

CALEDONIAN TRUST

PLC

INTERIM STATEMENT

Half Year to 31 December 2002

61 NORTH CASTLE STREET
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CHAIRMAN'S STATEMENT

The Group made a pre-tax profit of £400,000 in the 6 months to 31 December 2002. In the comparable period last year profits were £2,607,000 of which £2,052,000 arose from the sale of Stonewood Business Centre. Earnings per share were 3.09p and NAV per share is 165.5p compared to 27.56p and 163.5p respectively at 30 June 2002 and 17.40p and 148.4p at 31 December 2001. In the period to 31 December 2002 rental income fell by £848,000, due primarily to the sale of our Aberdeen properties but net interest costs fell by about £500,000 and administrative expenses by £145,000. An interim dividend of 1.0p will be paid.

We have completed an elegant development of five four bedroom houses at Eskbank near the Edinburgh City Bypass and are now conducting a spring marketing campaign. Recent interest has been high and the two largest houses sold. At 61 North Castle Street we expect to start work shortly on the conversion of the second, third and attic floors to two residential flats. We have assessed many opportunities and we are the preferred offeror for a development of over 20 flats in central north Edinburgh. At our site near Dunbar we have just completed the conditional acquisition of an additional 2.5 acres of building land and have a further larger area under negotiation. Our commercial property portfolio has been increased by an investment in south central Glasgow in a rapidly improving area where there are reversionary and development prospects. Commercial refurbishment proposals are being considered for St Margaret's House, Edinburgh, a 92,845ft² open plan office, near to the Scottish Parliament and to the rapidly improving east centre of the city. We expect the necessary work to be undertaken largely from funds from the dilapidations claim for over £4m, this to be determined during 2003.

In 2002 the UK economy grew by 1.6% the lowest growth since 1992. Forecasts for 2003 have been progressively downgraded from the 2.7% reported in the Economist in November 2002. The current forecast is 2.2%, but the Economist Intelligence Unit ("EIU") predicts 1.9% and there are many forecasts for around 1.5%.

There are three major risks to the UK economy. In the UK gross fixed investment fell by 5.2% in 2002 including a fall of 15% in manufacturing investment, the largest recorded. Private consumption has increased rapidly each year since 1996 supported by rising levels of debt and the EIU forecast for 2003 is predicated on consumption rising a further 1.8% in real terms. The ratio of debt to income is now at the level prior to the recession of the late 1980s and a rise in interest rates or unemployment, or a collapse in house prices could trigger a sharp reduction in consumption which the Bank of England estimates to be 7% of the fall in housing wealth within two years. The second and third risks are external. In Iraq the most likely outcome appears to be a brief successful war the economic effects of which would be neutral or even positive, but a long war, a "Vietnam" or an Israeli involvement would be damaging. The US economy has two major imbalances: a high level of private sector debt and a large current account deficit. If the dollar or equity markets weaken further, confidence could collapse increasing saving and reducing consumption. Lower US growth would damage all exporters and a lower dollar would increase imports delaying the expected UK business recovery. Modest UK economic growth is the most likely outcome but the probability of a significantly worse outcome is very much higher than the probability of a significantly better outcome.

The December 2002 the CB Hillier Parker rent index fell 0.3% in the quarter and 0.5% in the year as steep falls in office rental values, particularly in the City, 15.8%, outweighed small gains in all other sectors. The All Property yield was unchanged at 7.2% as rising office yields were offset by falls in retail warehouses and stands at a record 2.5% points higher than Gilts. Growth of consumer spending is predicted to slow, or possibly fall if trends in house prices are reversed, so affecting retail rents and falls in business investment and current spare capacity, especially for offices, will adversely affect other sectors. Low rental growth is likely to maintain the historically large margin over gilts.

House prices appear to be rising less rapidly. Nationwide report that in February 2003 prices rose only 0.4% and Rightmove, who monitor asking prices in England and Wales, report an overall rise of 2% over the last four months but widespread falls in central London boroughs. ESPC show Edinburgh area prices rose 1% in the last quarter of 2002.

