CALEDONIAN TRUST

PLC

INTERIM STATEMENT

Half Year to 31 December 2008

61 NORTH CASTLE STREET
EDINBURGH EH2 3LJ

TELEPHONE:0131-220 0416
FACSIMILE:0131-220 0417

CHAIRMAN'S STATEMENT

Introduction
The Group made a pre-tax loss of £1,028,000 in the six months to 31 December 2008 compared with a loss of £361,000 for the same period last year. The loss per share after tax was 8.65p and the NAV per share was 147.9p compared with a loss of 2.40p and a NAV of 214.5p last year and a loss of 60.25p and a NAV of 156.6p at the 30 June 2008 year end. Investment properties were written down by a net £610,000 to reflect current market conditions. A property was sold at Larennie, Fife, for a trading profit of £50,000, compared to property trading profits of £105,000 last year. Revenue from properties was little changed at £344,000 but property charges increased by £19,000 due to higher costs on unoccupied properties. Administrative expenses fell by £14,000 while other net income fell by £6,000. Net financing costs fell by £20,000 reflecting lower interest rates. No interim dividend will be paid.

Review of Activities
The Group's strategy continues to be the acquisition and creating of development opportunities, particularly those with a reasonable probability of achieving a high return and a small probability of a nil or, at worst, a negative return, but, because of expected market conditions, acquisitions were suspended in mid-2007. Since then our main emphasis has been on the design of our proposed developments and the gaining of the necessary consents and, where appropriate, improvements to these consents. Gaining consent is often frustrated by the increasingly ponderous and convoluted planning process, a process subject to sudden arbitrary change, including the introduction of additional criteria often revealed sequentially rather than simultaneously - an "inverse" critical path analysis. However, these delays reduce the availability of consented sites and enhance their value. The value of a consent is usually considerable, albeit lower than before the current market slump. Early in 2008 the prospective market seemed unfavourable and we postponed development. At present no developments are under way and none will be undertaken until the market improves.

Our design and planning work is now producing worthwhile results. At Ardonachie, near Bankfoot in Perthshire, we have gained consent, subject to a Section 75 Agreement, for ten houses, including a large detached farmhouse over 16,429ft^2. The site was acquired in December 2004, an indication of the delay often inherent in such applications. At Balnaguard, also in Perthshire, where our original application for nine houses over 15,719ft^2 was refused and lost on appeal we have submitted a new application for nine houses of a similar scale but in a different style. Nearby at Strathtay we have submitted an application for four large detached houses which, on planning advice, is being modified to three houses on larger plots to accord with the local tradition. At Chance Inn near Kinross we have applied for ten houses over 21,815ft^2 including a large farmhouse in a scheme modified to meet the current changed planning requirements. At Carnbo, also near Kinross, we have modified our scheme to four detached houses in large plots to meet planning conditions. At Cockburnspath, near Dunbar, we have two sites with existing consents for 73 detached houses, where one site has just received Road Construction Consent. On this site we have just received consent for a further three houses making 76 in total, and we are currently considering the addition of up to a further twenty houses, subject to an assessment of ground conditions.

In 2007 we commissioned an Urban Analysis Report for St Margaret's House, the adjacent 120,000ft^2 Meadowbank House and the smaller varied properties lying between the A1 and "Smokey Brae". Following an extensive planning exercise and wide community consultations the subsequent draft development brief has been approved by the City of Edinburgh Council, subject to the current final further consultation. We are about to apply for Planning Permission in Principle.

Some progress has also been made at our development site at Waterloo, London, an area according to the Estates Gazette "On the brink of regeneration" where Lambeth Council argue "there is a particular case for tall buildings around Waterloo Station and that developments will be considered on architectural merit". This seems an encouraging change in policy, one possibly that accounts for the continuing unsolicited interest in the site.

