28 March 2011

Caledonian Trust PLC

Unaudited Interim Results

for the six months ended 31 December 2011

Caledonian Trust PLC, the Edinburgh-based property investment holding and development company, announces its unaudited interim results for the six months ended 31 December 2011.

CHAIRMAN’S STATEMENT

Introduction

The Group made a pre-tax loss of £101,000 in the six months to 31 December 2010, compared with a profit of £145,000 last year. The loss per share was 0.85p compared with a profit of 1.22p last year and the NAV per share was 164.5p compared with 169.1p last year. For the year to 30 June 2010 there was a loss of 2.47p and the NAV was 165.4p. The investment property portfolio was revalued by £215,000 at 31 December 2010. There were no sales of properties in the period. Revenues and costs were similar to last year. No dividend will be paid for the period.

Review of Activities

The Group has continued to concentrate on enhancing the value of its development properties by working towards or gaining planning consents. However, increasingly we are undertaking development work, including bringing property to market, effecting improvements and starting projects in order to preserve existing consents.

The reconversion of the basement to residential use at 57 North Castle Street has been completed and the attractive two-bedroom flat is now being marketed. We gained planning permission and listed building consent for a similar refurbishment next door at 61 North Castle Street. The Group's other New Town property, 9 South Charlotte Street, between Charlotte Square and Princes Street is let to La Tasca for a further fifteen years, where a rent review is due this year.

St Margaret's House, London Road, is our largest property in Edinburgh. From 1 November 2010 the building has been wholly let to the charity, Art's Complex, who have reconfigured and sub-let all the spaces to over 250 "artists" and "artisans" and galleries. There is currently a waiting list for space. Almost all the car parking spaces are let to our neighbours in Meadowbank House, Registers of Scotland.

In August 2009, after two years of planning work on a "Development Brief", the City of Edinburgh Council adopted the Brief, so providing an agreed development policy for the whole area. Accordingly, we lodged an application in July 2009 for Outline Planning Consent for 231,000ft^2 mixed use development of residential and/or student accommodation, an hotel, and offices and other commercial space. This proposal was approved in November, subject to a Section 75 agreement which we expect to sign shortly. The consented proposal allows for a street frontage to London Road (A1) and direct vehicular access from it, together with an "at grade" pedestrian access, a transformation from the current bland appearance. Meanwhile the current refurbishment of the adjoining Meadowbank House and the addition of modern offices and a reception foyer entered directly off London Road will improve the amenity of the area.

At Belford Road we have implemented consent for an office over 22,500ft^2 and fourteen car parking spaces. We also hold a consent for a residential development over 20,500ft^2 together with twenty integral car spaces. This consent has recently been extended, for a further three years. We have had a simplified structure designed which may afford considerable savings. This reappraisal has indicated the likely benefits of a much more radical redesign which is now being undertaken.

Our large development site at Waterloo, London SE1, has been subject to several proposals and we have tried to develop it together with the contiguous garage site with which there is considerable marriage value. We now have our site under offer for residential use, unqualified as to planning, but with a delayed settlement subject to a small overage, if the adjacent site is developed.

In Glasgow the M74 extension, which will pass very close by and greatly improve the access to our small shopping parade in Scotland Street and our 19,763ft^2 investment property at 100 West Street, is now scheduled to open in three months' time. The West Street property is due to be reviewed in May where, because of a minimum fixed uplift, the rent will rise by a minimum of £33,925. The tenants are to extend the showroom with a further six showroom places for their Alfa Romeo franchise. Seven miles from Glasgow at Gartshore, which occupies a strategic hub position two miles from the M73/M80 junction, five miles from the M876/M80 junction and seven miles from the M8 (via the M73) and three miles form three mainline railway stations, we are promoting a 15 acre "Green Park" site for business, hotel and leisure use.

At Ardpatrick on West Loch Tarbert we have just obtained planning permission for two detached houses at the northern march of the Estate. Other potential sites are being assessed. The South Lodge which enjoys extensive sea views and has planning permission to double its size and build on a two-car garage has been renovated and will be marketed shortly. A 150m access road has been constructed to Bay Lodge, a former gamekeeper's premises overlooking Achadh-ChaorannBay, which has consent for residential development and will be marketed shortly.

Limited development will start shortly or has started on three very different sites in or around Edinburgh. At Brunstane in East Edinburgh, we have very recently received planning permission to provide parking places for the existing five stone-built two-storey cottages. We intend to effect common repairs and to refurbish and then sell the three unoccupied properties. At Wallyford, Musselburgh, we expect to receive permission shortly to reconfigure the site by replacing two detached houses with a terrace of four houses to give an increased site capacity of ten houses totalling 12,469ft^2. The foundations of two houses have been laid to implement the consent. At Cockburnspath, on the A1 near Dunbar, where we hold two separate consents encompassing 72 detached and four semi-detached houses. The foundations of one house have been laid to implement one of the consents.