Due to development profits, trading until June 2003 should continue to be satisfactory although, because of our current small investment portfolio, reductions in net rental income will not be wholly offset by interest on cash deposits. Investment policy will continue to be very selective and future trading results will depend on the timing of the realization of the very significant development opportunities in the whole portfolio.

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Unaudited Consolidated Profit & Loss Account for the six months to 31 December 2002

	6 Months to 31 Dec 2002 (unaudited) £'000	6 Months to 31 Dec 2001 (unaudited) £'000	Year to 30 June 2002 (audited) £'000
INCOME-continuing operations			
Rental Income	698	1,546	2,731
Other trading sales	<u>176</u>	<u>163</u>	<u>340</u>
	874	1,709	3,071
Property rental outgoings	(2)	(23)	(100)
Cost of other sales	(178)	(197)	(396)
Administrative Expenses	(292)	(437)	(816)
	(472)	(657)	(1,312)
OPERATING PROFIT	402	1,052	1,759
Profit on disposal of investment property	-	2,052	2,589
Interest receivable	185	33	159
Interest payable	<u>(187)</u>	<u>(530)</u>	<u>(885)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	400	2,607	3,622
Taxation	<u>(44)</u>	<u>(516)</u>	<u>(384)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	<u>356</u>	<u>2,091</u>	<u>3,238</u>
DIVIDENDS	(115)	(60)	(173)
PROFIT/(LOSS) RETAINED	<u>241</u>	<u>2,031</u>	<u>3,065</u>
Earnings per ordinary share	<u>3.09p</u>	<u>17.40p</u>	<u>27.56p</u>
Diluted earnings per ordinary share	<u>3.14p</u>	<u>14.47p</u>	<u>24.96p</u>

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Unaudited Consolidated Balance Sheet As at 31 December 2002

	As at 31 Dec 2002 (unaudited) £'000	As at 31 Dec 2001 (unaudited) £'000	As at 30 June 2002 (audited) £'000
Fixed assets			
Investment Properties	17,459	26,188	14,405
Equipment & vehicles	<u>8</u>	<u>6</u>	<u>10</u>
	17,467	26,194	14,415
Current assets			
Debtors	532	9,803	2,532
Cash at bank and in hand	<u>8,019</u>	<u>934</u>	<u>8,762</u>
	8,551	10,737	11,294
Creditors: Amounts falling due within one year	<u>(3,936)</u>	<u>(7,626)</u>	<u>(3,830)</u>
Net current assets/(liabilities)	<u>4,615</u>	<u>3,111</u>	<u>7,464</u>
Total assets less current liabilities	22,082	29,305	21,879
Creditors: Amounts falling due after more than one year	<u>(3,027)</u>	<u>(11,477)</u>	<u>(3,064)</u>
Net assets	19,055	17,828	18,815
Capital and reserves			
Called up share capital	2,302	2,404	2,302
Share premium account	2,531	2,531	2,531
Capital redemption reserve	155	54	155
Revaluation reserve	7	3,809	7
Profit and loss account	<u>14,060</u>	<u>9,030</u>	<u>13,820</u>
Shareholders' funds equity	<u>19,055</u>	<u>17,828</u>	<u>16,659</u>

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Unaudited Consolidated Cash Flow Statement for the six months to 31 December 2002

	6 Months to 31 Dec 2002 (unaudited) £'000	6 Months to 31 Dec 2001 (unaudited) £'000	Year to 30 June 2002 (audited) £'000
Net cash inflow/ from operating activities	935	1,270	1,972
Returns on investments and servicing of finance	(2)	(553)	(809)
Corporation tax	(613)	-	(450)
Equity dividends paid	-	-	(117)
Capital expenditure and financial investment	(1,005)	(763)	18,994
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Cash (outflow)/inflow before management of liquid resources and financing	(685)	(46)	19,590
Financing	(33)	(460)	(12,198)
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Decrease in cash in period	(718)	(506)	7,393
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Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the period	(718)	(506)	7,393
Cash (outflow)/inflow from movement in debt	(33)	460	11,699
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Movement in net debt in the period	(685)	(46)	19,092
Net cash/(debt) at the start of the period	3,512	(15,580)	(15,580)
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Net cash/(debt) at the end of the period	(2,827)	(15,626)	3,512
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Notes to the unaudited consolidated cash flow statement

