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The Bermuda Stock Exchange Domestic Issuers

BLUE BOOK

Volume 2: October 2007

LOM Securities (Bermuda) Limited

Licensed to conduct investment business by the Bermuda Monetary Authority

LOM Securities (Bermuda) Limited
Blue Book 2007
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Notes:

- Reports are listed in order of total market capitalization as of 09/30/07.
- Charts shown for Main Board companies are 1-year share price/volume, whereas those shown for Small Capitalization companies are 5-year share price/volume.
- All charts are as of 09/30/07 and are provided courtesy of Bloomberg L.P.

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Dear Investors,

Welcome to the 2nd annual publication of the Bermuda Stock Exchange Domestic Issuers “Blue Book”. Herein you will find helpful and informative details regarding all of Bermuda’s local companies, including financial results, earnings estimates, share price forecasts, and stock recommendations.

This past year has seen many interesting developments with regards to the Royal Gazette/BSX Domestic Issuers Index and its constituent companies. We have witnessed the index eclipse the 5,000 point plateau for the first time. In addition, we have seen record earnings announcements from the likes of Argus Group, BF&M, BELCO, and Butterfield Bank. And finally, we have seen unprecedented levels of both dividend payments and of share liquidity, as our domestic companies strive to compete for the capital of the discerning investor.

Our firm has also experienced a variety of changes over the past year. We have added staff to our sales, trading, and marketing departments in order to expand our business and to better serve our clientele. We are revamping our web site in order to deliver increased levels of both functionality and user friendliness. Further, we have bolstered our lineup of managed products, with the introduction of a UK Sterling money market fund, an emerging markets fund, and an alternative strategies fund. As always, LOM is here to provide you with personalized investment advice and to competitively buy and sell your domestic and international securities. Our organization remains second-to-none in terms of service, efficiency, responsiveness, and up-to-the-minute market knowledge.

Please feel free to use this publication as you wish, and should you require any further information on these BSX listed companies or any other financial instrument, contact us at (441) 292-5000 or by e-mail at info@lom.com.

Thank You and Kindest Regards,

Scott Lines
CEO

About the BSX

Established in 1971, the Bermuda Stock Exchange (BSX) is the world's first and largest fully electronic offshore securities market. Trading on the BSX is executed through the Exchange's customized trading system, BEST (Bermuda Electronic Securities Trading), a completely automated system based on a central limit order book which allows exchange members to trade securities on an equal "first come, first served" basis. Once executed, trade information is disseminated electronically to key financial information providers (such as Bloomberg and Reuters), thus creating a transparent, liquid, and global market. Timely clearing and settlement is facilitated through BEST's tight integration with its electronic clearing, settlement, and depository system, the Bermuda Securities Depository (BSD).

The BSX domestic market trades daily, Monday to Friday, from 9:00am to 3:30pm Atlantic Standard Time. International Markets on the BSX remain open until 6:30pm AST, allowing for extended trading hours to those exchange members residing outside of North America.

About the Domestic Issuers Index

Since 1971 the BSX, in association with The Royal Gazette, has published a daily market cap-weighted index entitled "The Royal Gazette/BSX Composite Index". This index is currently comprised of sixteen of Bermuda's largest "domestic" companies – those corporations who serve predominantly the local markets and who desire the benefits intrinsic to being a "publicly-listed" company (for example: corporate transparency, media coverage, and efficient access to capital.) The BSX further separates the domestic issuers into two distinct classes. "Main board" companies must have a minimum market capitalization of $10 million and are required to make financial releases twice per annum – a six-month financial report in addition to fiscal year-end annual reports. "Small capitalization issuers", on the other hand, must have a market capitalization above $500,000 but not more than $10 million, with similar reporting requirements.

Historical Performance of the Index

Given the remarkable developments in Bermuda's economy over the past twelve years, the RG/BSX Domestic Issuers Index has shown substantial growth. The BSX reports the following statistics from its modernization in 1995 up until the end of 2006:

- RG/BSX Composite Index growth of 343% (from 1,098 points to 4,860 points)
- Market Capitalization growth of 362% (from $585 million to $2.7 billion)
- Total value-traded growth of 236% (from $26.5 million to $89 million)
- Traded share volume growth of 56% (from 2.5 million shares to 3.9 million shares)

The BSX notes that these numbers, save the Composite Index growth, exclude the Bank of Bermuda, which was acquired in 2004 by The HSBC Group.

The annualized return numbers for the Domestic Issuers Index over these past twelve years compare quite favourably with other international benchmarks:

- BSX Domestic Issuers Index: 19.81%
- S&P 500 Index: 11.08%
- MSCI World Index (ex-USA): 7.41%

The BSX notes that the above figures are gross returns, exclusive of transaction costs and assume that dividends are reinvested. Further, the S&P 500 and MSCI Index returns do not take into account the negative impact of income tax on dividends that a Bermuda-based investor would normally have to bear (whereas no withholding or income taxes are payable by Bermudians on domestic dividends.)

BSX Domestic Issuers - Relevant Data

Company Name	Industry Sector	Stock Rating	Risk Profile	Share Price 30-Sep-07	One-Year Target	Implied Total Return	52-Week High	52-Week Low	Shares O/S	Avg. Monthly Volume	BSX Weight	Market Capitalization	Total Equity	Total Assets
Argus Group Holdings	Financial	Buy	Low	$15.50	$18.00	20.3%	$16.00	$12.50	19.42m	31,700	10.57%	$301.0m	$177.5m	$535.8m
BELCO Holdings	Utility	Hold	Low	$21.50	$23.00	10.9%	$27.50	$20.00	10.29m	9,800	7.77%	$221.3m	$289.0m	$327.2m
Bermuda Aviation Services	Transport	Hold	Moderate	$6.65	$7.00	10.1%	$6.75	$6.00	5.07m	3,700	1.18%	$33.7m	$32.2m	$46.1m
Bermuda Commercial Bank	Financial	Buy	Moderate	$12.25	$14.00	20.8%	$12.50	$7.55	4.35m	14,400	1.87%	$53.3m	$58.0m	$583.2m
Bermuda Container Line	Transport	Hold	Moderate	$14.55	$13.50	(3.4%)	$15.00	$12.00	3.00m	1,200	1.53%	$43.7m	$28.6m	$34.2m
Bermuda Press (Holdings)	Media	Hold	Moderate	$15.50	$16.00	8.1%	$15.50	$14.00	1.38m	1,200	0.75%	$21.4m	$28.3m	$44.1m
BF&M	Financial	Strong Buy	Low	$18.40	$23.00	28.5%	$19.50	$16.25	7.42m	16,200	4.79%	$136.4m	$126.2m	$616.1m
Butterfield Bank Group	Financial	Hold	Low	$20.00	$21.00	8.2%	$21.67	$18.33	89.61m	604,000	62.93%	$1,792m	$571.9m	$12,000m
Devonshire Industries	Consumer	Hold	Moderate	$13.85	$15.00	15.5%	$14.80	$13.00	438k	500	0.21%	$6.1m	$3.0m	$3.1m
KFC Bermuda	Consumer	Hold	Moderate	$7.00	$6.00	(8.6%)	$7.00	$5.75	592k	3,100	0.15%	$4.1m	$2.5m	$2.8m
Keytech	Telecom	Buy	Moderate	$12.50	$16.00	32.8%	$16.50	$11.00	13.24m	13,300	5.81%	$165.5m	$137.6m	$161.9m
LOM (Holdings)	Financial	n/a	n/a	$4.00	n/a	n/a	$4.00	$2.65	6.38m	29,400	0.90%	$25.5m	$20.2m	$23.4m
MediaHouse	Media	Strong Buy	Moderate	$6.75	$21.00	211.1%	$6.75	$6.55	494k	2,100	0.12%	$3.3m	$5.5m	$25.7m
Stevedoring Services	Transport	Sell	Moderate	$6.50	$6.00	(4.6%)	$6.50	$6.50	1.26m	50	0.29%	$8.2m	$8.1m	$9.6m
Watlington Waterworks	Utility	Buy	Low	$13.00	$15.00	18.5%	$13.00	$11.36	1.05m	700	0.48%	$13.6m	$12.6m	$13.7m
West Hamilton Holdings	Real Estate	Strong Buy	Moderate	$13.00	$17.00	32.9%	$14.00	$10.00	1.44m	3,400	0.66%	$18.8m	$6.6m	$6.7m

Company Name	Indicated Dividend	Current Yield	Payout Ratio	Earnings Per Share 2004A	2005A	2006A	2007E	Expected EPS Change	P/E Ratios Current	2007E	Book Value Per Share	Price / Book	Return on Equity	Return on Assets
Argus Group Holdings	$0.64	4.13%	33%	$0.91	$1.41	$1.92	$1.80	(6.2%)	8.07x	10.00x	$9.14	1.70x	20.8%	6.9%
BELCO Holdings	$0.85	3.95%	40%	$1.81	$1.99	$2.10	$2.12	1.0%	10.24x	11.00x	$28.07	0.77x	7.6%	6.6%
Bermuda Aviation Services	$0.32	4.81%	48%	$0.40	$0.56	$0.67	$0.72	7.5%	9.93x	10.00x	$6.35	1.05x	10.5%	7.3%
Bermuda Commercial Bank	$0.80	6.53%	48%	$0.64	$1.04	$1.67	$1.28	(23.4%)	7.34x	11.00x	$13.35	0.92x	15.3%	1.8%
Bermuda Container Line	$0.56	3.85%	38%	$1.21	$1.15	$1.47	$1.35	(8.2%)	9.90x	10.00x	$9.54	1.53x	15.4%	12.9%
Bermuda Press (Holdings)	$0.76	4.90%	46%	$2.48	$1.78	$1.67	$1.75	4.8%	9.28x	9.00x	$20.53	0.75x	8.1%	5.2%
BF&M	$0.64	3.48%	18%	$1.46	$2.32	$3.65	$2.85	(21.9%)	5.04x	8.00x	$17.02	1.08x	21.6%	4.2%
Butterfield Bank Group	$0.64	3.20%	42%	$1.06	$1.28	$1.53	$1.62	5.7%	13.04x	13.00x	$6.38	3.13x	24.4%	1.3%
Devonshire Industries	$1.00	7.22%	86%	$0.80	$0.90	$1.16	$1.25	7.8%	11.94x	12.00x	$6.76	2.05x	17.2%	16.2%
KFC Bermuda	$0.40	5.71%	60%	$0.83	$0.86	$0.66	$0.65	(2.0%)	10.55x	9.00x	$4.29	1.63x	15.5%	13.8%
Keytech	$0.60	4.80%	87%	$0.76	$0.88	$0.69	$0.97	41.4%	18.22x	16.00x	$10.39	1.20x	6.6%	5.6%
LOM (Holdings)	$0.10	2.50%	38%	$0.32	$0.11	$0.26	n/a	n/a	15.38x	n/a	$3.17	1.26x	8.2%	7.1%
MediaHouse	$0.00	n/a	n/a	$0.23	($1.07)	$2.15	$7.00	225.6%	3.14x	3.00x	$11.20	0.60x	20.0%	4.3%
Stevedoring Services	$0.20	3.08%	77%	$0.92	$0.95	$0.26	$0.35	34.6%	25.00x	15.00x	$6.43	1.01x	4.0%	3.4%
Watlington Waterworks	$0.40	3.08%	20%	$1.64	$1.53	$1.96	$1.87	(4.8%)	6.62x	8.00x	$11.99	1.08x	16.4%	15.0%
West Hamilton Holdings	$0.28	2.15%	59%	$0.71	$0.70	$0.47	$0.41	(13.1%)	27.54x	41.00x	$4.58	2.84x	10.3%	10.2%

Notes:
- Average Monthly Volume = Trailing 12-month Trade Volume / 12
- Payout Ratio = Indicated Annual Dividend / Last Fiscal Year's Earnings Per Share
- Indicated Dividend does not include year-end or "special cash" dividend payments.
- Historical price multiple calculations use fiscal year-end share price.
- Shareholder's Equity and Total Asset numbers for Belco, BCB, BF&M, and Butterfield have been taken from their most recent half-year releases as opposed to older fiscal YE releases.
- For Argus, BAS, Devonshire, Keytech, KFC Bermuda, and Stevedoring, 2007 EPS and P/E figures apply to their respective fiscal YE 2008 numbers, 2006 numbers apply to fiscal YE 2007, etc.

Butterfield Bank Group

Ticker: NTB - BH
Sector: Financial

Fiscal Year-End: Dec. 31, 2006
Web Site: www.butterfieldbank.com

Share Price (09/30/07):	$20.00	**Annual Dividend:**	$0.64	**Shares O/S:**	89.61m
Stock Rating:	Hold	**Current Yield:**	3.20%	**Market Cap:**	$1,792m
Risk Profile:	Low	**Payout Ratio:**	42%	**BSX Weight:**	62.93%
1-Year Target Price:	$21.00	**Ex-Dividend Date:**	11/06/07	**Book Value:**	$6.13
1-Year Implied ROR:	8.2%	**Frequency:**	Quarterly	**Price/Book:**	3.26x

52-Week High:	$21.67
52-Week Low:	$18.33
Avg. Monthly Volume:	604,000
Current P/E Ratio:	13.04x
Shareholder's Equity:	$571.9m
Total Assets:	$12,000m
Return on Equity:	24.4%
Return on Assets:	1.3%

	2004	2005	2006	2007E
EPS:	$1.06	$1.28	$1.53	$1.62
YoY Growth:	25.6%	20.7%	19.5%	5.7%
P/E Ratio:	10.49x	11.00x	12.23x	13.00x
Fiscal YE Price:	$11.16	$14.12	$18.75	

Notes: NTB distributed a 3-for-1 stock split in August 2007
NTB raised its annual dividend by $0.05 in November 2006

NTB 1-year price/volume chart:

Butterfield Bank Group

Company Description

Butterfield Bank Group is a diversified provider of financial services with headquarters in Bermuda, and operations in six other jurisdictions. The bank's 2006 revenues can be deconstructed geographically and operationally as follows:

Revenue by Location		Revenue by Segment	
Bermuda	54%	Net Interest Income	52%
Cayman	23%	Investment & Pension Admin.	11%
Guernsey	11%	Banking Services	10%
UK	7%	Asset Management	8%
Barbados	3%	Foreign Exchange	8%
Bahamas	2%	Trust & Investment Services	8%
		Other	3%

In their latest financial release (06/30/07), Butterfield reported total assets of $12.0 billion, assets under management of $11.7 billion, and assets under administration of $137 billion.

2006 Results

Butterfield enjoyed another record year in 2006, with net income climbing 22.6% year-on-year to $134 million and revenue growing 16.9% to $415 million. Net interest income before provisions increased 17.7% to $218 million on the back of a healthy growth in customer deposits, which rose 22.7%, or $1.8 billion, to $9.8 billion. The bank's investment and loan portfolios were up year-on-year by 30% and 22% respectively, with each standing at $3.8 billion as of fiscal year-end. Butterfield's capital structure remains strong, as evidenced by a highly liquid balance sheet and risk-weighted capital ratios that are well above the minimum requirements mandated by the Bermuda Monetary Authority.

