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EQUITIES	Close	Change	% +/-	P/E '06	YTD
ISEQ	7946	↓ -57	-0.72%	11.0	7.91%
FTSE 100	6008	↑ 16	0.27%	13.5	6.92%
DAX 30	5932	↑ 20	0.35%	15.0	9.69%
DOW	11317	↑ 82	0.73%	19.5	4.96%
NASDAQ	2303	↑ 9	0.40%	15.6	4.45%
S&P	1305	↑ 8	0.60%	21.0	4.82%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2072	0.6923	141.0800
Dollar	1.2072	1.0000	1.7436	116.8400
Sterling	0.6923	1.7436	1.0000	203.6900
Yen	141.0800	116.8400	203.6900	1.0000
Oil (Nymex)	61.7700			

**This Week's Research**  
British Land  
Aviva  
INWS

**Today's Research**  
British Land

**Today's Recommendation**

**British Land (£13) Budget catalyst delivers Stuart Draper**

- Budget catalyst : Yesterday, UK finance minister Gordon Brown, presented his annual budget, which included the final version of the UK REIT legislation. As we had hoped on Monday, this version showed some flexibility on the previous version, which will make it less costly for British Land to convert to a REIT.
- New flexibility : The previous legislation included a 2.5x interest cover (rental income to interest charge) minimum, but this has now been reduced to 1.25x, in line with the US REIT market. The previous draft of the legislation also stated that property companies would have to pay a conversion charge of 5% of the market value of their properties to convert to a REIT structure, but this has now been reduced to 2%, which can be spread over 4 years in 4 different instalments.
- Tax benefits : According to the latest legislation, REIT's will also be required to distribute 90% of their net profits after capital allowances, corporation tax free, lower than the previously stated 95%, and also in line with US REIT legislation. However, this should still significantly boost dividend yields paid. The sector will also no longer be liable for CGT on property sales, with the distribution of these gains only liable to UK withholding tax at 22%.
- Q3 NAV : Last month, British Land reported a NAV per share of £13.90 as at 31/12/05, a strong 11% increase on the £12.56 per share as at 30/09/05. We see the potential to achieve further NAV growth over the next 12 months from the sale of some of the group's high street retail properties. 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.
- Further upside : Over the next 12 months, the group's NAV per share should grow by at least a further 10% to £15.29. 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, on Monday we upgraded our 12 month price target for British Land from £12 to £13.75 (6% further upside), which is based on a 10% discount to a forecast NAV per share of £15.29 as at 31/12/06. When combined with the increased dividend yield of c.4% under the new REIT regime, this provides sufficient further upside to justify maintaining our current BUY recommendation. British Land's share price has risen by 25% since its inclusion in the Dolmen Dozen on 20/12/05 : **BUY**.

## Breaking News

### Friends Provident FY results

Friends Provident has reported a 60 percent increase in full year profits, helped by a first full-year contribution from Lombard International, the Luxembourg-based wealth management unit it acquired in late 2004. Friends said 2005 pretax profit rose 34 percent on the year to £524m, in line with the average analyst forecast of £522m. The increase in group profit was driven by the international life and pensions business, including Lombard, where profit rose 80 percent to £106m. That offset a weaker performance in the core UK market, where profits were up just 11 percent at £328m.

### Latest Permanent TSB/ESRI data

House prices in Ireland rose 11.1 percent in the year to February, up from 10.2 percent the previous month, figures published on Wednesday showed. The permanent tsb/ ESRI House Price Index showed month-on-month house price growth of 1.0 percent in February, slightly down on the 1.2 percent rise recorded in January. The growth rate in the first two months of the year was four times 2005's level. In January and February prices climbed by 2.2 percent compared with just 0.6 percent in the same period of 2005 -- the fastest rate in six years. The average price paid for a house in Ireland in February was €284,096.

### Next cautions on 'challenging' outlook

Next has reported an expected 5.8 percent increase in full year pretax profit but cautioned that with the competitive and economic environment set to remain 'very challenging' it is still budgeting for negative like-for-like retail sales in 2006. The fashion retailer said the combined sales of Next Retail and Next Directory for the seven weeks to March 18 were up 5.6 percent compared to the same period last year. It said Next Retail sales were up 3.9 percent, with like-for-like sales down 8.9 pct. This year Next plans to focus on improving its core product offer, in particular simplifying some of its ranges to deliver better stock availability and clearer in-store merchandising.

## Business Press

- Hedge fund acquires 3.5% of Greencore (IT)
- Eircom suitor prepared to meet unions (IT)
- Buy-out trio break new ground in ITV battle (FT)
- Takeover panel gives BAA suitor one-month deadline (FT)

## Investment Press

- Reits: UK chancellor Gordon Brown on Wednesday showed how well he can listen to business when he wants to. New rules allowing property companies to convert into real estate investment trusts have taken on board all the criticisms which greeted the draft legislation at the end of last year.



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