Agricultural values have risen, often considerably, in all our farming properties. Accordingly we decided to realise the agricultural value of the land ie excluding the development value and, in the case of Ardpatrick, the marriage value, and have sold a portion of Larennie, Fife, for about £3,500 per acre and all the agricultural land at Chance Inn, Kinross-shire, for a substantial trading profit. Another quite different sale is that being negotiated for the "Old Post Office", a charming detached stone and slate cottage set back from the Kilberry Road on the northern march of Ardpatrick Estate.

We have also sold our investment property at Wellheads Road at Dyce, adjacent to the BP HQ, to the tenants for £50,000 over the valuation. There have been no other changes in our investment portfolio except the completion of the long-overdue rent review at West Street, Tradeston, where the rent was settled at £213,000, a small uplift above the contracted minimum uplift. The M74 extension which links onto the M8 near West Street is reported to be on target for completion in 2011.

Economic Prospects
We are witnessing the deepest, broadest and most dangerous financial crisis since the 1930s a frightening conclusion drawn by Martin Wolf, an Associate Director of the FT. In consequence world economic growth is falling at an increasing speed. Until 2007 world output grew at about 4.5% p.a. but fell to 2.5% in 2008. In late 2008 the IMF forecast 2.2% growth in 2009, a forecast revised in February 2009, to just 0.5% but revised further in March 2009 to -0.6%, a possible outcome lower than any for 60 years. Until November 2008 The Economist's monthly poll of forecasters predicted growth in 2009 in all the major advanced economies, but by March 2009 their predictions of growth had all been replaced by predictions of contractions - UK by 3.1%, USA by 2.2%, Eurozone area by 2.4% and Japan by 5.3%. Apart from China and two small economies all 29 of the economies reported in the Economist suffered contraction in the fourth quarter of 2008 with annualised falls of about 6% in the UK, US and Eurozone, but over 10% in such diverse economies as Mexico, Singapore and Japan whose manufacturing output fell at an annualised rate of 40%! The downturn has been sudden, severe and worldwide and synchronous: An early casualty of this worldwide crisis must be the theory that certain countries could be "decoupled" from the major advanced economies.

Indeed, the close integration of the world economy has been a major contributor to the current crisis. Governments of emerging economies, maintaining low exchange rates to foster export-led growth, generated huge surpluses which, together with the traditional surpluses of a small number of high income countries and the oil exporters' growing surpluses were recycled, principally to the USA which at the peak absorbed 70% of the rest of the world's savings. These surpluses, facilitated by innovative financial systems and in the USA augmented by Government programmes, permitted a quantum increase in cheap debt. In the USA household debt to GDP rose from 66% in 1997 to 100% in 2007 and overall debt reached 350% of GDP, 85% of which was private, compared with 160% in 1980. These huge debts, or overstretched balance sheets, facilitated by the recycled surpluses, mediated by financial engineering, are a major cause of the banking crisis, the first symptom of the current recession.

The IMF has examined 122 recessions in the OECD between 1960 and 2007. A "typical" recession lasts four quarters and leads to an output loss of 2% in GDP, a reduction already exceeded in the UK by the end of 2008. However, where recessions are associated with a credit crunch, 1 in 6, a house price bust, 1 in 4, or an equity crash, 1 in 3, the consequent recession lasted only one more quarter, or five quarters, but the output loss was two or three times greater, or 4% to 6%. In these financially-generated recessions there is often a lag between the financial event and the subsequent recession, a phenomenon almost certainly true of the current recession.
In such financial recessions the recovery time is much longer than the recession: 10 quarters for a credit crunch associated with a 20% decline in credit or for an equity price crash associated with about a 50% decline in equities, and 14 quarters for a housing bust associated with a 30% fall in real house prices.

These results are averages of a wide range of outcomes. The least reliable association was between changes in equity prices and changes in the real economy - Paul Samuelson memorably noted that the stock market has forecast eight of the past five recessions - and the most reliable was between the extent of house price falls and the depths of the recession.