Half-Year 2007 Results

Bank of Butterfield recently reported 2nd quarter earnings of $35.9 million, up only 6.1% from the same quarter last year. This brings half-year diluted earnings per share (pre the 3:1 stock split) to $2.46 for fiscal 2007 versus $2.31 for 2006, a gain of 6.5% year-on-year. Net interest income for the quarter grew a healthy 15% to $61.6 million on customer deposits of $10.6 billion, which rose nearly 20%. The recent slowdown in earnings growth can be attributed to three main factors:

- The bank undertook a number of acquisitions from 2001 to 2004, the benefits of which have been recognized handsomely over the past two years. The lack of recent acquisitions has made double-digit rates of revenue and earnings growth more difficult to sustain.
- An increase in Butterfield's headcount required to support its rapid growth, especially increased staffing in "corporate governance" areas such as Risk Management and Compliance.
- It is common for expense growth to lag behind strong revenue growth.

Forecast and Recommendation

Butterfield Bank remains a first-rate financial institution and the bellweather stock of the BSX index, accounting for over 60% of the Domestic Issuers market capitalization. The stock has performed admirably over the past three years, posting an average annualized return of approximately 25%. Butterfield's retail business in the Caribbean is poised for organic growth, and there exist the future possibilities of both accretive acquisitions and of periodic dividend increases. However, it is unreasonable to expect the bank to maintain its torrid growth rate of the past few years. In addition, there remains the likelihood that recent volatility in global capital markets may negatively impact Butterfield's operations going forward.

We apply a 13.0x multiple to our 2007 earnings projection of $1.62 and generate a 1-year price target of $21 for shares of NTB. LOM rates Butterfield Bank Group as a "hold".

Argus Group Holdings Limited

Ticker: AGH - BH
Sector: Financial

Fiscal Year-End: March 31, 2007
Web Site: www.argus.bm

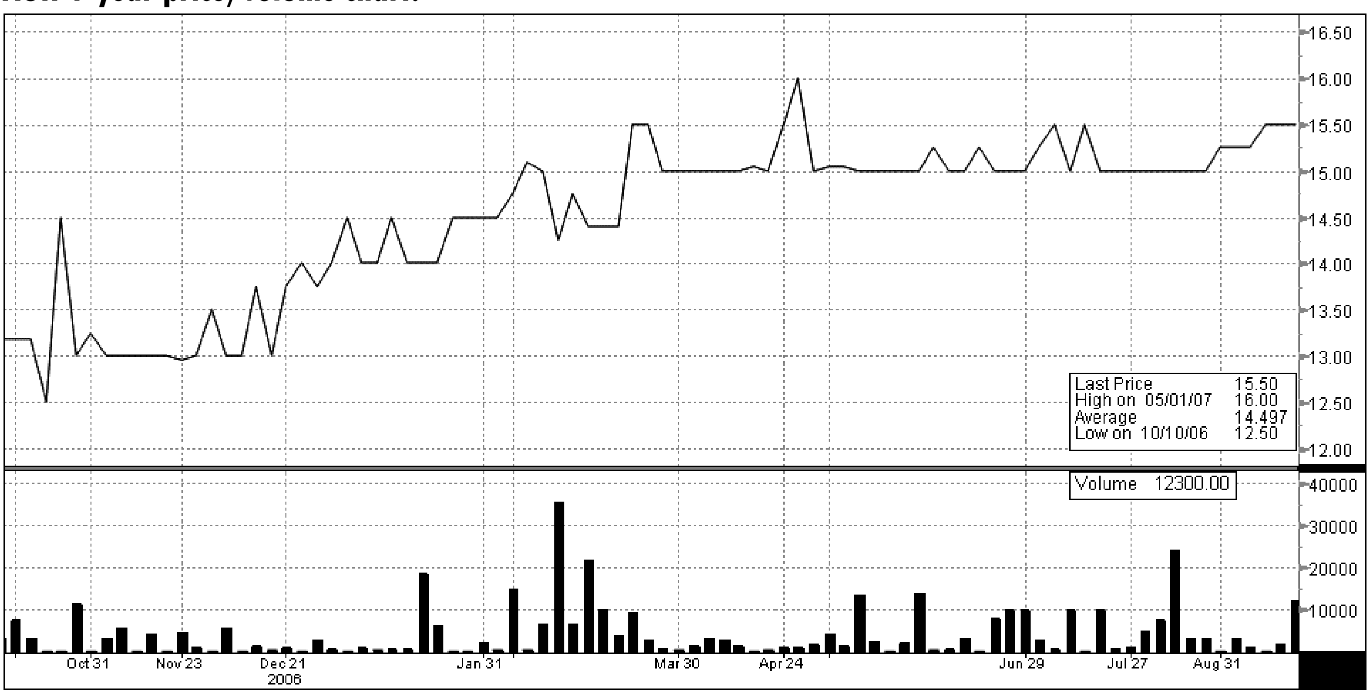
Share Price (09/30/07):	$15.50	**Annual Dividend:**	$0.64	**Shares O/S:**	19.42m
Stock Rating:	Buy	**Current Yield:**	4.13%	**Market Cap:**	$301.0m
Risk Profile:	Low	**Payout Ratio:**	33%	**BSX Weight:**	10.57%
1-Year Target Price:	$18.00	**Ex-Dividend Date:**	12/27/07	**Book Value:**	$9.14
1-Year Implied ROR:	20.3%	**Frequency:**	Quarterly	**Price/Book:**	1.70x

52-Week High:	$16.00
52-Week Low:	$12.50
Avg. Monthly Volume:	31,700
Current P/E Ratio:	8.07x
Shareholder's Equity:	$177.5m
Total Assets:	$535.8m
Return on Equity:	20.8%
Return on Assets:	6.9%

	2005	2006	2007	2008E
EPS:	$0.91	$1.41	$1.92	$1.80
YoY Growth:	5.8%	54.9%	36.2%	(6.2%)
P/E Ratio:	12.08x	9.35x	7.81x	10.00x
Fiscal YE Price:	$10.99	$13.18	$15.00	

Notes: AGH raised its annual dividend by $0.08 in October 2007
AGH distributed a 1-for-10 stock dividend in October 2007

AGH 1-year price/volume chart:



Argus Group Holdings Limited

Company Description

Argus Group Holdings (AGH) provides a broad range of insurance, retirement, and financial products and services dedicated to the needs of both individuals and businesses. The company's segmented revenue and earnings for the latest fiscal period are as follows (in millions):

Business Segment	Revenue	Earnings	Gross Margin
Insured Employee Benefits	$76.6	$ 9.5	12.4%
Life and Pensions	$45.5	$21.9	48.0%
Property & Casualty	$28.2	$ 5.3	18.9%
All Other	$ 3.5	$ 0.2	5.7%

In December 2006, Argus Group acquired the entire share capital of Tremont International Insurance Limited for a total consideration of $8.8 million. The company is engaged in variable annuities and life insurance policies, with a focus on hedge fund strategies, and has been amalgamated into the Group's International Life Division.

2007 Results

Argus reported record earnings for fiscal year-end 2007 of $37 million, representing an increase of 37% over the previous year. Revenue climbed almost 15% to a new high of $154 million. The company's strong growth was due to a variety of factors, including:

- The continued outperformance of Argus Group's "shining star", the Life and Pension Division, which returned $22 million, or nearly 60% of total earnings. Investment income for this segment benefited handsomely from a strong capital markets environment.
- The acquisition of new business and an improvement in underwriting ratios due to rising premiums, combined with moderate increases in deductibles and stricter risk selection.
- The lack of catastrophic events and a below-average level of overseas medical claims. Claims and adjustment expenses rose just 4% in 2007, as compared to a 20% jump in 2006.

Forecast and Recommendation

Argus Group Holdings, like its competitor BF&M, has compiled an impressive track record of revenue and earnings growth over the past two fiscal years. We anticipate some instability in future earnings due to three main factors:

- The company's adoption of new Canadian accounting provisions, specifically the "mark-to-market" rule, which mandates the inclusion in net income of securities classified as "held for trading". For example, if the value of the company's equity portfolio were to decline significantly during a market downturn, this decrease would be reflected in reported net income figures.
- The possibilities of both catastrophic events (hurricanes, windstorms) and of increases in the levels of domestic motor claims and overseas medical claims.
- A continued volatility in global capital markets, specifically the tightening of credit spreads due to liquidity concerns, and an ensuing "flight to quality" into safer, lower-yielding investments.

Going forward, we expect a more normalized growth rate for Argus due to a marginal increase in expenses and slightly less-favourable underwriting ratios. Notwithstanding some concerns, Argus is well-positioned to continue on its path of sustainable growth, both through organic measures and through strategic acquisitions. With a current payout ratio of just 33%, the company has ample room to raise its dividend, despite our expectations for greater variability in future earnings.

By applying a 10.0x multiple to our fiscal 2008 earnings-per-share estimate of $1.80, we generate a target price of $18.00. LOM rates AGH stock as a "buy". We note that the company recently announced a dividend increase of $0.08 per annum and a 1-for-10 stock dividend payable to shareholders of record October 4, 2007.

BELCO Holdings Limited

Ticker: BELCO - BH
Sector: Utility

Fiscal Year-End: Dec. 31, 2006
Web Site: www.belco.bm

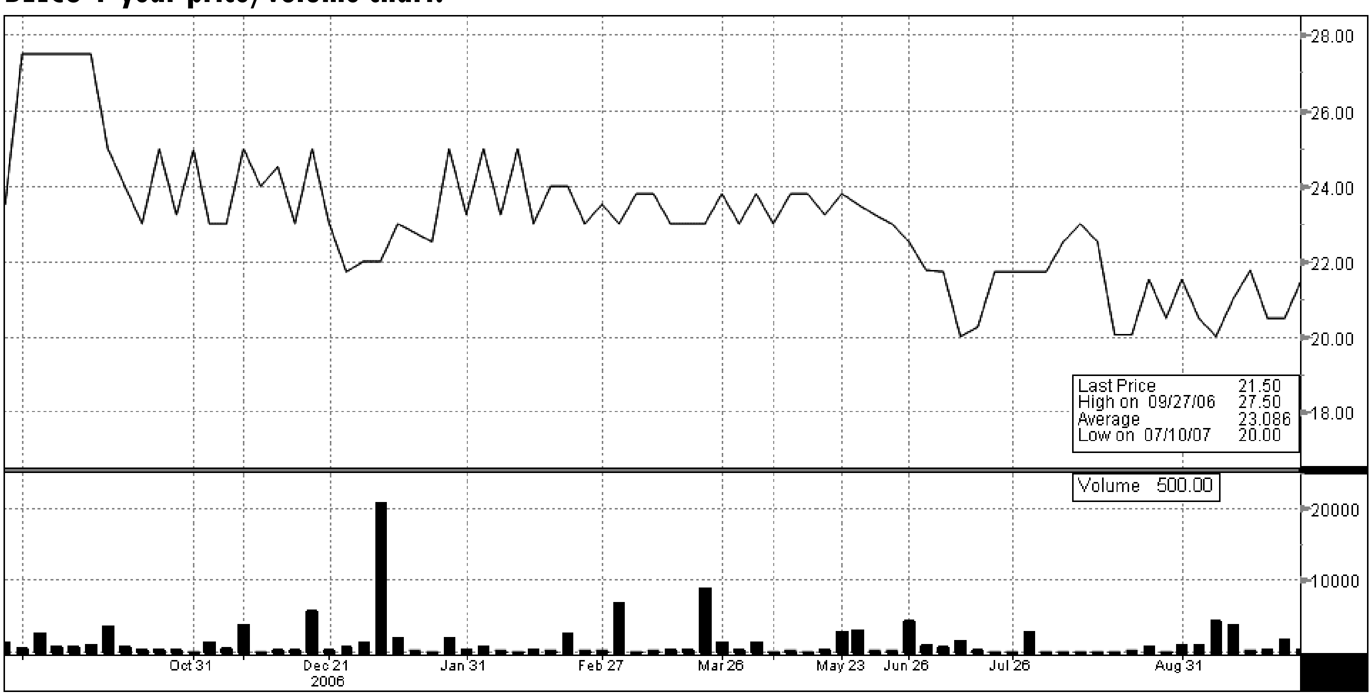
Share Price (09/30/07):	$21.50	**Annual Dividend:**	$0.85	**Shares O/S:**	10.29m
Stock Rating:	Hold	**Current Yield:**	3.95%	**Market Cap:**	$221.3m
Risk Profile:	Low	**Payout Ratio:**	40%	**BSX Weight:**	7.77%
1-Year Target Price:	$23.00	**Ex-Dividend Date:**	12/13/07	**Book Value:**	$28.07
1-Year Implied ROR:	10.9%	**Frequency:**	Quarterly	**Price/Book:**	0.77x

52-Week High:	$27.50
52-Week Low:	$20.00
Avg. Monthly Volume:	9,800
Current P/E Ratio:	10.24x
Shareholder's Equity:	$289.0m
Total Assets:	$327.2m
Return on Equity:	7.6%
Return on Assets:	6.6%

	2004	**2005**	**2006**	**2007E**
EPS:	$1.81	$1.99	$2.10	$2.12
YoY Growth:	6.5%	9.9%	5.5%	1.0%
P/E Ratio:	11.55x	10.14x	10.95x	11.00x
Fiscal YE Price:	$20.90	$20.18	$23.00	

Notes: BELCO raised its annual dividend by $0.04 in August 2007
BELCO distributed a 2-for-1 stock split in August 2006

BELCO 1-year price/volume chart:



BELCO Holdings Limited

Company Description

BELCO Holdings Limited is the parent company of Bermuda Electric Light Company Limited and Bermuda Gas & Utility Company Limited. BELCO operates a 165 Megawatt generation plant in Pembroke, from which it supplies electricity to the Island's residential and commercial consumers. The Bermuda Gas division distributes propane gas for residential and commercial use and operates a service and appliance center with a new location on Church Street in downtown Hamilton.

2006 Results

BELCO reported consolidated net income from operations of $21.6 million in 2006, an increase of 5.9% over operating earnings in 2005. Revenue for the year was $184 million, up 11.2% over 2006 revenue of $166 million. Hurting BELCO's bottom line was a substantial increase in energy supply costs, as average fuel input prices climbed 21.6%, or $14.10 per barrel of oil, from $65.26 in 2005 to $79.36 in 2006. These costs were partially offset by increased production efficiencies that resulted in savings of $2.25 million. The Bermuda Gas division struggled in 2006, posting net earnings of only $717,000, down 34.5% from 2005 profits of $1.1 million.

Half-Year 2007 Results

BELCO recently reported half-year 2007 earnings of $9.8 million, or $0.95 per share, a 17% increase over 2005 half-year income of $8.4 million. Total electricity sales increased 2.8% year-on-year, due to 715 new household metered connections and a significant 3.3% increase in large demand customers. Operating expenses were 2.8% above the first six months of 2006. Net income for Bermuda Gas increased 68% year-on-year, with appliance sales rising 45% due predominantly to a more favourable showroom location. Overall, we found these results to be solid and in line with our expectations.

Forecast and Recommendation

The BELCO plant fire of July 15, 2005, along with the resulting blackout, underscore the delicate nature of Bermuda's centralized electrical grid. Given the company's projection of an annualized 1.5% increase in electricity demand over the next 20 years, BELCO will need to accommodate the installation of 40MW in new generating capacity by 2010. The company's future plan could include the following components:

- The purchase of 20MW in ocean current-generated energy from Current-to-Current Bermuda Limited, which is expected to be available by mid-2009.
- The construction of smaller "distributed" generation sites outside of the Pembroke station. Though costly, such facilities could generate alternative revenue streams from production by-products, such as steam and water used to heat or cool water for commercial use.
- The expansion of the company's current contract with Government at Tyne's Bay.
- The purchase of power from residential small-scale renewable installations.

