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| EQUITIES | Close | Change | % +/- | P/E '07 | YTD |
|----------|---------|--------|-------|---------|--------|
| ISEQ | 7641 ↑ | 45 | 0.59% | 11.0 | 3.76% |
| FTSE 100 | 5871 ↑ | 51 | 0.87% | 12.4 | 4.49% |
| DAX 30 | 5692 ↑ | 64 | 1.13% | 15.0 | 5.25% |
| DOW | 11098 ↑ | 10 | 0.09% | 19.5 | 2.92% |
| NASDAQ | 2069 ↑ | 11 | 0.55% | 15.6 | -6.18% |
| S&P | 1268 ↑ | 1 | 0.12% | 21.0 | 1.86% |

| CURRENCIES & RATES | Euro | Dollar | Stg | Yen |
|--------------------|---------|--------|--------|----------|
| Euro | 1.0000 | 1.2732 | 0.6734 | 148.3700 |
| Dollar | 1.2732 | 1.0000 | 1.8902 | 116.5000 |
| Sterling | 0.6734 | 1.8902 | 1.0000 | 220.2100 |
| Interest Rates (%) | 3.0000 | 5.2500 | 4.7500 | 0.4800 |
| Oil (Nymex) | 73.5300 | | | |

This Week's Research
McInerney

Today's Research
British Land

Today's Recommendation

British Land (£13.76) Q1 results announced Stuart Draper
Target : £15 (15/08/06; previously £13.75, issued 20/03/06)

- Q1 results : This morning, British Land (BL) announced results for the 3 months ended 30/06/06. Net asset value (NAV) per share of £15.92 was 3.4% ahead of the consensus forecast of £15.40, and was an increase of 7.1% on the £14.86 reported as at 31/03/06. The strong NAV growth, representing 28.4% on an annualised basis, was helped by the company's above sector average (c.30%) exposure to the London financial district office market, including the Broadgate Estate.
- Property disposals : During the year ended 31/03/06, BL sold properties worth £2.2 bn as it reduced some of its UK retail sector exposure. BL recently sold its 50% interest in the Weston Favell Shopping Centre in Northampton for £61m, and plans to sell properties worth a total of £1bn this year as it repositions its portfolio to capitalise on the buoyant UK office market, as well as to prepare for UK REIT status.
- REIT conversion : The introduction of the REIT structure in the US has driven a major increase in property investment there, and the new UK legislation, expected to be introduced in January 2007, is forecast to double the size of the UK quoted property sector. The new legislation will make it less costly for British Land to convert to a REIT, requiring a 1.25x minimum interest cover (rental income to interest charge), in line with the US REIT market, as well as a reduced conversion charge of 2% of market value, versus 5% originally. This conversion charge can be spread over 4 years in 4 different installments.
- Tax benefits : The requirement for REIT's to distribute 90% of their net profits after capital allowances, corporation tax free, should significantly boost the sector's dividend yield. The sector will no longer be liable for CGT on property sales, with the distribution of these gains only liable to 22% UK withholding tax.
- Further upside : Over the next 9 months, the group's NAV per share should grow by at least a further 5% to £16.65 as at 31/03/07. Over the past 25 years, the historical average discount to NAV for both British Land and the UK property sector has been c.10%, and the current UK property sector discount to NAV is 10%. As a result, we now upgrade our 12 month price target for British Land from £13.75 to £15 (9% further upside), which is based on a 10% discount to a forecast NAV per share of £16.65 as at 31/03/07. When combined with the increased dividend yield of c.4% under the new REIT regime, this provides further attractive upside from current levels. : BUY.

Breaking News

IN&M: APN results & ABC figures

APN News & Media has said first-half net profit rose nine pct to A \$72.1m led by strong outdoor advertising revenue. The company, in which Independent News & Media owns a 40.5 percent stake, forecast that full-year earnings per share is likely to rise by about 10 percent, helped by a buoyant Australian economy. Meanwhile, the latest figures from the UK Audit Bureau of Circulations (ABC) have shown solid circulation gains for IN&M's UK titles. The Independent posted a 3.8% gain in circulation in July, while circulation of the Independent on Sunday was up by 2.8% in the period.

Tullow Oil drilling update

Tullow Oil said the Mputa-1 exploration well in Uganda yielded around 300 barrels of oil per day. In a drilling update, it said the oil that flowed from the hole has 'no water production' and has 'low gas to oil ratio'. Waraga-1 was one of the significant oil finds in Uganda, flowing over 4,000 bopd when it was discovered a few months ago. Tullow and Hardman Resources are to conduct further tests on Mputa-1. The pair each owns a 50 percent stake on Mputa-1 and Waraga-1.

Trintech to sell payments systems business

Trintech has agreed to sell its payment systems business to VeriFone Holdings for \$12.1m in cash. The US firm said that the outdoor payments systems will be added to the US firm's operations in the vending and pay at the pump services. The deal is expected to be completed by the end of this month. Trintech said it is selling the business to concentrate on its transaction reconciliation software products and services. The funds will be used to expand in these areas.

Business Press

- Limits on luggage set to be permanent (FT)
- C&W looks farther afield (FT)
- House prices sprint ahead (FT)

Investment Press

- Eurozone economy: Statistically, a unified Europe comes last. France revealed second quarter output figures on Friday morning, followed twenty minutes later by Italy. By the time, two hours later, overall eurozone gross domestic product figures came out, they were no surprise.



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