However serious the present situation, growth is widely expected in 2010 when the EIU predicts growth in 41 of the 43 economies monitored including 1.9% in the USA and 1.5% in the UK. The Economist poll of forecasters forecasts growth in 2010 in all but 1 of the 14 economies surveyed (Spain - zero) although there is a wide range of forecasts with the "low" forecast for some economies being a contraction notably UK -1.1%; Japan -1.9%; and Spain -2.0%. The low forecast for the Euro area is "nil" and for the USA -0.6%.

Roger Bootle of Capital Economics, whose forecast is not included in the Economists' poll of forecasters, gives a pessimistic forecast for 2010, showing a resumption of growth in the Eurozone and Japan but no growth in the USA and a 1% fall in the UK. He expects the UK economy to contract by 4% from peak to trough, a recession worse than the early 1990s or mid 1970s but less severe than the early 1980s. In contrast Samuel Brittan suggests that the USA recovery will be earlier than most because of the natural "can do" attitude and because it is "admirably free of concerns over budget and balance of payments deficits and Federal Reserve "printing of money". . . "

The Capital Economics forecast was produced long before the recent central banks' measures to ease credit. In the UK the present move by the Bank to "quantitative easing" demonstrates that the Bank has performed a most admirable *volte face* from the inflexible position apparently adopted in mid-2008. The Bank's policy changes combine with other benign influences to give an unprecedented boost to the UK economy. Sterling has dropped 28% since the credit crisis broke in August 2007 providing a stimulus to the economy normally equivalent to an interest rate cut of five percentage points. The Repo rate is now 0.5%, over 5 percentage points lower than the 2007 peak rate of 5.75%, although the full effects of such cuts are unlikely to be passed on in the present circumstances, and most of the stimulus remains to be felt as interest rate movements take up to one year for their maximum effect. RPI is expected to be -0.5% shortly, the first time since February 1960 it has been negative, partly due to falls in energy and food costs which falls will boost consumers' real income. VAT has been cut to 15% contributing to a fiscal stimulus of £20bn. The Government deficits, previously £60bn, are officially forecast at £118bn but may extend to £150bn. The Bank is also undertaking "qualitative" easing, exchanging the quality of assets by purchasing illiquid banks' assets and swapping them for liquid assets. The biggest change, "quantitative" easing, the "star of the show", which increases the amount of money in the system, has also now been introduced. On 5 March the Bank announced that it would acquire up to £75bn of gilts over three months with a further £75bn proposed. This £150bn is roughly three times the stock of notes and coins in circulation and twice the UK monetary base: the Bank is about to finance the largest peacetime deficit in British history. Early market reaction has been positive with corporate bonds falling by 0.44 and 0.72% points. The move is interpreted as having been designed to pre-empt deflation, a risk which would increase the real value of debt, and restore inflation up to the 2% target. When the Bank raises interest rates to curb a rise in inflation in such circumstances it will be a rare and unusual cause for celebration!!

In the three previous recessions interest rates, sterling and oil have all been rising and fiscal policy tightening. Currently the reverse is the case to which can be added the extraordinary extensive qualitative and quantitative easing - "the kitchen sink" - which, if this does not work after the appropriate time lag between policy and impact, nothing will. I consider the policy of the Bank "whatever it takes" will be effective and UK growth should resume in early 2010.

Property Prospects

Commercial property returned -22.5% in 2008, due to capital value falls of 27.1%, the worst figure ever recorded, with a return of -5.3% in December alone. Total equity returns in 2008 were -29.9% and property equities -46.6%. Forecasts for total returns in 2009 are for continuing falls. Colliers CRE projects -15.5%, IPF -11.3% and the derivatives market -18.75%, but all three forecast positive returns in 2010. The derivatives market has improved significantly over the last five weeks indicating cumulative returns to end 2010 of -15.8% now compared with -26.9% previously. Yields are now very high on commercial property with secure bond type investments which offer a 6% real yield before gearing and a rising income stream with excellent prospects of capital growth. I expect such investments to increase in value shortly and other investments to stabilise except where the tenant's covenant has become impaired. This time next year I expect the overall position will be significantly better.