Unlike most other publicly traded companies, BELCO stands accountable to two unique groups of stakeholders. Firstly, we have Government, the commercial sector, and the general public – to whom it must be a safe, cost-effective, and reliable supplier of electricity. Secondly, the shareholders of BELCO – to whom it must provide steady revenue and earnings growth, in addition to periodic dividend increases. BELCO currently sits at a crossroads, with a future infrastructure plan that will require a host of capital outlays and funding decisions – expensive undertakings for which neither group of stakeholders will be willing to bear a significant brunt of cost. Consequently, we find it prudent to "sit on the sidelines" for the moment. Of further note, the company has been dealing with rising fuel input costs. BELCO does not currently institute a hedging program, nor does the near-term possibility appear likely, given the recent price appreciation in WTI crude.

By applying an 11.0x multiple to our fiscal 2007 earnings estimate of $2.12, we generate a one-year price target of $23.00. LOM rates BELCO stock as a "hold".

Keytech Limited

Ticker: KEY - BH
Sector: Telecom

Fiscal Year-End: March 31, 2007
Web Site: www.keytech.bm

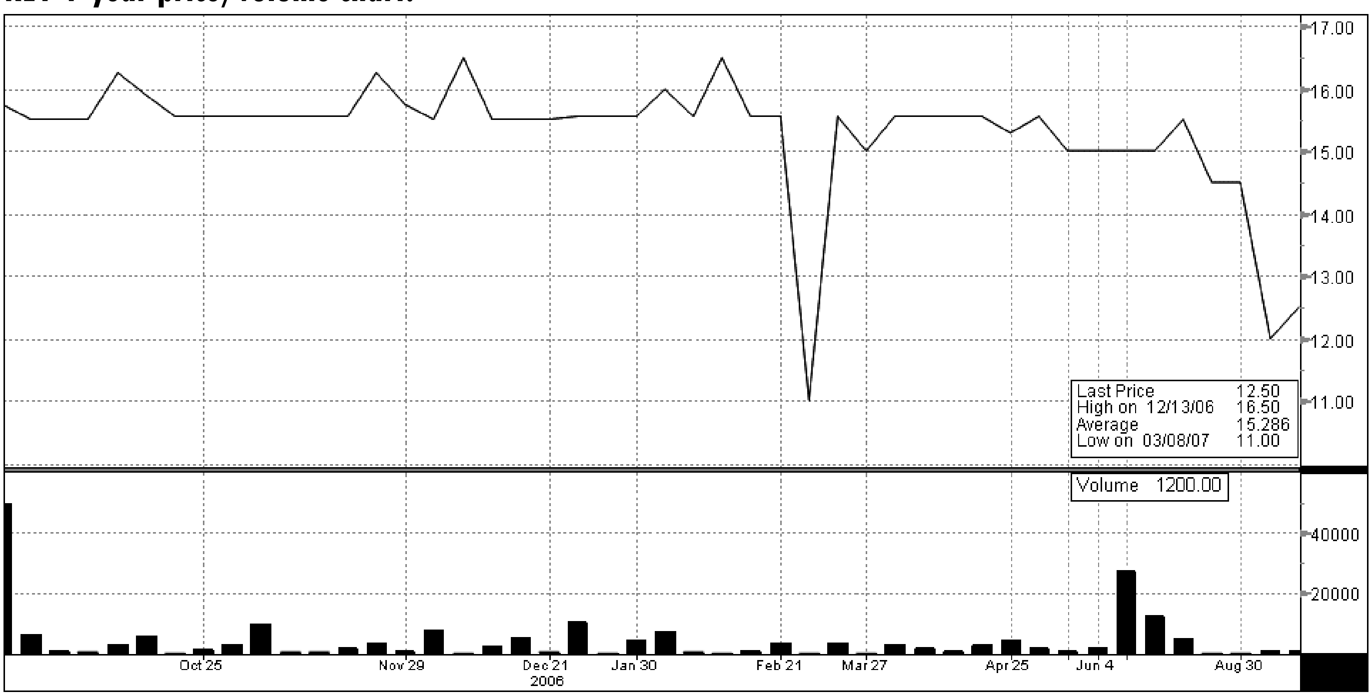
Share Price (09/30/07):	$12.50	**Annual Dividend:**	$0.60	**Shares O/S:**	13.24m
Stock Rating:	Buy	**Current Yield:**	4.80%	**Market Cap:**	$165.5m
Risk Profile:	Moderate	**Payout Ratio:**	87%	**BSX Weight:**	5.81%
1-Year Target Price:	$16.00	**Ex-Dividend Date:**	12/27/07	**Book Value:**	$10.39
1-Year Implied ROR:	32.8%	**Frequency:**	Quarterly	**Price/Book:**	1.20x

52-Week High:	$16.50
52-Week Low:	$11.00
Avg. Monthly Volume:	13,300
Current P/E Ratio:	18.22x
Shareholder's Equity:	$137.6m
Total Assets:	$161.9m
Return on Equity:	6.6%
Return on Assets:	5.6%

	2005	2006	2007	2008E
EPS:	$0.76	$0.88	$0.69	$0.97
YoY Growth:	(7.7%)	16.2%	(22.2%)	41.4%
P/E Ratio:	12.27x	13.40x	21.87x	16.00x
Fiscal YE Price:	$9.32	$11.82	$15.00	

Notes: KEY omitted its dividend for June 2007
KEY distributed a 1-for-10 stock dividend in July 2006

KEY 1-year price/volume chart:



Keytech Limited

Company Description

Keytech Limited is a holdings company for a diversified group of telecommunications service providers and information technology businesses. Segmented information for fiscal year-end 2007 is as follows (in millions):

Business Segment	Revenue	Earnings	Gross Margin
Bermuda Telephone (BTC)	$62.6	$10.7	17.1%
M3 Wireless	$15.2	($ 0.05)	(0.3%)
Logic Communications	$16.5	$ 0.4	2.5%
Bermuda Yellow Pages (BYP)	$ 5.4	$ 1.9	34.5%
WestTel (Cayman)	$ 5.3	($ 3.5)	(65.3%)

Keytech owns a 32% effective interest in Bermuda CableVision Limited, the main cable television service provider in Bermuda. During the fiscal year, the company increased its holding in WestTel Communications by $7.6 million, resulting in a controlling interest of 67%.

2007 Results

Keytech Limited announced net income of $9.1 million for fiscal 2007, versus $11.7 million in earnings for fiscal 2006. This decline of 22% in reported earnings was due to three main factors:

- The company's controlling interest in WestTel, their fledgling Cayman-based wireless provider, generated losses in excess of Keytech's equity stake in the amount of $1.3 million. In future periods, Keytech may offset these losses against WestTel earnings in excess of its equity stake.
- One-time costs of $1.5 million incurred during the launch of the M3 Wireless easyConnect service and from co-development plans for a new submarine cable to Bermuda.
- A government-imposed reduction in BTC's local access charge on long distance (from $0.05 to $0.03 per minute) cost the company $1.8 million. Keytech is appealing this decision.

Income from continuing operations, net of the above factors, was $13.3 million for 2007, representing a 3.1% increase over the $12.9 million generated in fiscal 2006.

Forecast and Recommendation

The predictable revenue stream and steady cash flow from Keytech's "big brother" divisions (BTC, BYP) continue to fund the prospects of the company's younger, less-profitable, and higher-growth siblings (M3, Logic, WestTel.) M3 Wireless appears to be poised for growth, with its Blackberry offerings continuing to penetrate the corporate market and its innovative easyConnect service gaining traction and starting to "pay dividends". Logic Communications aims to improve on a pedestrian year, where margin deterioration in the competitive long distance market, along with disappointing results from consulting and hardware services, hurt its bottom line. WestTel, the Cayman-based fixed-wireless provider, stands as Keytech's "wild card" division. After having posted substantial losses over the past few years due to infrastructure costs and new subscriber additions, this segment seems to have "turned the corner", realizing positive EBITDA for the first time in the fourth quarter of fiscal 2007.

Buoying the future prospects of Keytech shares is the possibility of a takeover bid, although a lackluster overture from Cable & Wireless has been refuted in the past. We rate this stock a "buy", applying a 16.0x multiple to our projected fiscal 2008 operating earnings of $0.97, for a one-year target price of $16.00.

For disclosure purposes, we note that one director of LOM (Holdings) Limited is also a director of Keytech Limited.

BF&M Limited

Ticker: BFM - BH
Sector: Financial

Fiscal Year-End: Dec. 31, 2006
Web Site: www.bfm.bm

Share Price (09/30/07):	$18.40
Stock Rating:	Strong Buy
Risk Profile:	Low
1-Year Target Price:	$23.00
1-Year Implied ROR:	28.5%

Annual Dividend:	$0.64
Current Yield:	3.48%
Payout Ratio:	18%
Ex-Dividend Date:	12/27/07
Frequency:	Quarterly

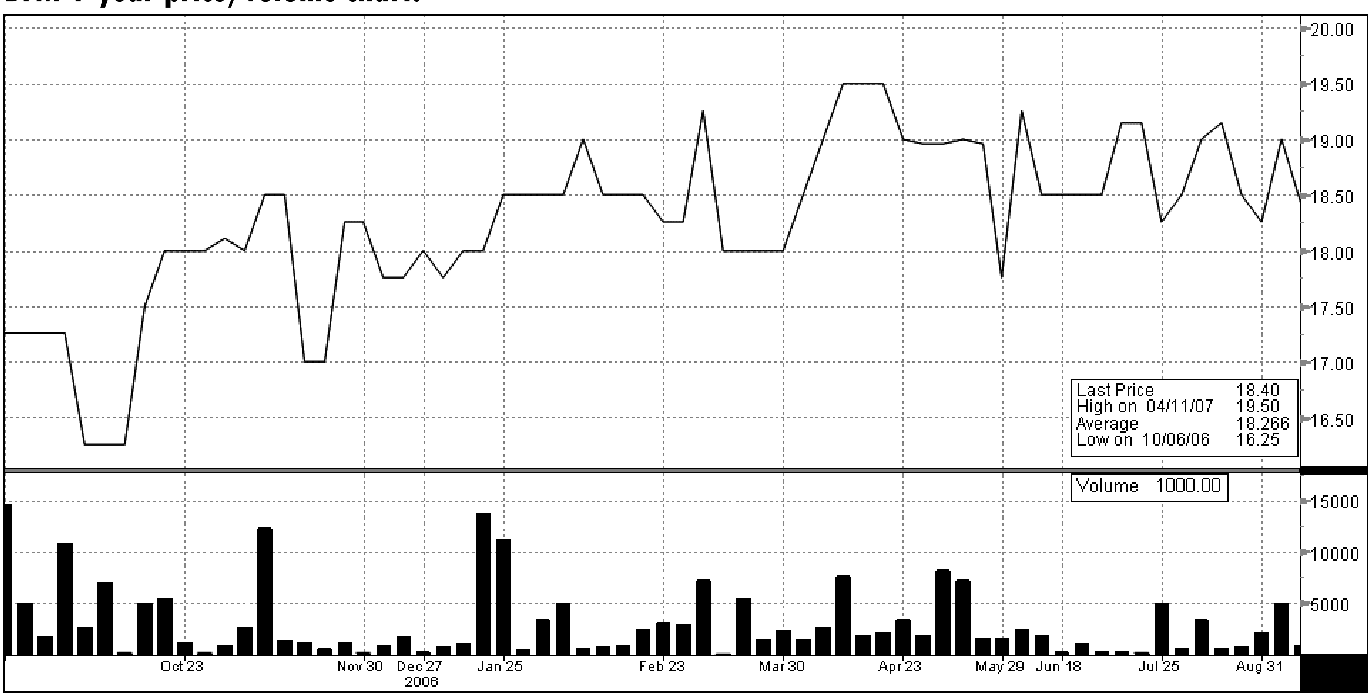
Shares O/S:	7.42m
Market Cap:	$136.4m
BSX Weight:	4.79%
Book Value:	$17.02
Price/Book:	1.08x

52-Week High:	$19.50
52-Week Low:	$16.25
Avg. Monthly Volume:	16,200
Current P/E Ratio:	5.04x
Shareholder's Equity:	$126.2m
Total Assets:	$616.1m
Return on Equity:	21.6%
Return on Assets:	4.2%

	2004	2005	2006	2007E
EPS:	$1.46	$2.32	$3.65	$2.85
YoY Growth:	3.5%	58.9%	57.3%	(21.9%)
P/E Ratio:	10.51x	7.97x	4.93x	8.00x
Fiscal YE Price:	$15.35	$18.50	$18.00	

Notes: BFM raised its annual dividend by $0.08 in March 2007
BFM distributed a rights offering in May 2006 at $15.15 per share

BFM 1-year price/volume chart:



BF&M Limited

Company Description

BF&M Limited is a Bermuda-based insurance company operating in all major insurance sectors, both domestically and internationally. The company also provides traditional financial services, including pension and asset management, and owns a portfolio of commercial real estate in downtown Hamilton. BF&M's segmented revenue and earnings for the latest fiscal period are as follows (in millions):

Business Segment	Revenue	Earnings	Gross Margin
Health, Life, Annuity & Pension	$91.3	$10.1	11.1%
Property & Casualty	$26.5	$11.1	41.7%
Real Estate	$ 3.2	$ 1.7	43.8%
Barbados Operations	$36.2	n/a	n/a
Corporate and Other	$ 1.3	$ 1.1	82.6%

2006 Results

BF&M Limited reported excellent financial results for 2006, with net earnings increasing 41% to a record $23.9 million and revenue rising 43% to a record $158 million. A variety of factors contributed to the company's strong performance in 2006, including:

- A lack of major catastrophes and below-average claims relating to the property & casualty division, especially marine and motor claims.
- Increased margins in the motor division due to stricter underwriting policies, moderate rate increases, and larger deductibles.
- Strong investment income, which benefited from outstanding capital market conditions.
- An accounting consolidation resulting from BF&M's majority stake in the Insurance Corporation of Barbados Limited (ICBL). This change makes year-on-year income statement comparisons somewhat difficult. Disregarding the $36.2 million in sales generated from the Barbados operations, BF&M's 2006 revenue is reduced to $122.3 million, which represents an 11% increase over 2005 revenue of $110.5 million.

Half-Year 2007 Results

BF&M recently reported six-month earnings for 2007 of $12.1 million, or $1.63 per share, which is a 26% improvement on 2006 half-year earnings of $9.6 million. This increase related principally to contributions made from the company's newer divisions – its Barbados subsidiary (ICBL) and its offshore life insurance group catering to high-net-worth individuals (BIISL). A weaker U.S. bond market hindered second quarter results, and will continue to do so for the near term. On the whole, these results strike us as commendably strong.

Forecast and Recommendation

While 2006 was a record year for BF&M, it is unrealistic to expect the same level of revenue and profit growth going forward. Indeed, much of last year's earnings progress was due to a large acquisition, combined with friendly conditions in global capital markets. As ever, BF&M's near-term prospects will depend on a mild hurricane season and favourable margins in the Property & Casualty division. Similar to Argus, we expect an increased variability in year-end net income, owing to the company's stated compliance with new "mark-to-market" accounting provisions – where securities designated as "held for trading" must be shown at market value, with gains or losses reflected in reported net income.