(a) Reconciliation of operating profit to net cash outflow from operating activities

	6 Months to 31 Dec 2002 (unaudited) £'000	6 Months to 31 Dec 2001 (unaudited) £'000	Year to 30 June 2002 (audited) £'000
Operating profit	401	1,052	1,759
Profit on disposal of property	-	-	538
Depreciation charges	2	4	13
Decrease /(increase) in debtors	(50)	(3)	(266)
(Decrease)/increase in creditors	582	217	(72)
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Net cash inflow/(outflow) from operating activities	935	1,270	1,972
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(b) Analysis of cash flows

Returns on investment and Servicing of Finance

Interest received	185	23	158
Interest paid	(187)	(576)	(967)
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	(2)	(553)	(809)
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Capital expenditure and financial investment

Purchase of tangible fixed assets	-	(15)	(195)
Purchase of investment property	(3,056)	(748)	-
Sale of investments	-	-	19,190
Sale of investment property	2,051	-	-
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	(1,005)	(763)	18,995
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Financing

Purchase of ordinary share capital	-	-	(498)
Debt due within a year			
Decrease in short term debt	4	(9,121)	(11,536)
Debt due beyond a year			
Increase in long-term debt	(37)	8,661	(163)
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	(33)	(460)	(12,198)
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Unaudited Statement of Total Recognised Gains and Losses For the six months to 31 December 2002

	6 Months to 31 Dec 2002 (unaudited) £'000	6 Months to 31 Dec 2001 (unaudited) £'000	Year to 30 June 2002 (audited) £'000
Profit for period	400	2,607	3,622
Taxation	(44)	(516)	(384)
Unrealised surplus/ on revaluation of properties	-	-	450
Tax arising on disposal of previously revalued property	-	(862)	(861)
Total gains and losses recognised relating to the period	<u>356</u>	<u>1,229</u>	<u>2,827</u>

Notes

1 The figures for the six months to 31 December 2002 and 31 December 2001 do not constitute the company's statutory accounts within the meaning of Section 240 of the Companies Act 1985 (as amended) and are unaudited. The figures for the year to 30 June 2002 do not constitute full accounts. The audited accounts for that year were unqualified and have been delivered to the Registrar of Companies.

2 The interim statement has been prepared in accordance with the accounting policies set out in the group's statutory accounts for the year ended 30 June 2002.

3 The calculation of earnings per ordinary share is based on the reported profit for the six months to 31 December 2002 and on the weighted average number of ordinary shares in issue in the period being 11,510,270. The calculation of diluted earnings per ordinary share is calculated adjusting the profit for the six months to 31 December 2002 in respect of interest on loan stock deemed to have been converted. The weighted average number of shares has been adjusted for deemed conversion of loan stock and deemed exercise of share options outstanding.

4 An interim dividend of 1.0p per share will be paid on 8 April 2003 to shareholders on the register on 28 March 2003.

5 Copies of the Interim Results for the six months to 31 December 2002 will be posted to shareholders as soon as practicable and will be available, free of charge, for a period of one month from the company's Nominated Advisor, Noble & Company Limited, 1 Frederick's Place, London EC2R 8AB.

DIRECTORS

I.D. Lowe (Chairman and Chief Executive)
M.J. Baynham LL. B.(Hons)
J.N. Little
B.J. Rankin M.A.,C.A.

SECRETARY

M.J. Baynham LL. B.(Hons)

REGISTRARS

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