Residential property values fell sharply in 2008 with annual falls of 16.2%, 15.9% and 10.9% reported respectively by the Halifax, Nationwide and FT Academetrics, a much wider-based index. By December the Halifax HPI had fallen 18.9% from its peak in August 2007 (Tullett Prebon). Surveys for early 2009 confirm a continuing downward trend. The Nationwide Index fell 1.3% in January and 1.8% in February and the Academetrics index fell by 1.2% and 1.0% respectively, although the Halifax Index anomalously increased by 1.9% in January.

Commentators looking for positive news cite a rise in buyer enquiries by estate agents a moderation of the consumers' expectations to price falls and a return to the trend line (2.9%) of long-term real house price rises. The last three downturns produced real falls of 37% (1989- 1995), 30% (1973-1977) and 22% (1952-1954) with a recovery in real price taking about ten years. Currently Savills and Nationwide (Tullett Prebon) estimate the total nominal fall as 25% and Savills forecast a recovery starting in 2010 and a return to peak by 2013. The most pessimistic forecast is by Capital Economics of a 19% further fall, the start of recovery delayed until 2012, and a return to peak delayed until the 2020s.

The current downturn differs from previous ones in that the supply of new property during the downturn is much more reduced. In contrast the number of potential buyers, based on unchanging demographic considerations, continues to increase. Thus, when the existing stock is depleted prices should rise and this rise will be reinforced by a continuing shortage of stock, which shortage will be exacerbated by the delay in restarting sites and then building the required supply. This factor coupled with the comprehensive moves to expand credit by the authorities will be sufficient to counter the many continuing negative factors in the housing market and I expect prices at least to stabilise within twelve months.

Conclusion
The economic background and the prospects for the UK economy are certainly the worst for very many years. We are well into a deep recession of a different type from that experienced in the previous cycles. A peak-to-trough contraction of about 3% to 3.5% will already have occurred by the end of this month the full effects of which on employment are still to be felt. However, the intervention by the authorities, although originally late and tentative, has been comprehensive and, together with other stimuli, should inject demand into the economy. Importantly, this recession is characterised by very low interest rates which, if and when credit becomes available, will aid recovery. General measures to secure stability in the financial sector have been, or will be, successful but the effects in the "real" economy are only beginning to be felt. I feel the bottom of the cycle will be reached earlier than the pessimists expect and that, just as past projections previously overstated the upside, so currently they overstate the likely trough. However the rate of recovery from the trough will be slow.

We will not commence any development until there is a clear upturn in the market. In the interim we will continue to add value to our development programme by preparing sites for development or sale. Most development properties are valued at cost, usually based on an existing use and these values substantially underestimate the realisable value if and when planning consent is gained. When normal market conditions recur the Group will realise its considerable latent potential.

I D Lowe
Chairman 27 March 2009

Consolidated income statement for the six months ended 31 December 2008

	Note	6 months ended 31 Dec 2008 £000	6 months ended 31 Dec 2007 £000	Year ended 30 June 2008 £000
Revenue from properties		**344**	355	842
Property charges - occupied properties		**(63)**	(80)	(158)
Property charges - unoccupied properties		**(66)**	(30)	(76)
Net rental and related income		**215**	245	608
Proceeds from sale of trading properties		**105**	175	175
Carrying value of trading properties sold		**(55)**	(70)	(70)
Profit from disposal of trading properties		**50**	105	105
Other income		**30**	31	61
Other expenses		**(5)**	-	(14)
Net other income		**25**	31	47
Administrative expenses		**(401)**	(415)	(840)
Operating loss before investment property disposals and valuation movements		**(111)**	(34)	(80)
Valuation gains on investment properties		**800**	-	709
Valuation losses on investment properties		**(1,410)**	-	(7,870)
Operating loss before net financing costs		**(721)**	(34)	(7,241)
Finance income		**6**	13	30
Finance expenses		**(313)**	(340)	(664)
Loss before taxation		**(1,028)**	(361)	(7,875)
Taxation	5	**-**	76	716
Loss for the financial period attributable to equity holders of the company		**(1,028)**	(285)	(7,159)
Loss per share				
Basic loss per share (pence)	4	**(8.65p)**	(2.40p)	(60.25p)
Diluted loss per share (pence)	4	**(8.65p)**	(2.40p)	(60.25p)