Due to these factors, we find it prudent to take a more muted earnings outlook for 2007, with an earnings expectation of $2.85 per share. We apply an 8.0x multiple to this estimate and arrive at a price target of $23. BF&M shares appear undervalued based on a variety of metrics and are recommended as a "strong buy". We would note that the company maintains ample room to raise its dividend, with a current payout ratio of just 18%.

Bermuda Commercial Bank Limited

Ticker: BCB - BH
Sector: Financial

Fiscal Year-End: Sept. 30, 2006
Web Site: www.bermuda-bcb.com

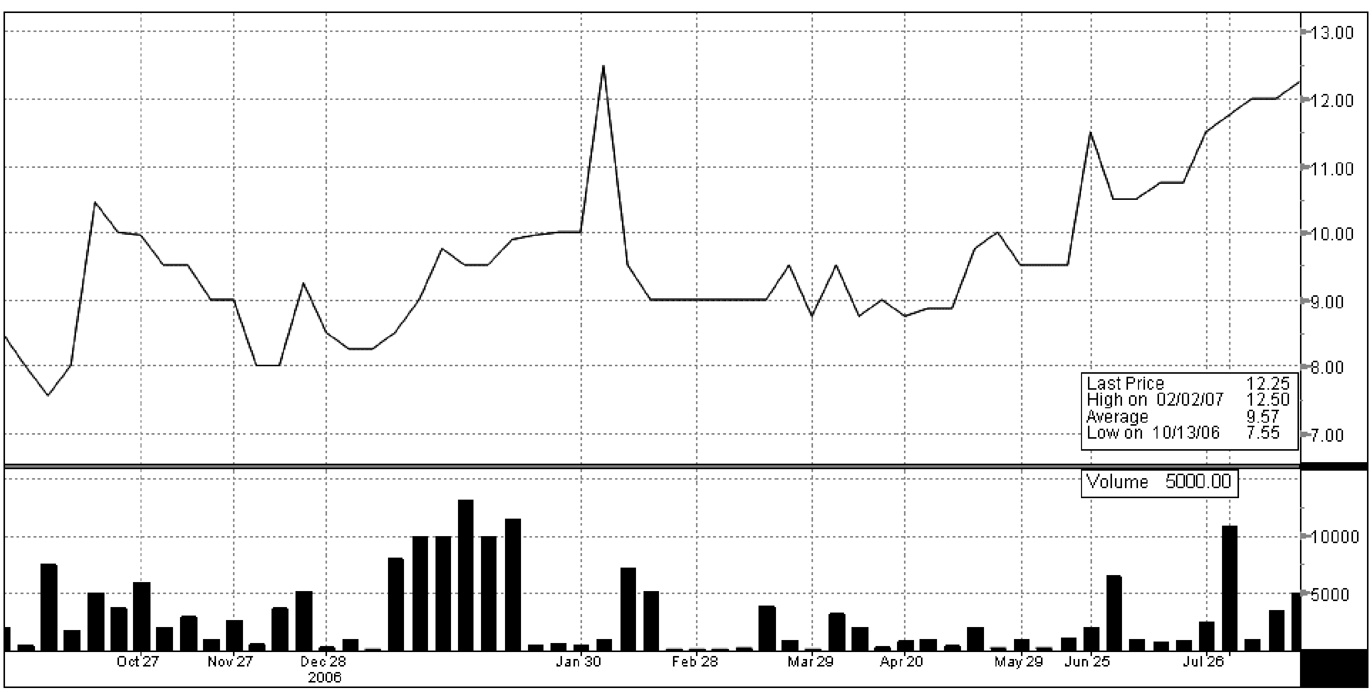
Share Price (09/30/07):	$12.25	**Annual Dividend:**	$0.80	**Shares O/S:**	4.35m
Stock Rating:	Buy	**Current Yield:**	6.53%	**Market Cap:**	$53.3m
Risk Profile:	Moderate	**Payout Ratio:**	48%	**BSX Weight:**	1.87%
1-Year Target Price:	$14.00	**Ex-Dividend Date:**	12/03/07	**Book Value:**	$13.35
1-Year Implied ROR:	20.8%	**Frequency:**	Semi-Annual	**Price/Book:**	0.92x

52-Week High:	$12.50
52-Week Low:	$7.55
Avg. Monthly Volume:	14,400
Current P/E Ratio:	7.34x
Shareholder's Equity:	$58.0m
Total Assets:	$583.2m
Return on Equity:	15.3%
Return on Assets:	1.8%

	2004	2005	2006	2007E
EPS:	$0.54	$1.04	$1.67	$1.28
YoY Growth:	3.8%	92.6%	60.6%	(23.4%)
P/E Ratio:	20.28x	7.69x	5.09x	12.00x
Fiscal YE Price:	$10.95	$8.00	$8.50	

Notes: BCB paid a special dividend of $0.25 in February 2007
BCB raised its annual dividend by $0.25 in December 2006

BCB 1-year price/volume chart:



Bermuda Commercial Bank Limited

Company Description

Bermuda Commercial Bank (BCB) is a corporate and private wealth bank, offering a range of financial services through its subsidiaries International Corporate Management of Bermuda, BCB Trust Company Limited, Bercom Nominees Limited, and BCB (Mauritius) Limited. In September 2006, three of the bank's directors resigned over allegations of money laundering activity involving clientele of First Curacao International Bank N.V. (FCIB), the bank's main shareholder. Over the past year, BCB has been actively searching for a new majority owner or potential merger partner.

2006 Results

After a series of delays, BCB released its annual report for fiscal 2006, which showed very healthy bottom-line earnings, in addition to some cause for concern. Operating income for fiscal 2006, net of one-time items, was a record $8.4 million, representing a 62% increase over 2005 operating earnings of $5.2 million. Net interest income rose 41%, from $8.2 million in 2005 to $11.6 million in 2006. This substantial growth in interest income was accompanied by a huge loss in customer deposits, which declined by $375 million, or 46%. Part of this reduction was due to the loss of some large client accounts following the FCIB money laundering charges and the subsequent downgrade in BCB's credit ratings by both Fitch and Moody's (an act that appears unwarranted and which the company is attempting to rectify.) The second part of this reduction was the continuation of a trend seen over many years at BCB, where certain clients invest large amounts of funds at both month and quarter-end.

Half-Year 2007 Results

BCB reported earnings of $2.8 million for the first six-months of fiscal 2007, a decrease of 34% from the $4.3 million earned during the same period in 2006. Notably, 12% of this decline was due to non-recurring expenses related to the sale process of the bank. The remainder of the decline can be attributed to lower interest and fee-based income generated on a reduced base of customer deposits. On the positive side, the bank reported significant improvements in customer deposit levels since the client withdrawals relating to the FCIB investigation last autumn. Total assets grew from $465 million on September 30, 2006 to $583 million on March 31, 2007 – an increase of 26%. It would appear that BCB is enacting a successful turnaround strategy to rebuild its battered customer deposit base.

Forecast and Recommendation

Negotiations for a BCB sale or merger have taken substantially longer than anticipated. We find this delay understandable, given the bank's difficulties over the past year combined with its desire to seek out the greatest value for shareholders. We sense that an agreeable deal will be struck in due course, likely with a foreign bank attempting to gain a foothold in the lucrative Bermuda market. Although it is difficult to predict the precise terms, there appears to be substantial value to be unlocked in the company – which is profitable, flush with cash, and still in possession of a healthy customer base.

By applying an 11.0x multiple to our fiscal 2007 operating earnings estimates of $1.28 we generate a one-year target price of $14.00 – a level which we would deem the "starting point" for an eventual stock buyout or merger. Until a deal is consummated, shareholders should be content with an annual dividend payment of $0.80 – which represents a current yield of 6.50% – in addition to any year-end "bonus" dividend payments. LOM rates the shares of Bermuda Commercial Bank as a "buy". We would note that BCB's credit ratings were just placed under "further review for downgrade" by Moody's. This should be a non-event due to a pending ownership change and the bank's low-risk balance sheet. However, in the unlikely event of another ratings downgrade, we would expect to see a "second wave" of client withdrawals.

Bermuda Container Line

Ticker: BCL - BH
Sector: Transport

Fiscal Year-End: Dec. 31, 2006
Web Site: www.bcl.bm

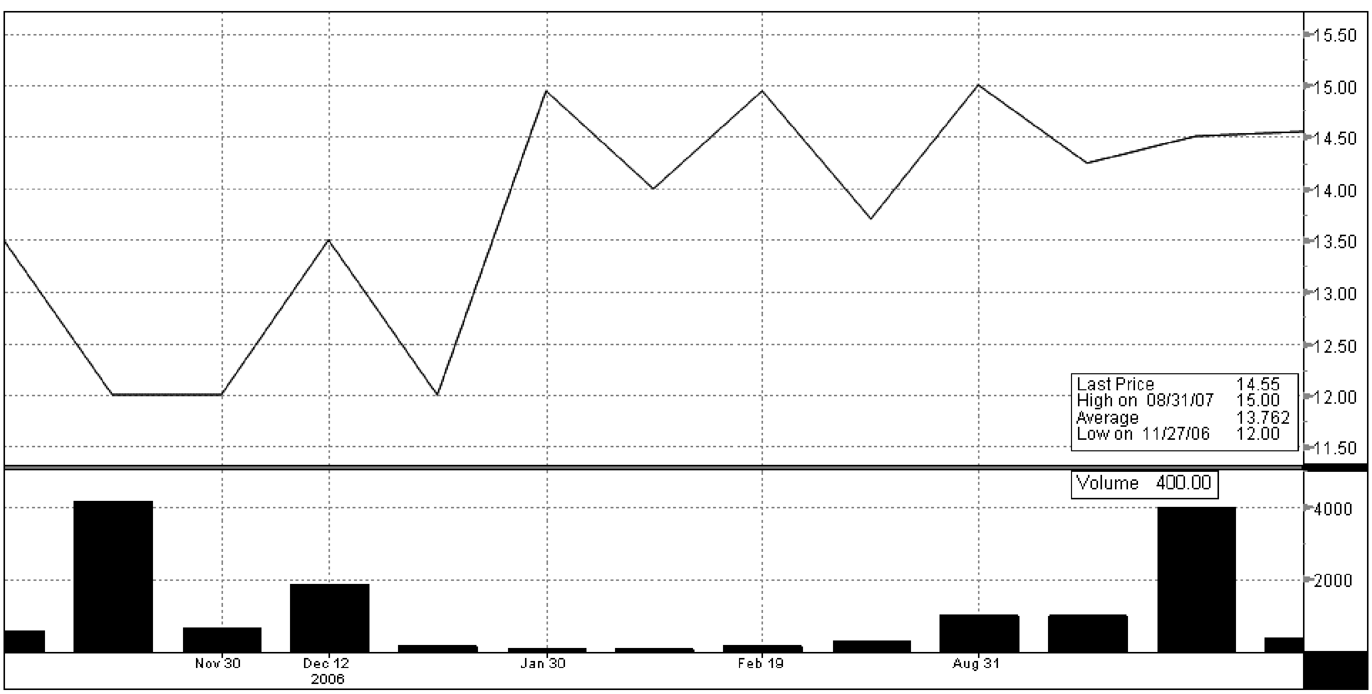
Share Price (09/30/07):	$14.55	**Annual Dividend:**	$0.56	**Shares O/S:**	3.00m
Stock Rating:	Hold	**Current Yield:**	3.85%	**Market Cap:**	$43.7m
Risk Profile:	Moderate	**Payout Ratio:**	38%	**BSX Weight:**	1.53%
1-Year Target Price:	$13.50	**Ex-Dividend Date:**	11/05/07	**Book Value:**	$9.54
1-Year Implied ROR:	(3.4%)	**Frequency:**	Quarterly	**Price/Book:**	1.53x

52-Week High:	$14.95
52-Week Low:	$12.00
Avg. Monthly Volume:	1,200
Current P/E Ratio:	9.90x
Shareholder's Equity:	$28.6m
Total Assets:	$34.2m
Return on Equity:	15.4%
Return on Assets:	12.9%

	2004	2005	2006	2007E
EPS:	$1.21	$1.15	$1.47	$1.35
YoY Growth:	(11.0%)	(5.0%)	27.8%	(8.2%)
P/E Ratio:	9.71x	12.61x	9.18x	10.00x
Fiscal YE Price:	$11.75	$14.50	$13.50	

Notes: BCL raised its annual dividend by $0.04 in August 2007
BCL paid a special dividend of $0.50 in February 2007

BCL 1-year price/volume chart:



Bermuda Container Line

Company Description

Bermuda Container Line (BCL) operates ocean freight services linking Bermuda with various destinations around the globe. The company runs a weekly route between Hamilton and New Jersey and through its 50% joint venture Somers Isle Shipping Ltd. (SISL), a service between Hamilton and Florida (operating three times per month.) BCL's network of agencies allows for full container loads to be shipped by a variety of freight methods between Bermuda and all key centres across North America.

2006 Results

BCL reported net earnings for fiscal 2006 of $4.4 million, an improvement of 28% over 2005 earnings of $3.4 million. The company's past two years of earnings growth represent, at least on the surface, the reversal of a steady decline in profits between 2001 and 2005. Revenue for the year was up 8.4% to $33.7 million, with freight revenue growing 5.4%, or $1.7 million, and other revenues rising a staggering 195%, or $1.0 million. This substantial increase in "other revenues" was due to three main factors:

- A decision by BCL executives to shift the company's marketable investments from a low rate-of-return "laddered bond" portfolio into a diversified portfolio of fixed income, equity, and alternative investments. While this change has proven lucrative in the short run, we view it as risky and unsustainable - given that these funds have been earmarked by BCL to replace their ageing freighter, "The Oleander".
- A one-time gain on the sale of the SISL freighter "Somers Isles", deemed expendable due to capacity constraints, and subsequently replaced by a larger and more expensive rental charter.
- Interest income earned by both BCL and SISL on higher cash balances, more aggressive cash management, and foreign exchange gains realized on SISL's substantial Euro holdings.

Net of these non-recurring items, BCL's revenues for 2006 increased 5.5% year-on-year. Subtracting these items from bottom-line earnings, net income for 2006 was essentially equal to that of 2005. Persistent increases in stevedoring (ship loading and unloading) costs and cargo handling expenses continue to have a negative impact on BCL's operating earnings.

Half-Year 2007 Results

BCL recently reported six-month earnings of $2.0 million, or $0.66 per share, a figure roughly equivalent to half-year earnings for 2005. Operating income relating to the New Jersey service, however, was down 65% due to The Oleander dry-docking in the spring. This earnings shortfall was again offset by an increase in investment income, which rose 175% for the period – a significant amount of non-operating profit which will not likely be replicated going forward.

Forecast and Recommendation

Bermuda's construction boom and the Island's insatiable demand for imports virtually guarantee a steady stream of revenue for Bermuda Container Line. However, the company stands as a "mature firm in a mature industry" and faces a host of operational challenges going forward, including:

- The replacement of "The Oleander", which is nearing the end of its useful life. Management has expressed little desire to hasten this process, given their faith in the ship's continuing utility combined with timing factors. Indeed, the commissioning of a new vessel at present seems illogical due to the cyclical nature of the shipbuilding industry, which seems to have "hit a peak".
- The persistent and unwelcome rise in stevedoring and cargo handling costs, a situation which appears beyond the control of management.
- Ongoing expenses related to the handling of "Ro/Ro" (roll-on/roll-off) cargo in New Jersey.