Slow but steady progress continues to be made on our portfolio of fifteen rural development opportunities, nine in Perthshire, three in Fife, two in Argyll and Bute and one in East Dunbartonshire. At Chance Inn Farmhouse consent was granted to convert the integral garage into a semi-self-contained "guest suite" and to upgrade the house, including adding an en-suite bathroom, and this work is well advanced. We have just received consent for three houses at Camghouran on Loch Rannoch. At Ardonachie, just off the A9 north of Perth, restrictive conditions on the access road to this development of ten houses over 16,490ft^2 has been lifted. We await expected consents for nine houses over 19,325ft^2 at Larennie near St Andrews. Design work continues for twelve houses at Frithfield near St Andrews.

Economic Prospects
GDP fell unexpectedly by 0.6% in the three months to December 2010, revised down from a previously estimated fall of 0.5%. On 13 January 2011 the NIESR had estimated that growth would be 0.6% following growth of 0.7%, 1.1%, and 0.3% in the three previous quarters of 2010 and of 0.5% in the last quarter of 2009 which marked the end of the current recession. Three years have already passed since the economy peaked in early 2008, and output is currently 4.4% lower, the same level as was achieved in the first quarter of 2006 five years ago and 8% below the trend level line for the last two decades. The economy continues to be very weak indeed.

0.5 percentage points of the Q4 2010 contraction have been ascribed to the abnormally bad weather, an estimate impossible to verify. Figures for Q4 normally use returns for October and November to forecast December figures for the Q4 report. But in 2010 actual figures were collected for early December and when those were used for the full December estimate they produced an estimate 0.5 percentage points lower than the normal method: the abnormally bad weather was adduced to have caused this 0.5 percentage point difference. Unsurprisingly, the sectors most seriously affected were construction, hotels and restaurants, distribution and business services and finance.

The NIESR estimates that growth resumed in January 2011 by 0.6 percentage points and by a further 0.3 percentage points in February, more than unwinding the abnormal weather effect of December 2010, but it concludes that the underlying growth rate of the economy is below trend and that the output gap is widening. Output is not expected to regain the early 2008 peak until 2013, and if this occurs in Q2 2013, it implies an average growth rate of 1.8% pa when it will be five years since the recession started. Surprisingly, the great depression of 1930-1934 lasted less than four years! The NIESR's forecast is consistent with the latest Economist's poll of forecasters which projects growth of only 1.6% in 2011, a projection that has fallen in each of the last three months, and of 2.0% in 2012.

Some other forecasts, all made before the most recent rise in oil prices and the threatening disasters in Japan, are less optimistic and lower than the OBR's forecast, published on 29 November 2010, of 1.8% growth in 2010 and 2.1% in 2011. For example, Capital Economics forecast growth of 1.5% p.a. in 2011 and in 2012 and over a third of those surveyed by the Treasury consider growth will be less than 1.7% in 2011.

The failure of any established forecaster to forecast a contraction in Q4 2010, or even an outcome near to it, undermines confidence in most current forecasts which include the abnormal economic effects of Government policy, although some economic commentators warn of its potential dangers. Martin Wolf, writing in the FT in November 2010, said: "... I am not as hawkish as Mr King ... yes I agree there are risks to cutting the fiscal deficit too slowly … there are also risks to cutting it too fast …" And "there are also large risks in having an inflexible plan. The UK needs an adaptable plan … that takes account of the huge uncertainties that result from the *fragility of the private sector*". Philip Stephens, also writing in the FT in December, says: "not long ago these Treasury mandarins were sure the government could spend without restraint – courtesy of soaring tax revenues from financial services. Now they show all the zeal of the religious convert in wielding the spending axe". Vince Cable calls them 1930s "fiscal fundamentalists … as in the 1930s they have the Bank governor on their side, though that is hardly a recommendation." The policy of the central banks in the US and the UK was a major contributory factor to the length and depth of the depression in the US, and to a lesser extent, in the UK.

Inflation, or more particularly the reaction to control it, is a major risk to growth. In February 2011, inflation reached 4.4%, more than twice the Bank's official target, when the previous rise to 4.0% prompted the Economist's 19 February by-line: "Inflation rising to 4%; interest rates stuck at 0.5%; something has to give". The Bank of England says "Inflation is likely to pick up to between 4% and 5% and to remain well above the 2% target throughout 2011". In consequence, the financial markets in February indicated an increased Bank rate of1.5% in Q2 2012 (0.9% November 2010) and 2.6% in Q2 2013 (1.6% November 2010) - increases influenced by the Prime Minister's publicised concerns over inflation!