Caledonian Trust PLC

Consolidated statement of recognised income and expenditure for the six months ended 31 December 2008

	6 months ended 31 Dec 2008 £000	6 months ended 31 Dec 2007 £000	Year ended 30 June 2008 £000
Change in the fair value of equity securities available for sale	-	(19)	(30)
Net loss recognised directly in equity	-	(19)	(30)
Loss for the period	**(1,028)**	(285)	(7,159)
Total recognised income and expense for the period attributable to equity holders of the parent	**(1,028)**	(304)	(7,189)

Caledonian Trust PLC

Consolidated balance sheet as at 31 December 2008

	Note	31 Dec 2008 £000	31 Dec 2007 £000	30 June 2008 £000
Non current assets				
Investment properties		**16,305**	24,075	16,915
Property, plant and equipment		**30**	17	22
Investments		**11**	22	11
Total non-current assets		**16,346**	24,114	16,948
Current assets				
Trading properties		**11,454**	11,205	11,383
Trade and other receivables		**166**	423	434
Cash and cash equivalents		**263**	274	42
Total current assets		**11,883**	11,902	11,859
Total assets		**28,229**	36,016	28,807
Current liabilities				
Trade and other payables		**(561)**	(498)	(462)
Interest bearing loans and borrowings		**(1,988)**	(1,984)	(987)
		(2,549)	(2,482)	(1,449)
Non current liabilities				
Interest bearing loans and borrowings		**(8,100)**	(7,400)	(8,750)
Deferred tax liabilities		**-**	(641)	-
		(8,100)	(8,041)	(8,750)
Total liabilities		**(10,649)**	(10,523)	(10,199)
Net assets	6	**17,580**	25,493	18,608
Equity				
Issued share capital	7	**2,377**	2,377	2,377
Other reserves		**2,920**	2,920	2,920
Retained earnings	6	**12,283**	20,196	13,311
Total equity attributable to equity holders of the parent	**6**	**17,580**	25,493	18,608

Caledonian Trust PLC

Consolidated cash flow statement for the six months ended 31 December 2008

	6 months ended 31 Dec 2008 £000	6 months ended 31 Dec 2007 £000	Year ended 30 June 2008 £000
Loss for the period	**(1,028)**	(361)	(7,159)
Adjustments			
Investment property valuation movements	**610**	-	7,161
Depreciation	**-**	-	7
Net finance expense	**307**	327	642
Income tax credit	**-**	-	(716)
Operating cash flows before movements in working capital	**(111)**	(34)	(65)
(Increase) in trading properties	**(71)**	(439)	(616)
Decrease in trade and other receivables	**268**	116	105
(Decrease)/increase in trade and other payables	**86**	(71)	(192)
Cash generated from operating activities	**172**	(428)	(768)
Interest paid	**(299)**	(424)	(665)
Interest received	**6**	13	22
Cash flows from operating activities	**(121)**	(839)	(1,411)
Investing activities			
Purchases of plant and equipment	**(8)**	-	(12)
Cash flows from investing activities	**(8)**	-	(12)
Financing activities			
Proceeds from new long term borrowings	**350**	289	641
Cash flows from financing activities	**350**	289	641
Net increase/(decrease) in cash and cash equivalents	**221**	(550)	(782)
Cash and cash equivalents at beginning of period	**42**	824	824
Cash and cash equivalents at end of period	**263**	274	42

1 This interim statement for the six month period to 31 December 2008 is unaudited and was approved by the directors on 25 March 2009. The information set out does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

2 Going concern basis

The directors have taken account of the unusual circumstances prevailing in the property market at the current time and recognise that the current economic climate creates uncertainty over the timing and amount of realisation of cashflows, in particular in respect of the sale of certain assets. However, after making enquiries, the Directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing this interim statement.