BCL stands as a formidable player in Bermuda's shipping industry, and while we hold considerable respect for corporate management, we prefer to take a "wait and see" attitude with the stock. By applying a 10.0x multiple to our fiscal 2007 earnings estimate of $1.35, we generate a one-year target price of $13.50. LOM rates the shares of Bermuda Container Line as a "hold".

Bermuda Aviation Services Limited

Ticker: BAS - BH | **Fiscal Year-End: March 31, 2007**
Sector: Transport | **Web Site: none**

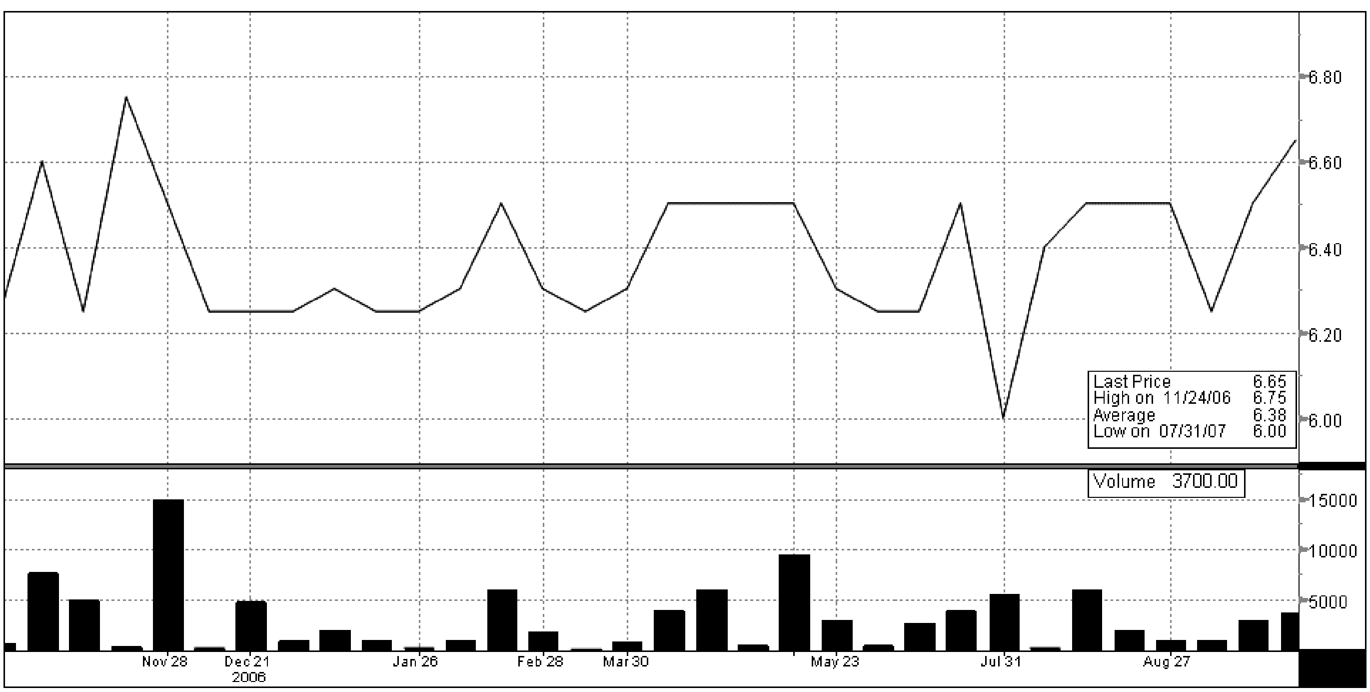
Share Price (09/30/07):	$6.65	**Annual Dividend:**	$0.32	**Shares O/S:**	5.07m
Stock Rating:	Hold	**Current Yield:**	4.81%	**Market Cap:**	$33.7m
Risk Profile:	Moderate	**Payout Ratio:**	48%	**BSX Weight:**	1.16%
1-Year Target Price:	$7.00	**Ex-Dividend Date:**	11/06/07	**Book Value:**	$6.35
1-Year Implied ROR:	10.1%	**Frequency:**	Quarterly	**Price/Book:**	1.05x

52-Week High:	$6.75
52-Week Low:	$6.00
Avg. Monthly Volume:	3,700
Current P/E Ratio:	9.93x
Shareholder's Equity:	$32.2m
Total Assets:	$46.1m
Return on Equity:	10.5%
Return on Assets:	7.3%

	2005	2006	2007	2008E
EPS:	$0.40	$0.56	$0.67	$0.72
YoY Growth:	66.7%	40.0%	19.6%	7.5%
P/E Ratio:	10.43x	11.25x	9.40x	10.00x
Fiscal YE Price:	$4.17	$6.30	$6.30	

Notes: BAS omitted its dividend for August 2007
BAS raised its annual dividend by $0.06 in November 2006

BAS 1-year price/volume chart:



Bermuda Aviation Services Limited

Company Description

Bermuda Aviation Services Limited (BAS) is a holding company for Aircraft Services Bermuda, which provides aircraft, passenger, and cargo handling services at the Bermuda International Airport. Other BAS subsidiaries operate in a broad range of business segments, including bakery products, automotive parts and services, facilities management, cargo and courier services, and computer cabling services and maintenance. Segmented numbers for fiscal 2007 are as follows (in millions):

Business Segment	Revenue	Earnings	Gross Margin
Cargo Handling	$14.6	$1.7	11.8%
Aircraft and Passenger Handling	$8.0	$1.1	14.3%
Facilities Management	$7.7	$1.5	19.1%
Food and Beverage Wholesaling	$3.3	$0.1	2.1%
Automotive Garages	$2.8	$0.5	17.9%
Administrative Services	$0.3	($1.4)	n/a

During 2006, BAS purchased majority stakes in both Otis Bermuda, the Island's leader in elevator sales & service, and CCS Group, a provider of cabling, telephony, and network infrastructure.

2007 Results

BAS reported fiscal 2007 net earnings of $3.4 million, an increase of 19% over 2006 net income of $2.8 million. Net income from operations, however, was down 22% from $4.2 million to $3.3 million, due to accounting methods for the company's non-controlling interests in its subsidiaries. Revenues grew by 4.9%, advancing from $35 million in fiscal 2006 to $36.7 million in 2007. Overall, we found this recent financial report to be solid, with earnings growth enhanced by the company's purchase of the minority interests in several of its subsidiaries.

Forecast and Recommendation

Over the past three years, BAS has executed a series of small-scale acquisitions, using the steady streams of revenue and cash flow from its existing businesses to fund the growth of its higher-margin Facilities Management division. Corporate management has embraced a stated goal of becoming "the service provider of choice" for Bermuda's growing base of financial firms. Although we find this bold plan to be fundamentally sound in principle, the company has several concerns going forward:

- A persistent rise in aircraft, passenger, and cargo handling costs, which has eaten significantly into profit margins during the past two fiscal years.
- Logistical challenges associated with integrating the company's latest two acquisitions, notably the ability to attract skilled labour at reasonable cost.
- Higher ongoing costs in the Administrative Services division, as BAS has "ramped up" its executive management team over the past several quarters.
- The loss of the Airport Fire Department management contract, which will result in marginally lower revenues for BAS-Serco (facilities management) going forward.
- The possibility of a second operator in the lucrative private jet business at Bermuda International Airport (although this potential appears unlikely.)

The Otis Elevator Bermuda and CCS acquisitions bring BAS appreciably closer to its goal of becoming a "one-stop shop" for managing the services of Bermuda's corporate elite. Given the debt incurred over the CCS purchase and near-term integration costs, it appears unlikely that BAS will have the capacity to bolster its stable of profitable business units in the near future. Further, the company has shown an inability to curb expenses relating to its courier and aviation-based businesses.

We apply a 10.0x multiple to our 2007 operating earnings estimates of $0.72 and derive a one-year target of $7.00. LOM currently rates BAS shares as a "hold", noting that the company has solid long-term growth potential.

LOM (Holdings) Limited

Ticker: LOM - BH
Sector: Financial

Fiscal Year-End: Dec. 31, 2006
Web Site: www.lom.com

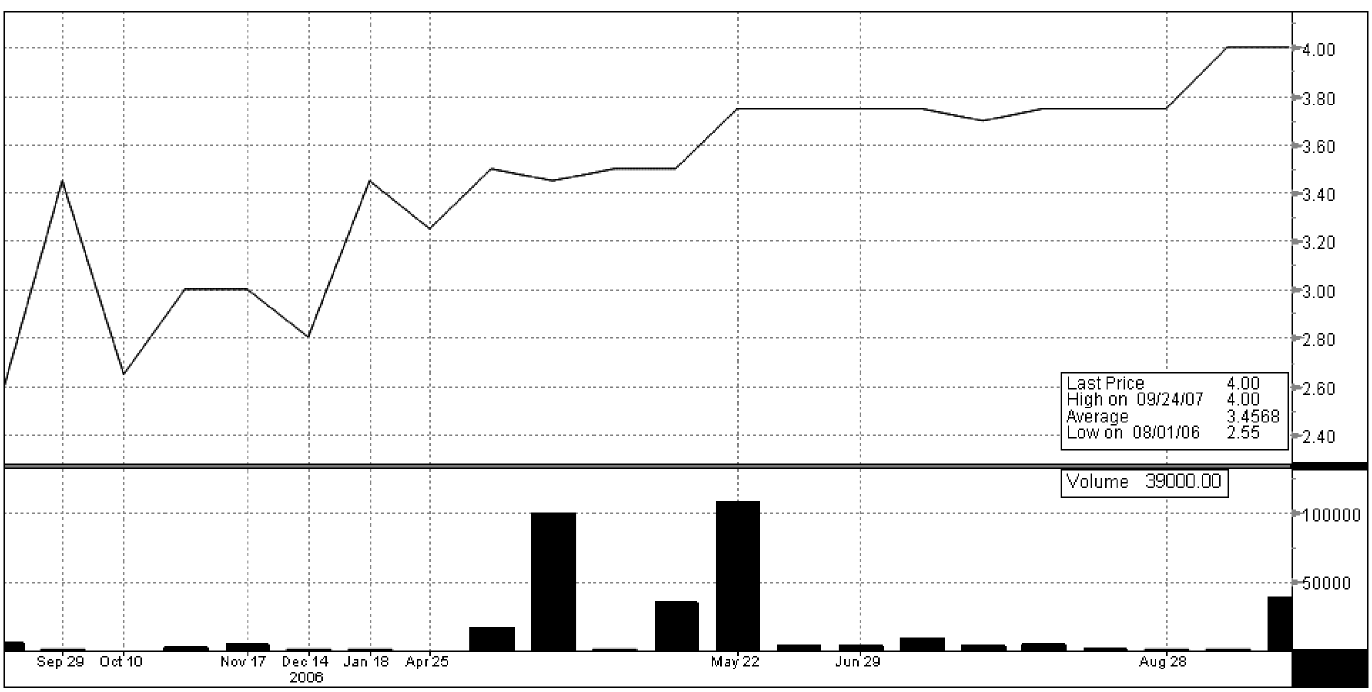
Share Price (09/30/07):	$4.00	**Annual Dividend:**	$0.10	**Shares O/S:**	6.38m
Stock Rating:	n/a	**Current Yield:**	2.50%	**Market Cap:**	$25.5m
Risk Profile:	n/a	**Payout Ratio:**	38%	**BSX Weight:**	0.90%
1-Year Target Price:	n/a	**Ex-Dividend Date:**	11/13/07	**Book Value:**	$3.17
1-Year Implied ROR:	n/a	**Frequency:**	Semi-Annual	**Price/Book:**	1.26x

52-Week High:	$4.00
52-Week Low:	$2.65
Avg. Monthly Volume:	29,400
Current P/E Ratio:	15.38x
Shareholder's Equity:	$20.2m
Total Assets:	$23.4m
Return on Equity:	8.2%
Return on Assets:	7.1%

	2004	2005	2006	2007E
EPS:	$0.32	$0.11	$0.26	n/a
YoY Growth:	(34.3%)	(66.0%)	136.4%	n/a
P/E Ratio:	9.27x	27.27x	10.77x	n/a
Fiscal YE Price:	$3.00	$3.00	$2.80	

Note: LOM paid a special dividend of $1.00 in March 2006

LOM 1-year price/volume chart:



LOM (Holdings) Limited

Company Description

LOM (Holdings) Limited (LOM) is an international financial services company which offers a complete range of investment services and products through its subsidiaries based in Bermuda, the Cayman Islands, Bahamas, and the UK. With $932 million of assets under administration, the LOM Group provides brokerage, asset management, and corporate finance services to its primarily high net-worth individual and institutional clientele around the world. The company also owns the LOM Building on Reid Street in downtown Hamilton, home to its Bermuda headquarters, its affiliate trust company, and a variety of other tenants.

The company's segmented numbers for fiscal 2006 are as follows (in millions):

Business Segment	Revenue	% of Total
LOM Securities (Bermuda)	$2.32	21%
LOM Securities (Cayman)	$2.09	19%
LOM Securities (Bahamas)	$3.00	27%
LOM Asset Management (Bermuda)	$1.37	12%
Lines Overseas Management (Bermuda)	$1.49	13%
LOM Properties (Bermuda)	$0.63	6%
Other	$0.20	2%

LOM has a very strong balance sheet, with total assets of $23.4 million. Of this amount, land and building are carried at the U.S. GAAP net book value of $9.0 million and cash & cash equivalents equaled $9.7 million as of year-end 2006.

2006 Results

LOM reported earnings for fiscal 2006 of $1.65 million, representing a 128% increase over 2005 net income of $725,000. Total revenue of $12.8 million was more-or-less equivalent to 2005 revenue of $12.9 million. Within these revenue numbers, management and investment advisory fees increased by 25%, brokerage fees fell by 5%, and foreign exchange gains increased by 62%. The company's bottom line income was enhanced by a concerted effort to reduce operating costs.

LOM continued with its share buyback program in 2006, repurchasing 127,000 shares during the year at an average price of $3.00 – all of which were cancelled. This program remains in place for 2007.

Forecast and Recommendation

Due to the potential for conflicts of interest, we must refrain from making a recommendation on the shares of LOM (Holdings) Limited.

