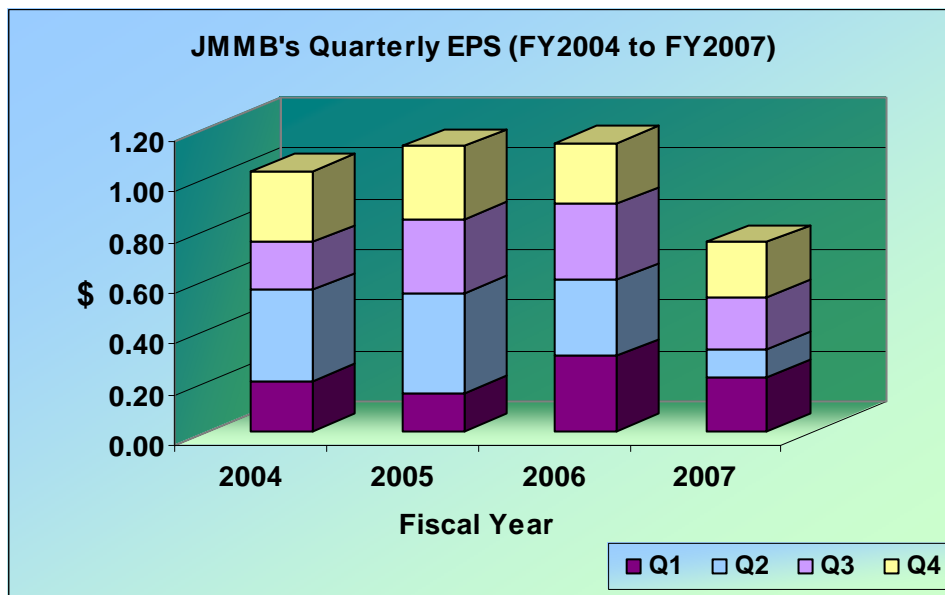
	<b>JMMB</b>
<b>RECOMMENDATION</b>	<b>SELL</b>
<b>Current Price</b>	<b>TT\$0.90</b>
<b>Running EPS</b>	<b>TT\$0.07 (JMD0.69)</b>
<b>Projected EPS</b>	<b>TT\$0.08 (JMD0.84)</b>
<b>P/E at Projected EPS</b>	<b>11.25 times</b>
<b>Dividend Yield at Estimated Dividend</b>	<b>2%</b>
<b>Return on Assets (as at Year End)</b>	<b>1.28%</b>
<b>Return on Equity (as at Year End)</b>	<b>15.29%</b>
*** All statistics above are based on the most current data available unless otherwise stated	

***Results for the Year Ended March 31, 2007***

**Earnings Per Share**

For the Year Ended March 31, 2007, Jamaica Money Market Brokers Limited (JMMB) reported Earnings Per Share (EPS) of \$0.75, down 31.19 per cent or 34 cents on the previous financial year in 2006. The fall in EPS was mainly as a result of increased costs and a significant fall in Share of Profits from Associated Companies. **Graph 1** below shows JMMB's EPS over the period 2004 to 2007.

**Graph 1**





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## Financials

Net Interest Income amounted to \$1.57 billion, down 20.38 per cent or \$401.49 million on the comparable period last financial year. This was due to the fact that Interest Expense rose by 12.72 per cent to \$7.01 billion while Interest Income rose by a smaller margin of 4.76 per cent to end the period at \$8.58 billion.

For the period under review, Net Gains on Securities Trading amounted to \$1.58 billion, an outstanding increase of 124.66 per cent on the same figure in FY06. Fees earned from managing funds on behalf of clients also saw a substantial increase, moving from \$15.31 million (FY06) to \$55.87 million (FY07). Other Fees and Commissions stood at \$115.62 million, an increase of 43.90 per cent or \$35.27 million, while Foreign Exchange margins from Cambio Trading ended the year at \$64.83 million, down 14.94 per cent or \$11.39 million. Thus, Operating Revenue net of Interest Expense amounted to \$3.38 billion, up 18.96 per cent or \$539.35 million on the corresponding period in FY06.