3 Accounting policies

Caledonian Trust PLC (the “company”) is a company domiciled in the United Kingdom

Basis of preparation

The interim statement is prepared applying the recognition and measurement requirements of IFRSs as adopted by the EU. The company has elected not to prepare the interim statement in accordance with IAS 34 as adopted by the EU.

The interim statement does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the company as at and for the year ended 30 June 2008 which were prepared in accordance with IFRSs as adopted by the EU.

The preparation of the interim statement requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results differ from these estimates. The accounting policies applied by the company in this interim statement are the same as those applied in its financial statements as at and for the year ended 30 June 2008. Copies of the Annual Report for 2008 are available from the Company’s head office by applying to the Company Secretary.

These policies are expected to apply to the accounts for the year ending 30 June 2009.

The comparative figures for the financial year ended 30 June 2008 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

4 Loss/(earnings) per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period as follows:

	6 months ended 31 Dec 2008 £000	6 months ended 31 Dec 2007 £000	Year ended 30 June 2008 £000
(Loss)/profit for financial period	**(1,028)**	(285)	(7,159)
	===	===	===
	No.	No.	No.
Weighted average no of shares:			
For basic earnings per share and for diluted earnings per share	**11,882,923**	11,882,923	11,882,923
	========	========	========
Basic (loss)/earnings per share	**(8.65p)**	(2.40p)	(60.25p)
Diluted (loss)/earnings per share	**(8.65p)**	(2.40p)	(60.25p)

5 Taxation

Taxation for the 6 months ended 31 December 2008 is based on the effective rate of taxation which is estimated to apply to the year ending 30 June 2009. Due to the losses incurred there is no charge for the period.

In the case of deferred tax in relation to investment property revaluation surpluses, the base cost used is historical book cost and includes allowances or deductions which may be available to reduce the actual tax liability which would crystallise in the event of a disposal of the asset. At 31 December 2008 there is a deferred tax asset which is not recognised in these accounts.

6 Capital and reserves

	Share capital £000	Other reserves £000	Retained earnings £000	Total £000
At 1 July 2008	2,377	2,920	13,311	18,608
Total recognised income and expense	-	-	(1,028)	(1,028)
At 31 December 2008	**2,377**	**2,920**	**12,283**	**17,580**
	====	====	=====	=====
At 1 July 2007	2,377	2,920	20,500	25,797
Total recognised income and expense	-	-	(304)	(304)
At 31 December 2007	2,377	2,920	20,196	25,493
	====	====	=====	=====
At 1 July 2007	2,377	2,920	20,500	25,797
Total recognised income and expense	-	-	(7,189)	(7,159)
At 30 June 2008	2,377	2,920	13,311	18,608
	====	====	=====	=====

The other reserves consist of the share premium account and the capital redemption reserve.

7 Issued share capital

	31 December 2008		31 December 2007		30 June 2008	
	No 000	**£000**	No. 000	£000	No. 000	£000
Authorised						
Ordinary shares of 20p each	**20,000**	**4,000**	20,000	4,000	20,000	4,000
Issued and fully paid						
Ordinary shares of 20p each	**11,883**	**2,377**	11,883	2,377	11,883	2,377

DIRECTORS

I.D. Lowe (Chairman and Chief Executive)
M.J. Baynham L.L.B.(Hons)
A.J. Hartley C.A.
R.J Pearson M.A., F.R.I.C.S

SECRETARY

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

REGISTRARS

Equiniti Ltd
1st Floor 34 South Gyle Crescent
South Gyle Business Park
Edinburgh EH12 9EB

NOMINATED ADVISER

Noble & Company Limited
76 George Street
Edinburgh EH2 3BU

BROKER

Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

REGISTERED OFFICE

St Ann's Wharf
112 Quayside
Newcastle upon Tyne NE99 1SB

Website: www.caledoniantrust.com
Registered number 1040126