The Bermuda Press (Holdings) Limited

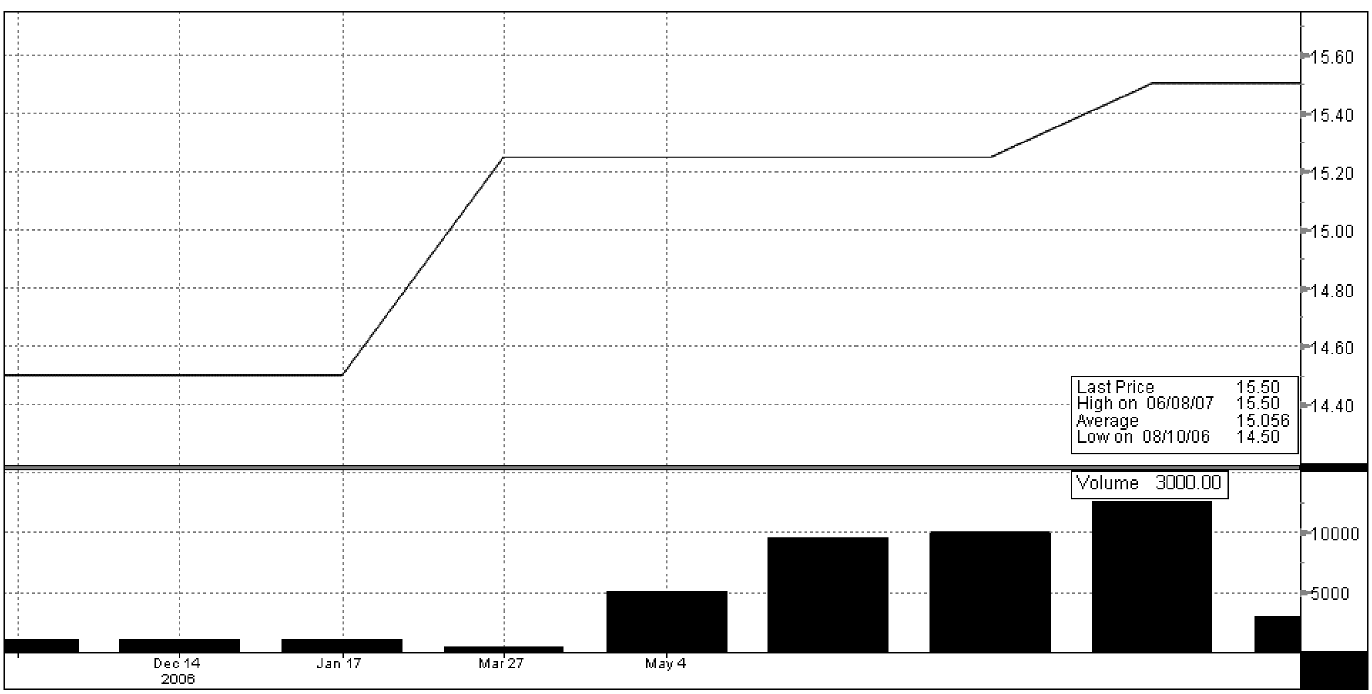
Ticker: BPH - BH | **Fiscal Year-End: Sept. 30, 2006**
Sector: Media | **Web Site: none**

Share Price (09/30/07):	$15.50	**Annual Dividend:**	$0.76	**Shares O/S:**	1.38m
Stock Rating:	Hold	**Current Yield:**	4.90%	**Market Cap:**	$21.4m
Risk Profile:	Moderate	**Payout Ratio:**	46%	**BSX Weight:**	0.75%
1-Year Target Price:	$16.00	**Ex-Dividend Date:**	12/13/07	**Book Value:**	$20.53
1-Year Implied ROR:	8.1%	**Frequency:**	Quarterly	**Price/Book:**	0.75x

52-Week High:	$15.50
52-Week Low:	$14.00
Avg. Monthly Volume:	1,200
Current P/E Ratio:	9.28x
Shareholder's Equity:	$28.3m
Total Assets:	$44.1m
Return on Equity:	8.1%
Return on Assets:	5.2%

	2004	2005	2006	2007E
EPS:	$2.48	$1.78	$1.67	$1.75
YoY Growth:	127.5%	(28.2%)	(6.2%)	4.8%
P/E Ratio:	5.04x	7.44x	8.68x	9.00x
Fiscal YE Price:	$12.50	$13.25	$14.50	

BPH 1-year price/volume chart:



The Bermuda Press (Holdings) Limited

Company Description

Bermuda Press Holdings (BPH) and its subsidiaries are the publishers of two longstanding Bermuda newspapers, "The Royal Gazette" (published daily) and "The Mid-Ocean News" (published weekly.) The Royal Gazette's division, Crown Communications, publishes "RG Magazine" and "The Bottom Line" business magazine. The company also owns retail operations in Bermuda, including The Stationery Store and Artcetera. The Bermuda Press Limited, a subsidiary of BPH, is engaged in commercial and quick-printing services through Pronto Print Limited and Chameleon Print Express. Office Solutions supplies commercial office products and equipment. Through its division, Crown House Properties Ltd., BPH owns and rents two commercial properties in downtown Hamilton.

2006 Results

BPH reported record sales for fiscal 2006 of $34.1 million, representing a 4.3% rise over 2005 revenue of $32.7 million. Net income for the year was $2.3 million, representing a marginal 5.8% decline from 2005 net earnings of $2.5 million. Publishing and retail revenue grew by 3.2%, commercial printing revenue by 7.6%, rental income by 3.1%, and other revenues by 12.6%. Unfortunately, none of this sales growth transferred to the bottom line due to rising expenses, mainly in the publishing segment.

Forecast and Recommendation

Bermuda Press Holdings operates in an intensely-competitive environment and faces some formidable challenges going forward, including:

- The transformation of its online content into revenue-generating enterprises, such as video streaming, podcasts, and RSS feeds. The company's current practice of offering The Royal Gazette for "free" online may not be helping its subscribership numbers or its newsstand sales. However, this model is necessary in order to leverage content into profitable digital ventures.
- Increased labour costs and the retention of valued staff, in addition to rising printing and materials costs.
- Competitive market conditions in the office products and equipment sector.
- Competitive markets for commercial and retail printing.

The sales growth exhibited by Bermuda Press Holdings over the past three fiscal years is noteworthy, however this progress has been accompanied by a corresponding escalation in expenses. While shares of BPH continue to trade at a significant discount to their book value of $20.50, there appear to be few near-term catalysts on the horizon to unlock significant value for shareholders.

By applying a 9.00x multiple to our fiscal 2007 operating EPS estimate of $1.75, we generate a target price for BPH of $16.00 per share. LOM Securities rates Bermuda Press Holdings Limited as a "hold". We would note that the company may well elect to increase its dividend payout ratio going forward and that shares of BPH – with a current yield approaching 5% – represent a low-risk holding for the income-oriented investor.

West Hamilton Holdings Limited

Ticker: WHHL - BH **Fiscal Year-End: Dec. 31, 2006**
Sector: Real Estate **Web Site: none**

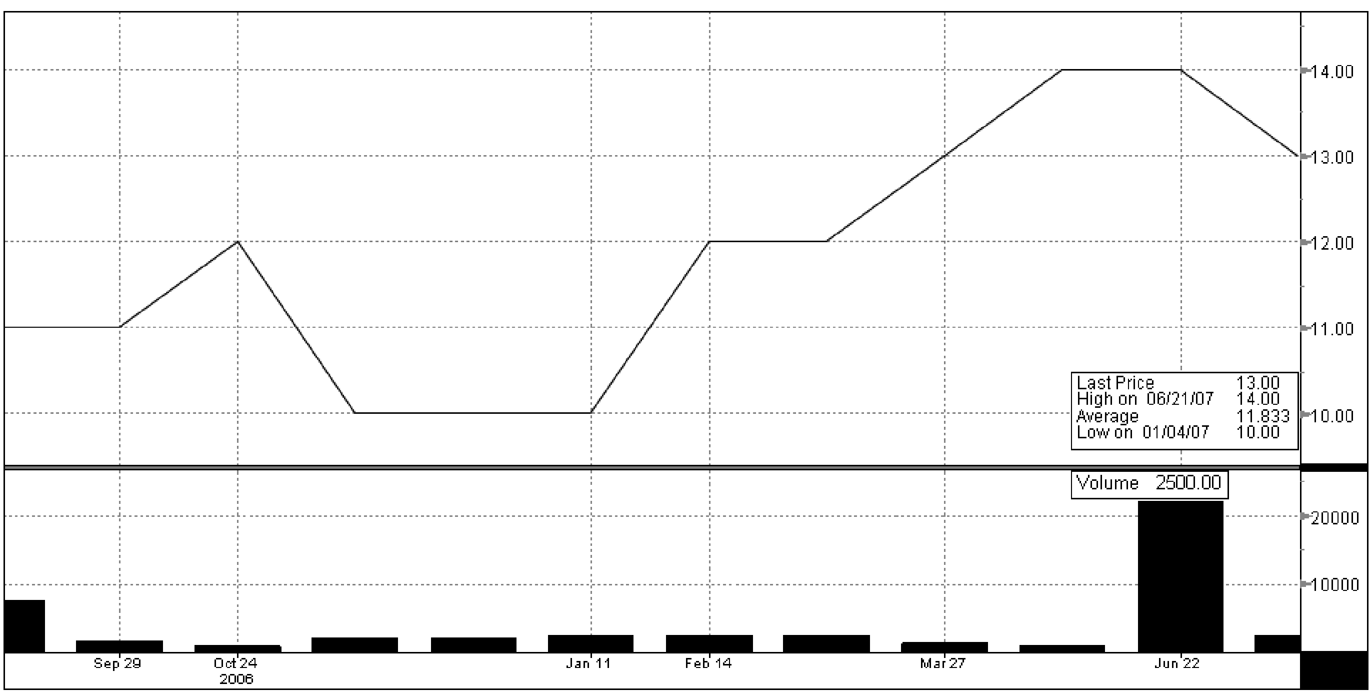
Share Price (09/30/07):	$13.00	**Annual Dividend:**	$0.28	**Shares O/S:**	1.44m
Stock Rating:	Strong Buy	**Current Yield:**	2.15%	**Market Cap:**	$18.8m
Risk Profile:	Moderate	**Payout Ratio:**	59%	**BSX Weight:**	0.66%
1-Year Target Price:	$17.00	**Ex-Dividend Date:**	11/01/07	**Book Value:**	$4.58
1-Year Implied ROR:	32.9%	**Frequency:**	Quarterly	**Price/Book:**	2.84x

52-Week High:	$14.00
52-Week Low:	$10.00
Avg. Monthly Volume:	3,400
Current P/E Ratio:	27.54x
Shareholder's Equity:	$6.6m
Total Assets:	$6.7m
Return on Equity:	10.3%
Return on Assets:	10.2%

	2004	2005	2006	2007E
EPS:	$0.71	$0.70	$0.47	$0.41
YoY Growth:	n/a	(1.4%)	(33.0%)	(13.1%)
P/E Ratio:	12.61x	15.63x	27.54x	41.00x
Fiscal YE Price:	$9.00	$11.00	$13.00	

Notes: WHHL distributed a 5-for-1 stock split in September 2007
WHHL raised its annual dividend by $0.08 in February 2006

WHHL 1-year price/volume chart:



West Hamilton Holdings Limited

Company Description

West Hamilton Holdings Limited (WHHL) is a real estate development company which owns and operates a commercial property on Pitts Bay Road in Hamilton. Commercial space in its edifices is generally let under medium and long-term leases. Last year, the company initiated a vast reconstruction project, which includes the demolition of its Bakery Building and plans to develop 153,000 square feet of new floor space situated in four five-storey buildings arranged around the existing Belvedere Building.

West Hamilton underwent a corporate restructuring on September 7, 2007 whereby old shares in the company were retired, with shares in a new holding company issued on a 5-for-1 basis.

2006 Results

The company reported net income for fiscal 2006 of $683,000, a 33% decrease from 2005 earnings of $1.0 million. Disregarding one-time items, including a $263,000 charge for the demolition of the Bakery Building, earnings were down very slightly year-on-year. With the progressive retirement of its formerly income-producing properties, the company's revenue and earnings have experienced a corresponding downturn over the past three years. Nonetheless, West Hamilton continues unabated down its visionary path to develop a state-of-the-art commercial and residential "multiplex" property on the periphery of downtown Hamilton.

In its year-end financials, West Hamilton reported that a 2002 independent appraisal had estimated its property value at $24 million. Standard accounting conventions prevent this asset from being recognized at current market levels and consequently, the property is carried on the balance sheet at the diminutive net book value of $1.7 million.

Forecast and Recommendation

In our discussions with management, we came away impressed with the company's development plan, which is modeled after similar "mixed use" urban realty projects in North America. Fundamental to this plan is the creation of "West Hamilton Services", a property management company that will provide an all-encompassing "turnkey solution" by catering to the future tenant's every conceivable need. Examples might include telecommunications systems procurement and servicing, modern security systems, and concierge services such as laundry, dry cleaning, couriers, and meal catering.

With regards to timeline, West Hamilton plans to "break ground" on Building 'A' in early 2008, with planned occupancy in the fall. Further, most of the infrastructure work (i.e. foundations, utility hookups) on the remaining three structures should be completed by this time. Occupancy commitments for the first building currently stand at 50%, with the remainder expected in short course. The company retains an option to demand the concurrent completion of Building 'B', should demand warrant.

West Hamilton's recent decline in earnings should be taken with a "grain of salt" so-to-speak. Valuation of the shares has less to do with current earnings and more to do with approximating the underlying value of its corporate assets, namely the two-plus acres of property on Pitts Bay Road, along with the Belvedere Building. The 2002 property appraisal corresponds approximately to a net asset increase of $22 million, or $15-per-share above currently-reported balance sheet figures. Admittedly, these dated numbers need be revised slightly for the demolition of the Bakery Building, in addition to any subsequent changes in real estate value. Given the appreciation in Bermuda's real estate market over the past five years, we would infer a moderate-to-healthy gain in this respect. As the company is virtually free of debt, our rough calculations result in a net asset value of $20 per share of WHHL. We apply a 15% discount to this figure and arrive at a one-year target price of $17.00. LOM rates WHHL as a "strong buy", noting that the company represents one of the few opportunities for the common investor to gain exposure to the potentially lucrative commercial real estate market in Bermuda.

