



January 18, 2006

Contact Details:

Email : [research@dsl.ie](mailto:research@dsl.ie)  
[info@dsl.ie](mailto:info@dsl.ie)

Tel : +353 1 633 3800  
Fax : +353 1 677 4708

EQUITIES	Close	Change	% +/-	P/E '06	YTD
ISEQ	7534 ↑	-12	-0.15%	11.0	2.30%
FTSE 100	5699 ↑	-41	-0.72%	13.5	1.43%
DAX 30	5460 ↑	-54	-0.99%	15.0	0.96%
DOW	10896 ↓	-64	-0.58%	19.5	1.05%
NASDAQ	2303 ↓	-14	-0.62%	15.6	4.42%
S&P	1283 ↓	-5	-0.39%	21.0	3.05%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2126	0.6862	139.6400
Dollar	1.2126	1.0000	1.7669	115.1400
Sterling	0.6862	1.7669	1.0000	203.4400
Yen	139.6400	115.1400	203.4400	1.0000
Oil (Nymex)	66.3100			

**This Week's Research**  
Grafton  
Ryanair

**Today's Research**  
British Land

## Breaking News

### US overnight: Intel and Yahoo miss forecasts

Intel and Yahoo posted results that fell short expectations, sending shares of both sharply lower and hitting stocks across the sector in after hours trading. Intel suffered from weak demand for processors used in desktop computers and weak sales in the Americas, and Yahoo's revenue was just below average expectations, with higher operating costs impacting profit growth. IBM posted a quarterly profit that rose a higher-than-expected 13 percent, aided by its consulting business and sales of large computers to businesses. The first impact outside the U.S. was seen in Asia, where shares of major chip-related stocks fell across the board, sending the Nikkei down by almost 4 percent.

### DSG reports strong Christmas sales

Electrical and electronics retailer DSG International has posted a 20% decline in first-half profit but said trading over Christmas had been encouraging, with underlying sales up 2%. The company, formally known as Dixons, said that pretax profit was £97.5m for the 28 weeks to Nov. 12, down from £121.8m last year. Profit was hit by a combination of store closures, price deflation and the effects of a downturn in U.K. retail spending. However, since the year-end, the company has traded better than forecast. In the eight weeks to Jan. 7, total sales rose 5% while same-store sales grew 2%, with management citing strong sales of digital gift items such as MP3 players, games consoles and satellite navigation equipment as the driver of the growth.

### British Land (1,050p) Sale of Property Owen Turner

- **Sale of property:** Earlier this week British Land announced that it has sold several of its properties for a total consideration of £210.6m, above the book value of the properties. On Monday the company announced the sale seven retail properties for a total sale price of £137m, while on Tuesday it was revealed that it had sold one of its properties in Kingswood Surrey for £73.6m.
- **Strategic review:** Following a recent strategic review of its property portfolio, British Land has started selling some of its high street retail properties as a result of the buoyant market for such properties. Our view is that such activity will enable the company to achieve further NAV growth over the next 12 months.
- **REIT re-rating :** Draft proposals for a new UK-REIT structure for UK property companies from January 2007 have just been published. The new UK REIT legislation, even though only in draft form at this stage, will result in some important tax benefits for the UK property sector. As currently drafted, UK property companies will no longer be liable for CGT on property sales, with the distribution of these gains only liable to UK withholding tax at 22%. They will also be able to distribute 95% of their net profits after capital allowances, which should significantly boost the dividend yields paid.
- **H1 results:** British Land recently reported a net asset value (NAV) per share of €12.56 as at 30/09/05, a year on year increase of 18.5%. This was stronger than the consensus forecast of €12.10, and represented an 11.3% increase on the NAV per share of €11.28 as at 31/03/05.
- **NAV discount:** Over the next 12 months, a conservative assumption is that the group's NAV per share will grow by a further 7% to €13.44. 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%.
- **Attractive upside:** As a result, our current 12 month price target of £12 is based on a 10% discount to a forecast NAV per share for the group of £13.44 as at 30/09/06. Therefore, despite the strong performance of the share price in H2 2005, our view is that it has significant further upside potential in 2006.

## Business Press

- Smart beefs up salesforce to target residential telco market (IT)
- Mortgage brokers under pressure (IT)
- UK productivity growth lags (FT)
- Tesco stays top of growth table (FT)

## Investment Press— Lex

- **Tesco:** How unreasonable the market is. Tesco's UK sales rose nearly 6 per cent on a like-for-like basis in the seven weeks to January 7, better than expected, and beating everyone else in the sector. The retailer's shares promptly fell 2 per cent.



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