Year on year, Administrative Expenses increased by 14.21 per cent, moving from \$1.50 billion (FY06) to \$1.71 billion (FY07). This figure was made up of Staff Costs totaling \$884.18 (an increase of 14.84 per cent on FY06) in addition to Other Costs which stood at \$824.55 million (an increase of 13.53 per cent on FY06). Also, the Group recorded an Impairment Loss on Financial Assets of \$254.30 million for FY07, which was not experienced in FY06. The impairment charge was for losses on two equity investment holdings, one quoted and the other unquoted.

As mentioned previously, Share of Profits from Associated Companies fell by a considerable 80.47 per cent from \$486.59 million in FY06 to \$95.02 million for the year under review. Also, it is important to note that Share of Profits from Associated Companies for FY06 was restated from \$573.83 million. This was as a result of a change in accounting policy, following adoption of amendments to IAS 39, Financial Instruments: Recognition and Measurement. Additionally, as stated in an article in the Jamaica Business Observer dated Sunday 17<sup>th</sup> June, 2007, while the local arm of JMMB fared well for financial year under review, this was not the case for its Caribbean associate companies. For instance, Caribbean Money Market Brokers Limited (CMMB) saw a significant drop in profits of approximately 80 per cent. This was due to a challenging interest rate environment in Trinidad which resulted in a considerable fall in Net Interest Income. It was also reported that the Group is making a strategic expansion into the Dominican Republic and expects to see a rebound in profit contribution from CMMB. Furthermore, the Group is looking to Intercommercial Bank to take advantage of a strong Trinidadian economy where interest rates are improving.

JMMB's Profit Before Income Tax for the period stood at \$1.53 billion compared to \$1.84 billion in the last financial year- a decrease of 17.24 per cent or \$317.96 million. The Effective Tax Rate for the year under review was 28.03 per cent compared to a Tax Rate of 13.77 per cent in fiscal 2006. Thus, Profit for the Year ended at \$1.10 billion, down 30.92 per cent on the comparable period last financial year.



Table1 shows a Comparison of JMMB's Audited Year End Results (FY 2005 – FY 2007)