Watlington Waterworks Limited

Ticker: WWW - BH | **Fiscal Year-End: Dec. 31, 2006**
Sector: Utility | **Web Site: none**

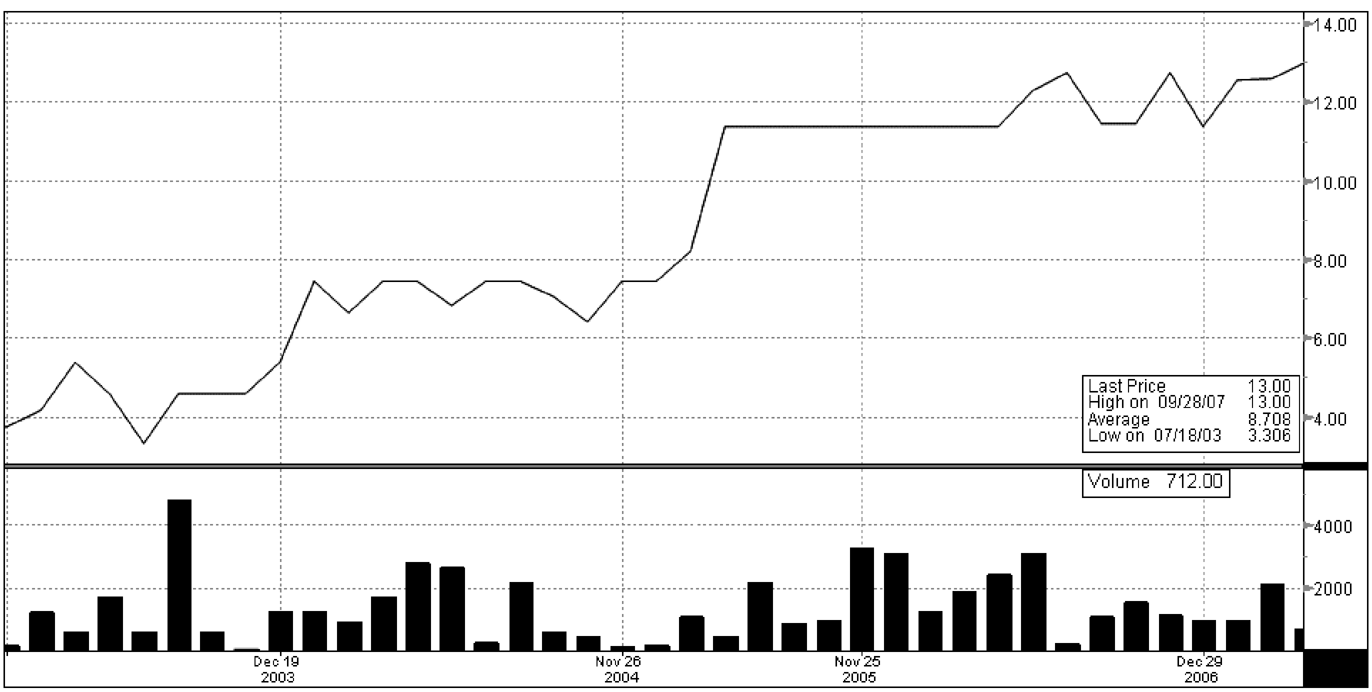
Share Price (09/30/07):	$13.00	**Annual Dividend:**	$0.40	**Shares O/S:**	1.05m
Stock Rating:	Buy	**Current Yield:**	3.08%	**Market Cap:**	$13.6m
Risk Profile:	Low	**Payout Ratio:**	20%	**BSX Weight:**	0.48%
1-Year Target Price:	$15.00	**Ex-Dividend Date:**	11/30/07	**Book Value:**	$11.99
1-Year Implied ROR:	18.5%	**Frequency:**	Quarterly	**Price/Book:**	1.08x

52-Week High:	$13.00
52-Week Low:	$11.36
Avg. Monthly Volume:	700
Current P/E Ratio:	6.62x
Shareholder's Equity:	$12.6m
Total Assets:	$13.7m
Return on Equity:	16.4%
Return on Assets:	15.0%

	2004	2005	2006	2007E
EPS:	$1.64	$1.53	$1.96	$1.87
YoY Growth:	16.9%	(6.7%)	28.6%	(4.8%)
P/E Ratio:	5.00x	8.18x	6.37x	8.00x
Fiscal YE Price:	$8.18	$12.50	$12.50	

Notes: WWW distributed a 1-for-10 stock dividend in August 2007
WWW raised its annual dividend by $0.04 August 2007

WWW 5-year price/volume chart:



Watlington Waterworks Limited

Company Description

Watlington Waterworks Limited and its subsidiary, Bermuda Waterworks Limited, are engaged primarily in the production and distribution of water and the purification of drinking water for sale at the retail and wholesale level. The group also provides customer services, sells plumbing supplies, and offers coolers for both sale and rental.

In June 2006, the company repurchased 320,620 of its shares from GE Ionics Inc., for a total consideration of $3.8 million, or $11.83 per share.

2006 Results

Watlington's fiscal 2006 net earnings of $2.1 million came in more-or-less equal to net income from 2005. Reported earnings per share of $2.16, however, were up almost 29% year-on-year due to the GE Ionics stock buyback and consequently, a lower base of outstanding shares. Revenue for the year grew by a marginal $550,000 to $9.6 million, with expense growth tracking upwards by roughly the same amount.

Forecast and Recommendation

The operations of Watlington Waterworks have been burdened recently by rising labour and electrical costs – a situation which shows little sign of improvement in the near term. Alas, this appears as a common theme among Bermuda's infrastructure companies. Further complicating matters was the closure in late 2006 of the Wyndham Sonesta, one of Watlington's larger clients, an event which the company decried as "a significant revenue loss" which is "impossible to immediately replace". On the upside, the substantial rainfall over the past few months should provide relief in the form of marginally lower operating costs. Furthermore, several large-scale tourist accommodations currently under construction signify a potential windfall of new business for the company two-to-three years henceforth. While the GE Ionics share buyback represented a small victory for the company by retiring a significant block of shares at a reasonable price, this transaction ate significantly into corporate cash reserves. Consequently, Watlington will likely have to incur some debt in order to fund future infrastructure projects and growth initiatives.

WWW stock appears "cheap" based on a variety of metrics – it has a low payout ratio, a low price/earnings multiple, trades at a level marginally above book value, and generates a respectable return on both shareholder's equity and total assets. We apply an 8.00x multiple to our fiscal 2007 EPS of $1.87, resulting in a one-year share price target of $15.00. LOM rates this stock a "buy", noting that the company has ample leeway to raise its shareholder dividend payouts in future earnings periods. We would further note that this stock is very illiquid, with the situation exacerbated by the GE Ionics share purchase.

Stevedoring Services Limited

Ticker: STVD - BH
Sector: Transport

Fiscal Year-End: March 31, 2007
Web Site: www.stevedoring.bm

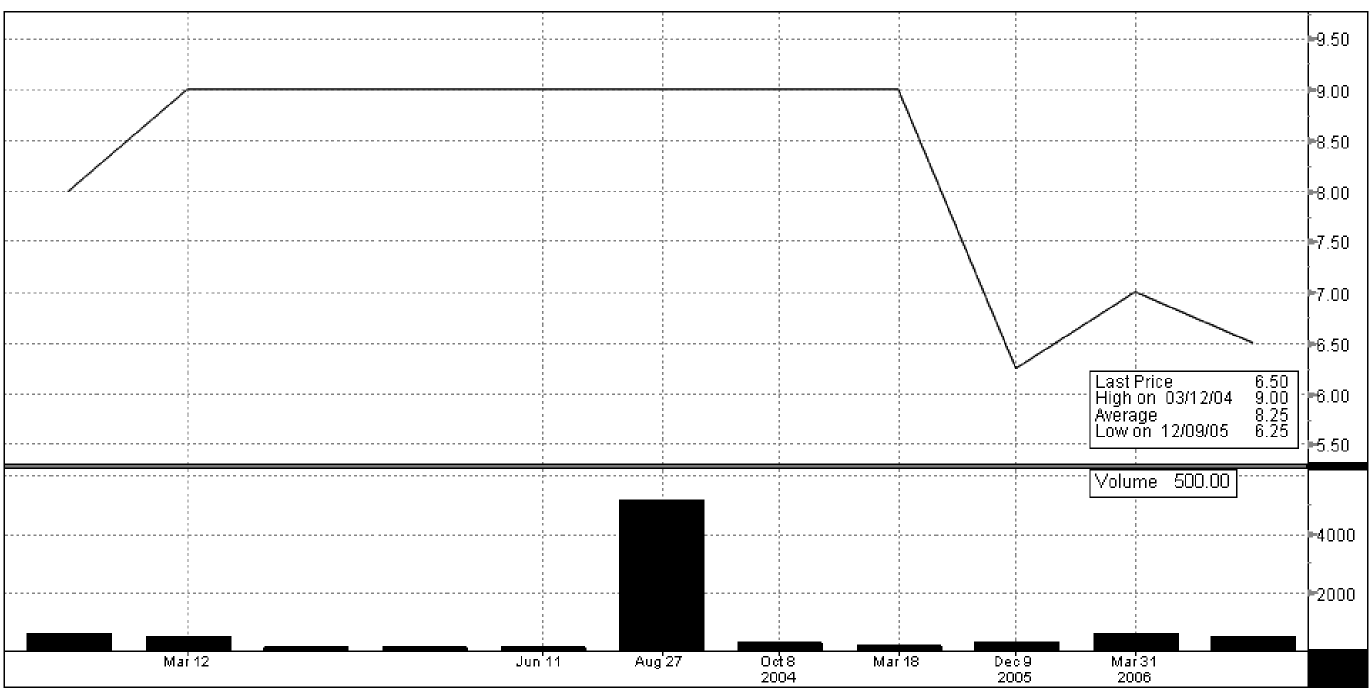
Share Price (09/30/07):	$6.50	**Annual Dividend:**	$0.20	**Shares O/S:**	1.26m
Stock Rating:	Sell	**Current Yield:**	3.08%	**Market Cap:**	$8.2m
Risk Profile:	Moderate	**Payout Ratio:**	77%	**BSX Weight:**	0.29%
1-Year Target Price:	$6.00	**Ex-Dividend Date:**	12/13/07	**Book Value:**	$6.43
1-Year Implied ROR:	(4.6%)	**Frequency:**	Quarterly	**Price/Book:**	1.01x

52-Week High:	$6.50
52-Week Low:	$6.50
Avg. Monthly Volume:	50
Current P/E Ratio:	25.00x
Shareholder's Equity:	$8.1m
Total Assets:	$9.6m
Return on Equity:	4.0%
Return on Assets:	3.4%

	2005	**2006**	**2007**	**2008E**
EPS:	$0.92	$0.95	$0.26	$0.35
YoY Growth:	12.2%	3.3%	(72.6%)	34.6%
P/E Ratio:	9.78x	6.58x	26.92x	15.00x
Fiscal YE Price:	$9.00	$6.25	$7.00	

Note: STVD reduced its annual dividend by $0.20 in September 2007

STVD 5-year price/volume chart:



Stevedoring Services Limited

Company Description

Stevedoring Services Limited is in the business of both loading and unloading ship container loads and assorted freight, operating at the Hamilton Docks in Bermuda. In 2006, the company renegotiated its Terminal License for a 5-year term, with a renewal option for an additional 5 years. In 2007, the company announced the pending year-end closure of its LCL (Less than Container Load) operations at the #7 Cargo Terminal.

2007 Results

The company reported net income for fiscal 2007 of $327,500, or $0.26 per share, representing a 72% decline from fiscal 2006 earnings of $1.19 million. Stevedoring also announced a 50% reduction in its quarterly dividend, from $0.10 to $0.05 per share. The disappointment in earnings was chiefly due to restructuring costs related to the closure of Stevedoring's LCL operations. The company reports that cargo volumes were relatively flat year-on-year, while operating expenses have continued to rise at an unprecedented pace. Furthermore, Stevedoring announced a forthcoming increase in its rates, so as to maintain the company's profitability and to allow for future investment in expensive capital equipment.

Forecast and Recommendation

While Stevedoring's services are necessary to keep Bermuda's imports and exports running smoothly (and we hold little doubt regarding the company's viability as a "going concern"), there remain a host of challenges going forward, including:

- The closure of #7 Cargo Terminal at year-end. This termination effectively means that all cargo previously "stripped" on the docks will be transferred inland to other facilities for processing by freight forwarders or their appointed agents.
- A lack of available space to store cargo. Stevedoring reports plans to increase stacking density and/or to remove existing facilities in order to increase freight volume capacity. The closure of Shed #7 (LCL operations) at year-end should help alleviate this problem.
- An ongoing rise in labour, fuel, and electricity costs combined with stagnant container volume growth and negligible rate increases. This combination has had a virtually devastating effect on the company's operating margins.
- Tentative plans by Government to revamp Hamilton's waterfront district. The Corporation of Hamilton's ambitious proposal calls for the relocation of the Hamilton Container Dock and consequently, the operations of Stevedoring Services Limited.

LOM applies a 15.00x multiple to our fiscal 2008 earnings estimate of $0.35 per share of STVD to arrive at a one-year share price target of $6.00. We rate Stevedoring Services Limited as a "sell", noting that the stock is extremely illiquid, having traded just 550 shares over the past twelve months.

Devonshire Industries Limited

Ticker: DEVON - BH
Sector: Consumer Products

Fiscal Year-End: March 31, 2007
Web Site: www.bermudapaint.bm

Share Price (09/30/07):	$13.85
Stock Rating:	Hold
Risk Profile:	Moderate
1-Year Target Price:	$15.00
1-Year Implied ROR:	15.5%

Annual Dividend:	$1.00
Current Yield:	7.22%
Payout Ratio:	86%
Ex-Dividend Date:	12/27/07
Frequency:	Semi-Annual

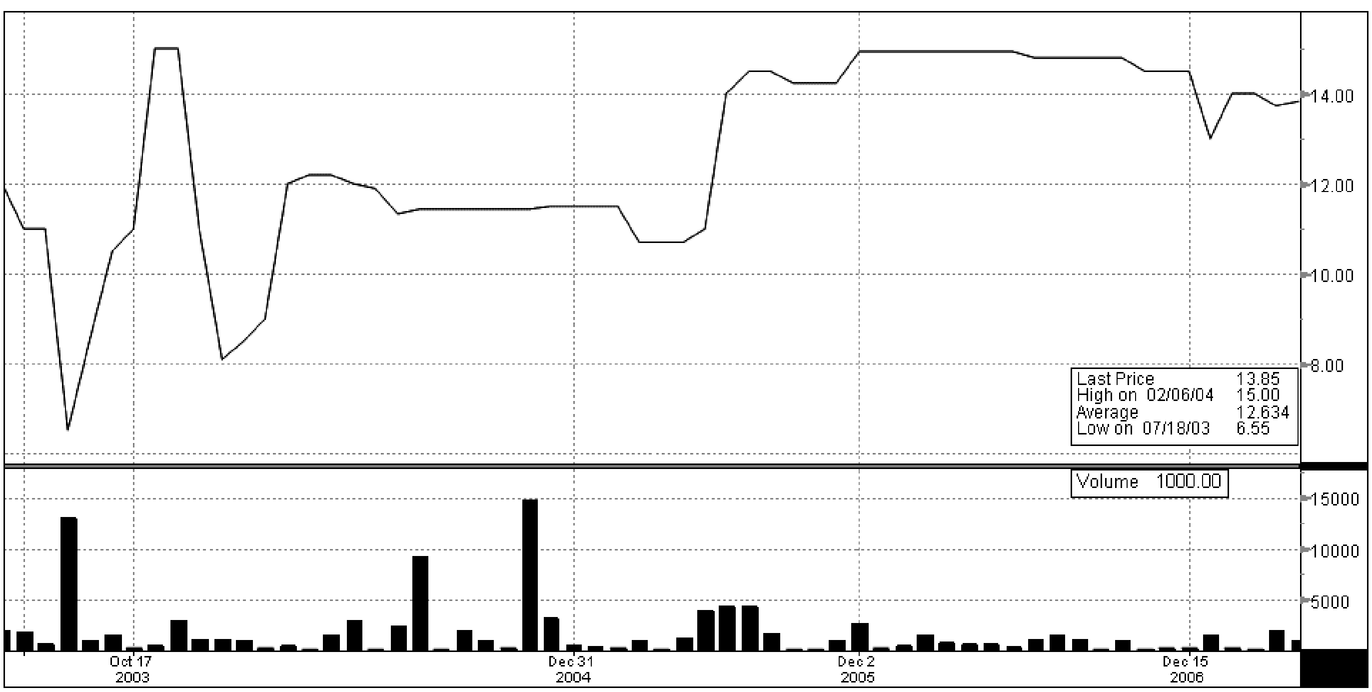
Shares O/S:	438k
Market Cap:	$6.1m
BSX Weight:	0.21%
Book Value:	$6.76
Price/Book:	2.05x

52-Week High:	$14.80
52-Week Low:	$13.00
Avg. Monthly Volume:	500
Current P/E Ratio:	11.94x
Shareholder's Equity:	$3.0m
Total Assets:	$3.1m
Return on Equity:	17.2%
Return on Assets:	16.2%

	2005	**2006**	**2007**	**2008E**
EPS:	$1.06	$0.90	$1.16	$1.25
YoY Growth:	41.3%	(15.1%)	28.9%	7.8%
P/E Ratio:	10.85x	16.61x	12.50x	12.00x
Fiscal YE Price:	$11.50	$14.95	$14.50	

Note: DEVON paid a special dividend of $0.50 in July 2007

DEVON 5-year price/volume chart:



Devonshire Industries Limited

Company Description

Devonshire Industries Limited and its subsidiary, Bermuda Paint Company, are engaged primarily in the manufacture and sale of paint and paint-related products. The company maintains ownership in a co-operative laboratory in Cleveland, Ohio, which aids in the development of its high-quality paint products. The company's retail store "Bermuda Paint" is located on Watlington Road in Devonshire.