Inflation is not damaging the economy currently nor are expectations of higher future inflation becoming endemic as: "the probability distribution of CPI inflation three years ahead shifted upwards a little". The Governor in his speech at the Civic Centre in Newcastle on 25 January 2011 correctly noted that inflation's three causes were the rising price of imports, as a result of the necessary and desirable depreciation of sterling in 2007 and 2008; soaring dollar prices of energy; and the jumps in VAT. "Taken together", he says "these three factors by themselves would account for a remarkable 12% addition to the price level over four years". Some of these increases should prove to be "one-offs", as VAT almost certainly is, as the sterling devaluation is likely to be, and as energy prices may be – *pace* recent events! Internal inflation pressures are low as there is considerable excess capacity, including record recent unemployment, the three-month average earnings rose by just 2.1% in the year to November 2010, and average unit labour costs have been falling since 2008. In these circumstances monetary tightening to drive wage increases even lower seems misplaced – a reflex action to a rise in inflation for causes mostly outwith the control of the MPC and most likely to subside, probably even before the full effect of any interest rate rise had been achieved.

Monetary tightening would be a misplaced addition to the gathering deficit and fiscal squeezes on an economy operating well below capacity and which actually contracted in the last quarter. VAT and tax increases and other price rises, which have already reduced real take-home pay by about 12%, will result in a further drop in real wages in 2011 to the level they were in 2005. In addition to declining real household disposable income, the economy will be damaged by constraints on public spending, continuing lower housing activity, massive household indebtedness and low growth in broad money and credit: not a happy mix! Savings rates have risen recentlyand uncertainty indices gauging unemployment and financial expectations have increased, especially amongst parts of the public sector, and households' concerns about their future financial situation are reported by the Bank: "back at levels reached during the height of recession". These changes in mood will further depress economic activity.

A savage Roman military punishment, mercifully meted out rarely, was decimation, one in ten, incidentally the proportion proposed for public sector job cuts.The Roman punishment required those subject to decimation to be grouped in tens, and to draw lots for a single short straw. The unlucky drawer was then put to death by the other nine: it certainly puts possible redundancy into perspective! Currently anxiety will affect a wide number in the public services, but, come the cuts, all the "nines" will regain confidence.

The Government has held that all these contracting economic influences will be largely offset by increased net trade and by higher investment. Unfortunately, while exports have increased recently by 25%, imports have also risen by 22%, giving only a very modest increase in net demand. Significant increases in investment are unlikely in a low-growth economy, especially when credit is both rationed and expensive. I conclude that full implementation of the Government's stated policies would be counter-productive.

The fiscal deficit is a residual sum, the difference between relatively "fixed" expenditure and tax receipts. At the margin, tax income varies at a rate several times that of marginal changes in GNP – it is highly "geared" and a small fall in GNP translates into a large rise in the deficit and *vice versa*. Dickens's Mr Micawber implicitly understood the implications of small changes at the margin! Martin Wolf, writing in the FT, has illustrated this marginal effect. In the two fiscal years ended in 2010, nominal UK GDP declined 1.4% but receipts fell by 5.0%. In property terms the "gearing" is equivalent to 72% LTV, a 1% property valuation change giving a 3.57% change in equity value. A further fall in GNP or a lost opportunity to enlarge GNP translates into a much larger tax receipt shortfall. The Chancellor would be well advised to nurture the economic goose that lays the golden tax eggs.

Fortunately for Government policy the recent surges in oil and commodity prices accompanied by the uprisings in the Middle East, the disasters in Japan and the pressure of public opinion allow them to make some policy changes as adjustments rather than "U" turns. The Government is in a situation described variously by the Prussian Marshall Helmuth von Moltke as "no plan survives contact with the enemy" and "strategy is a system of expedients". However, von Moltke's planning is usefully described as similar to a contemporary "decision tree" with plans for each successive dichotomy. The Chancellor's "contact" with the economy may determine that changed tactics would be beneficial, and adjustments can be made within overall policy constraints. Political values may largely determine the level of government spending but how quickly to attain that level is a pragmatic matter: as the Chinese leader Deng Xiaoping said, "cross the 'river' by feeling for the stones in the ford with your feet".

