



May 23, 2006

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EQUITIES	Close	Change	% +/-	P/E '06	YTD
ISEQ	7361	↓ -218	-2.88%	11.0	-0.04%
FTSE 100	5533	↓ -125	-2.20%	13.5	-1.53%
DAX 30	5546	↓ -126	-2.22%	15.0	2.55%
DOW	11125	↓ -19	-0.17%	19.5	3.17%
NASDAQ	2173	↓ -21	-0.96%	15.6	-1.47%
S&P	1262	↓ -5	-0.39%	21.0	1.37%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2854	0.6811	142.8600
Dollar	1.2854	1.0000	1.8869	111.1300
Sterling	0.6811	1.8869	1.0000	209.7100
Yen	142.8600	111.1300	209.7100	1.0000
Oil (Nymex)	69.2300			

**This Week's Research**  
Kerry Group

**Today's Research**  
British Land

**Today's Recommendation**

**British Land (£11.63) Strong results announced Stuart Draper**

- **FY results :** This morning, British Land announced results for the year ended 31/03/06. Net asset value (NAV) per share of £14.86 was c.3% ahead of the consensus forecast of £14.45, and was a year on year increase of 32%. The strong NAV growth was helped by the company's above sector average (c.30%) exposure to the London financial district office market, including the Broadgate Estate.
- **REIT conversion :** The company also confirmed that it is committed to converting to a REIT structure from the earliest possible date. The introduction of the REIT structure in the US has driven a major increase in property investment there, and the new legislation included in this year's UK budget and expected to be introduced in January 2007, is forecast to double the size of the UK quoted property sector.
- **New flexibility :** The new legislation will make it less costly for British Land to convert to a REIT. The previous legislation included a 2.5x interest cover (rental income to interest charge) minimum, but this has been reduced to 1.25x, in line with the US REIT market. The previous 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%.
- **Attractive upside :** Over the next 9 months, the group's NAV per share should grow by at least a further 3% 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, we recently upgraded our 12 month price target for British Land from £12 to £13.75 (18% 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 a very attractive total return from current levels : **BUY**.

## Breaking News

### Eircom agrees BCM bid

Eircom said today that an independent board of the group's directors has agreed a cash offer from BCM Ireland Holdings valuing the group at €2.416bn. BCM, a group combining Babcock & Brown and the Eircom Employee Share Ownership Trust (ESOT), is offering €2.20 cash per share plus a second interim dividend of 5.2c. The offer is subject to conditions, including ESOT members' approval for it to participate in BCM, and regulatory approval. If the offer is successful, Pierre Danon would replace Anthony O'Reilly as Chairman. Con Scanlon would remain Deputy Chairman.

### Kingspan to form part of SixtyK consortium

The SixtyK consortium, which includes Kingspan Century, has won a British government competition to build social and affordable homes on publicly-owned brown field sites. The £60,000 affordable housing scheme was run by the UK's national regeneration agency, English Partnerships, and challenged the construction industry to build a high quality home for £60,000. The UK government is planning to 84,000 affordable homes over the next two years.

### Viridian posts 24 percent rise in FY earnings

Viridian has posted a 24 percent rise in FY earnings today and said it was preparing for the all-island single wholesale electricity market in 2007. Viridian said earnings per share rose 24 percent to 62.8 pence for the year ended March 31 from 55 pence previously. The Northern Irish power distributor said underlying operating profit rose 11 percent to £132.4m. Viridian's Northern Ireland market counts for around 80 percent of group earnings, but it has also enjoyed strong growth in the Republic of Ireland. The company said total sales for the year rose to £977m from £835m previously. The company said it was still waiting for the final transmission and distribution price control proposals from the Northern Ireland regulator and that it was growing its customer base in anticipation of the commissioning of the Huntstown 2 power unit near Dublin.

## Business Press

- Unidare investors approve liquidator (IT)
- Horizon may make bid for software firm (IT)
- CRH to revamp US management (IT)
- AIB director buys 100,000 shares (IT)

## Investment Press

- **Crédit Agricole:** How serious is Crédit Agricole about bidding for Alliance & Leicester and how seriously worried should the French bank's investors be about this? The answer to the first question is that the bank is still reviewing its options.



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