2007 Results

Devonshire reported net income for the fiscal year of $509,000, or $1.16 per share, representing a 29% increase over fiscal 2006 income of $396,000, or $0.90 per share. Overall sales grew by a marginal 3% to $3.64 million. The bottom line earnings growth can be attributed to lower cost of sales and a slight reduction in administrative and selling expenses for fiscal 2007 versus fiscal 2006.

Forecast and Recommendation

Devonshire is a small company operating in the limited, low-growth market of paint and paint-related products. Nonetheless, the company's recent performance has been admirable, with record financial results reported for fiscal 2007, following a somewhat disappointing year in 2006. The company's future sales growth will no doubt be supported by Bermuda's steady growth in both home renovations and new residential and commercial construction.

We apply a 12.0x multiple to our fiscal 2008 earnings estimate of $1.25 and calculate a one-year price target of $15.00. LOM rates Devonshire Industries Limited as a "hold". We note that shares of DEVON, though very thinly-traded, may hold significant appeal for the dividend-hungry investor, with a current yield above 7.0%.

Kentucky Fried Chicken (Bermuda) Limited

Ticker: KFC - BH
Sector: Consumer Products
Fiscal Year-End: Jan. 31, 2007
Web Site: none

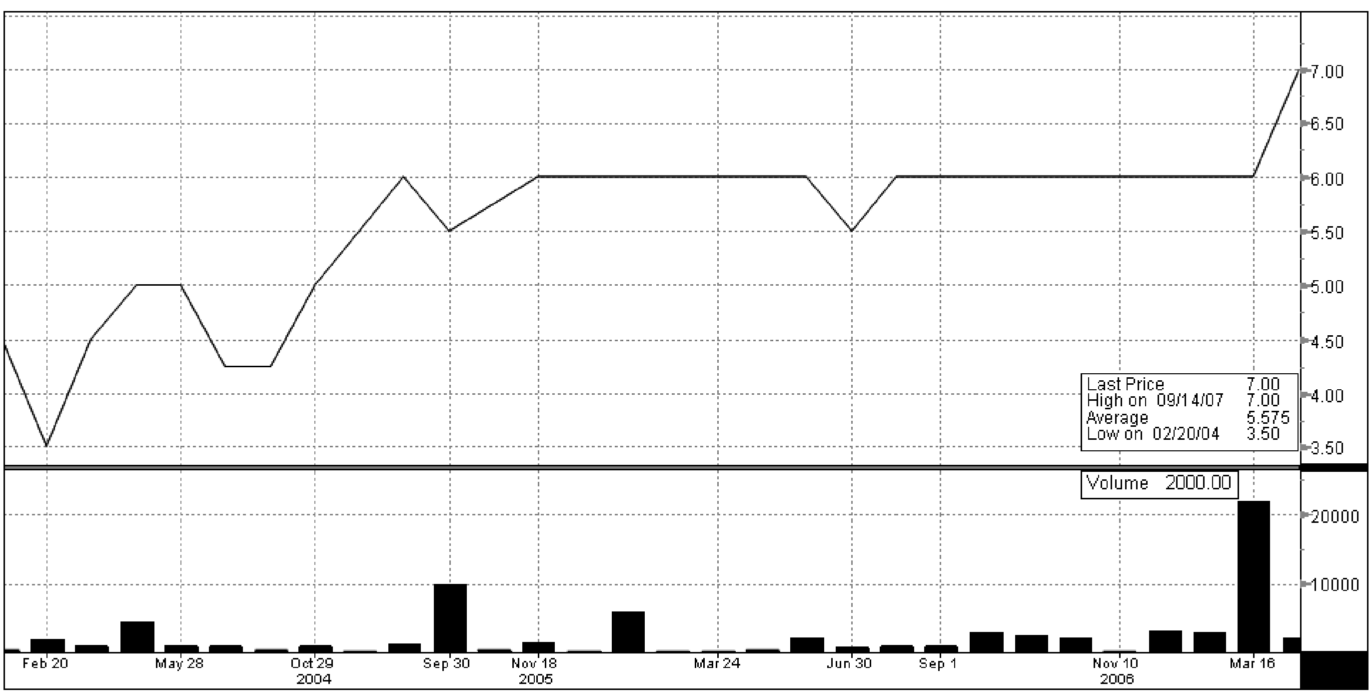
Share Price (09/30/07):	$7.00	**Annual Dividend:**	$0.40	**Shares O/S:**	592k
Stock Rating:	Hold	**Current Yield:**	5.71%	**Market Cap:**	$4.1m
Risk Profile:	Moderate	**Payout Ratio:**	60%	**BSX Weight:**	0.14%
1-Year Target Price:	$6.00	**Ex-Dividend Date:**	9/26/07	**Book Value:**	$4.29
1-Year Implied ROR:	(8.6%)	**Frequency:**	Quarterly	**Price/Book:**	1.63x

52-Week High:	$7.00
52-Week Low:	$5.75
Avg. Monthly Volume:	3,100
Current P/E Ratio:	10.55x
Shareholder's Equity:	$2.5m
Total Assets:	$2.8m
Return on Equity:	15.5%
Return on Assets:	13.8%

	2005	2006	2007	2008E
EPS:	$0.83	$0.86	$0.66	$0.65
YoY Growth:	90.7%	4.4%	(23.3%)	(2.0%)
P/E Ratio:	6.04x	6.94x	9.05x	9.00x
Fiscal YE Price:	$5.00	$6.00	$6.00	

Note: KFCB omitted its quarterly dividend payments for March 2007 and August 2007

KFCB 5-year price/volume chart:



Kentucky Fried Chicken (Bermuda) Limited

Company Description

Kentucky Fried Chicken (Bermuda) Limited (KFCB) is engaged in the sale of fast food products under a franchise agreement with its parent company, Kentucky Fried Chicken International. KFCB remains the only popular American franchisee in Bermuda, operating for the 36th year at its location on Queen Street in downtown Hamilton.

2007 Results

KFC Bermuda reported earnings for fiscal year-end 2007 of $393,000, or $0.66 per share, as compared with earnings for fiscal 2006 of $512,000, or $0.86 per share. Sales were more or less flat at $4.7 million, compared with the $4.8 million announced the year prior. The company reported that electricity bills, wage and salary increases, and more expensive insurance coverage have combined to drive up expenses.

Half-Year 2008 Results

KFC Bermuda reported net income for the six months ended July 31st, 2007 of $112,000, compared with net income of $212,345 for the same period in 2006. Sales were down very slightly year-on-year. The company attributes the decline in profit to a two-week closure in April 2007 for kitchen renovations, in addition to higher food and payroll costs.

Forecast and Recommendation

KFC Bermuda remains the only player in town with respect to “big name” fast food purveyance, however the company has faced some increased competition with the arrival next door of “Mr. Chicken” in February 2007. Like many consumer-oriented firms in Bermuda, KFC Bermuda continues to struggle with rising labour costs and utilities expenses.

We apply a 9.00x multiple to our 2007 operating earnings estimate of $0.65 to arrive at a one-year price target on KFCB shares of $6.00 and a recommendation of “hold”.

For disclosure purposes, we note that the chairman of Kentucky Fried Chicken (Bermuda) Limited is also the chairman of LOM (Holdings) Limited.

MediaHouse Limited

Ticker: MHL - BH
Sector: Media

Fiscal Year-End: Sept. 30, 2006
Web Site: www.mediahouse.com

Share Price (09/30/07):	$6.75
Stock Rating:	Strong Buy
Risk Profile:	Moderate
1-Year Target Price:	$21.00
1-Year Implied ROR:	211.1%

Annual Dividend:	none
Current Yield:	n/a
Payout Ratio:	n/a
Ex-Dividend Date:	n/a
Frequency:	n/a

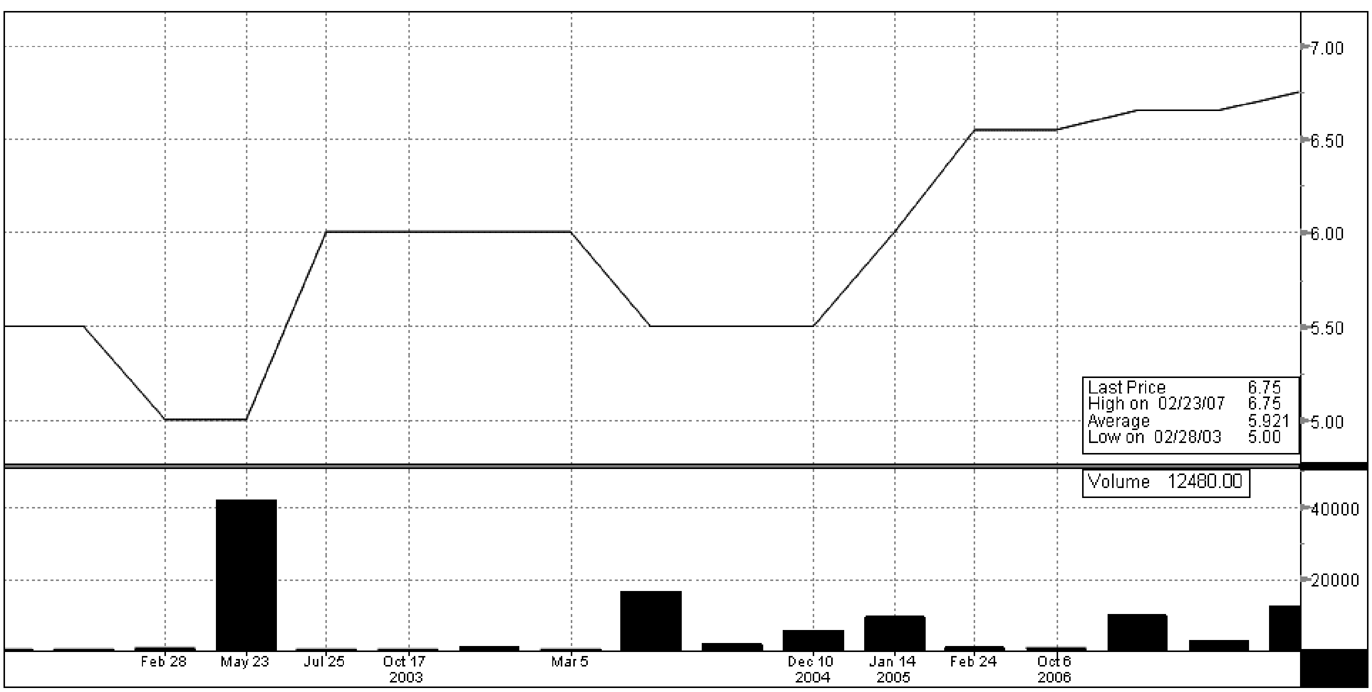
Shares O/S:	494k
Market Cap:	$3.0m
BSX Weight:	0.10%
Book Value:	$11.20
Price/Book:	0.60x

52-Week High:	$6.75
52-Week Low:	$6.55
Avg. Monthly Volume:	2,100
Current P/E Ratio:	3.14x
Shareholder's Equity:	$5.5m
Total Assets:	$25.7m
Return on Equity:	20.0%
Return on Assets:	4.3%

	2004	2005	2006	2007E
EPS:	$0.23	($1.07)	$2.15	$7.00
YoY Growth:	(66.7%)	n/a	n/a	225.6%
P/E Ratio:	23.91x	n/a	3.05x	3.00x
Fiscal YE Price:	$5.50	$6.00	$6.55	

Note: MHL has 108,882 in cumulative, redeemable 8% preferred shares outstanding (par value = $5; last trade price = $4.50)

MHL 5-year price/volume chart:



MediaHouse Limited

Company Description

MediaHouse Limited (MHL) and its subsidiaries are the publishers of the bi-weekly newspaper “The Bermuda Sun”, the tourist guides “Preview of Bermuda”, and a variety of Caribbean telephone directories. In addition, the company is in the business of high-quality commercial printing (through Island Press), operates an electrical services business, and maintains various internet portals which focus on e-business, including the web site “Bermuda.com”.

During 2006, the company added MediaHouse ASP Limited to its group of subsidiaries, which will focus on e-business by providing interactive mapping systems, e-directories, and other technology-based products and services.

2006 Results

After a lengthy delay, MediaHouse reported net profit for the fiscal year 2006 of $1.1 million, or an impressive $2.15 per share. Coinciding with this report, the company restated its entire 2005 financials, which showed a loss for the year of $0.5 million. Total sales for 2006 came in at $23.5 million, representing an increase of 13.1% over 2005 revenue of $20.8 million. A good portion of this increase was related to growth in the company’s Caribbean Directories unit. Indeed, sales for MHL’s printing division (comprised of commercial and retail printing, as well as directory publishing) rose 12.7% year-on-year, whereas revenues related to its “old growth” publishing businesses (i.e. BDA Sun, magazines) fell by 5.3%. “Other revenues” representing property rental, the electrical business, and internet advertising climbed an impressive 208% year-on-year. We would imply that this growth was chiefly related to MHL’s internet-related initiatives.

Half-Year 2007 Results

MediaHouse recently reported a profit for the six months ended March 31st, 2007 of $3.0 million, equating to a substantial $6.07 per share of MHL. A good portion of this income was related to the Caribbean directories division, whose sales revenue has been “front-loaded” to the first half of the fiscal year. Management reports that these results have been achieved through “aggressive business developments, strategic expansion, steady revenue growth, and expense control.” It appears as though the MHL’s shift in focus from the slow-growth publishing business towards fast-growth digital media endeavours has “born fruit” so-to-speak. Indeed, the “bar has been raised” for the company’s earnings announcements going forward.

Forecast and Recommendation

Due to its complex corporate structure and recent reorganization, MediaHouse represents somewhat of an anomaly among the BSX small cap issuers. Unlike its competitor, Bermuda Press Holdings, MediaHouse appears to have leveraged its expertise in both commercial printing and content creation into successful media ventures. Thus, we find the expansion of MHL’s Caribbean directories publishing business and its related online content to be a sound business decision, and the source of continued future growth. As a comparable success story, one need look no further than Keytech’s incredibly profitable subsidiary, The Bermuda Yellow Pages. Further, the company has kept printing and labour costs under tight control.

Our 2007 operating earnings expectations for MediaHouse amount to $7.00 per share. We apply a conservative 3.00x multiple to this estimate and arrive at a one-year price target of $21.00. LOM recommends MediaHouse as a “strong buy”, noting that the most recent trading price of $6.75 bears little correlation to our projected valuation of the company. We would further remind investors that the stock is tightly-held and extremely illiquid, having last traded on the BSX in February 2007.

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