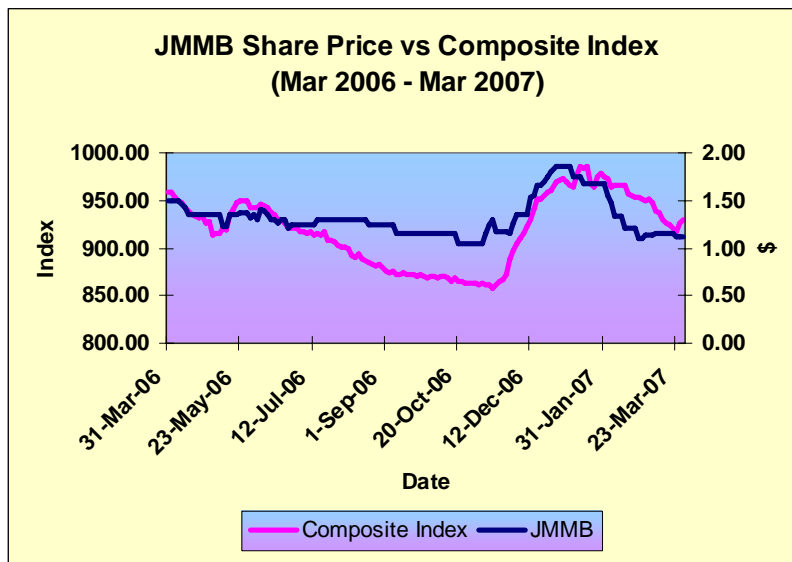
Table 1

Jamaica Money Market Brokers Limited - Audited Year End Financials (FY 2005-FY 2007)					
	YE 2007	% Change '06-'07	Restated YE 2006	% Change '05-'06	YE 2005
Net Interest Income	1,568,747	-20.38%	1,970,238	3.07%	1,911,519
Operating Revenue Net of Interest Expense	3,384,483	18.96%	2,845,131	10.84%	2,566,810
Profit before income tax	1,526,459	-17.24%	1,844,422	4.49%	1,765,117
Profit After Tax	1,098,603	-30.92%	1,590,430	-3.71%	1,651,673
EPS	0.75	-31.19%	1.09	-3.54%	1.13
Market Price @ Financial Year End (TT\$)	\$1.12	-25.33%	\$1.50	-3.23%	\$1.55
P/E Ratio @ Financial Year End	15.72		14.22		13.72
Dividend	0	-100.00%	21	5.00%	20
Dividend Payout Ratio (%)	0.00%		19.27%		17.70%
Dividend Yield (%)	0.00%		1.36%		1.29%
Net Asset Value	\$4.90	-1.01%	\$4.95	24.69%	\$3.97
Market to Book Ratio	2.41		3.13		3.90
Return on Equity (%)	15.29		25.56		35.25
Return on Assets (%)	1.28		2.29		2.65
Shares Outstanding	1,463,386,752		1,463,386,752		1,463,386,752

### Share Price

For fiscal 2007, JMMB's share price traded generally firm, with the exception of December 2006 where the price rose over speculation about the ownership structure of the Company. Over the period, the share price saw a low of TT\$1.05 on October 20, 2006 and a high of TT\$1.85 on December 29, 2006. The share subsequently closed the fiscal year at TT\$1.12. **Graph 2** below show JMMB's share price movement relative to the Composite Index for the period under review.

Graph 2





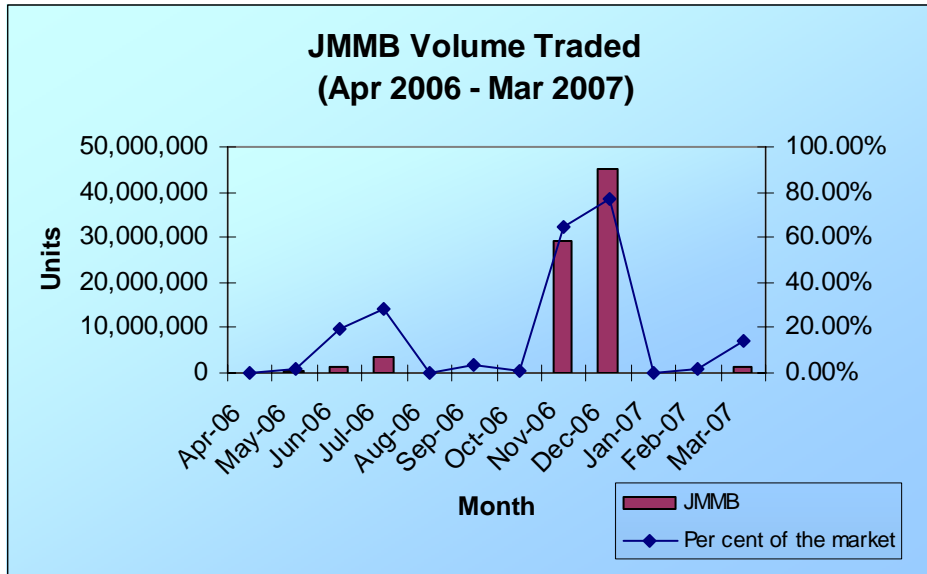
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**Volumes**

Fiscal 2007 saw 81,299,156 shares change hands with December 2006 being the most active as 45,117,105 shares changed ownership. January 2007 was the slowest month with 10,300 shares crossing the floor. Coincidentally, December 2006 also saw the largest percentage (77.35 per cent) of JMMB shares traded in relation to the rest of the market while January 2007 saw the lowest percentage traded (0.06 per cent) (See Graph 3)

**Graph 3**



**Recommendation**

JMMB last closed at a price of TT\$0.90 on the local exchange. In light of these results, we are forecasting an EPS of TT\$0.08 (\$0.84) for FY08. At the current price and forecasted EPS of TT\$0.08, these shares are trading at a price to earnings multiple of approximately 11 times. Thus at this time we continue to recommend a **SELL** on this share.

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