There is a wide range of possible economic outcomes. Continuing economic growth is more likely than another recession, but it will be at a slower rate than most official projections and the depression will continue for at least two years. The major risks to growth are an over-rapid contraction of the structural deficit and an over-zealous interpretation of their remit by the MPC. Once the current crisis has passed, enhanced long-term growth will depend on liberalising the factors of production, eliminating oligopolies, modifying the MPC's remit, restructuring the financial systems and facilitating cultural change.

Property Prospects

Commercial property returned -22.8% in 2008, 2.2% in 2009 and 13.6% in 2010 when equities returned 13.5% and UK Gilts 6.5%. The extent of the recovery in the commercial property market is illustrated by the swing in the derivatives market which in January 2009 indicated a return of -36.0% for 2010,but in February 2010 indicated +10%, a swing of 72%. The All Property return in the first half of 2010 was almost 10% as yields dropped from 6.09% to 5.79% but in the second half yields dropped only a further 0.08% points, giving a second half return of 4.3%. The Office sector was marginally better at 4.5%and the Industrial sector marginally worse at 4.0%. Within the Office and Retail sectors performance varied greatly between areas. Forecasts for 2011 are now marginally above those made in December. The return based on derivatives for 2011 is now 5.5%, up from the 4.6% previously. The IPF February mean forecast is 5.8%, up from 5.2% in November but Colliers maintain its forecast at 7.5%. For 2012 the return based on derivatives is only 4.20%, but IPF forecast 8.7% and Colliers 10.6%.

House prices changed little in 2010, the precise outcome depending on the methodology of the index compiler. Hometrack surveys estate agents local prices and shows a 1.6% fall; Rightmove uses an index of internet asking prices and shows a 0.4% rise; the Halifax and the Nationwide use "mortgage prices" and show a fall of 1.6% and a rise of 0.4% respectively; the Land Registry compares only houses previously sold and shows a 1.0% rise; the CLG uses a sample of mortgage completion prices and shows a rise of 4.1%; and LSL Acadametrics uses three successive samples of the Land Registry figures, the final one covering 90% of all transactions. The second sample covering 85% shows a rise of 2.20%. The LSL methodology is undoubtedly the most comprehensive but is less up to date and only covers England and Wales.

The stability in 2010 compares with large falls in 2008: 16.2% HPI; 15.9% Nationwide and 10.8% Acadametrics: and rises in 2009: 5.6% HPI; 6.1% Nationwide and 4.2% Acadametrics. The peak to trough HPI fall occurred between August 2007 £199,600 and April 2009 £154,490, a fall of 22.6%, or say 25% in real terms. The December 2010 HPI "Price" is £162,435, a fall of 18.6% or with RPI inflation a real fall of 27.3%. Real falls in prices in the three previous downturns were 37% (1989-1995), 38% (1973-1977) and 22.1% (1952-54) a cycle where the recovery in real terms took ten years!

A feature of 2010 has been the differences between regions and house types. Within London three of the top boroughs by house price growth, Knightsbridge and Chelsea, Kingston on Thames and Southwark have achieved all-time property price highs. These three boroughs together with Merton have grown by more than 10% over the three months to January 2011. By contrast Tower Hamlets has fallen 1.8% and four other boroughs have only nominal gains. In Greater London prices overall increased last year by 5% to £385,386 higher than the £375,857 achieved in February 2008, the height of the last boom. Last year amongst house types detached houses have performed best and flats worst.

In 2011 Nationwide and HPI expect "limited movement" and "a slow drift down" respectively. Acadametrics expect that, outside London and the South East, credit restrictions by lenders concerned about the impact of fiscal tightening and the public sector redundancies will restrict demand and lower prices. Capital Economics represent an extreme view, forecasting falls of 10% in 2011 and in 2012. Savills (Q1 2011) forecast that the mainstream market will fall 3.0% in 2011 and prime markets a lesser amount. In 2012 they expect mainstream markets to fall a further 1.5%, but prime markets to grow by 4% to 10%. Thereafter no further falls are expected, although a large differential will be maintained between sectors of differing qualities.

The key factors determining the overall UK Market will be fiscal policy, monetary policy and credit rationing. If there is a moderation of the proposed fiscal policy, and, if the MPC do not raise interest rates shortly in response to non-domestic and transitory factors, then economic growth should resume and unemployment increases be contained. Therefore the supply of houses from this distressed source should not increase. As building, except in the South East, will continue only at very low levels, the supply of new properties will be limited. Although demand will be limited, primarily by credit rationing, as now, it should be sufficient to maintain overall prices at or near current levels.

Conclusion
We are enduring what is likely to be the longest documented depression in history, longer than the "Great Depression" of the 1930s. The depth of the recession has been limited by the intervention of the authorities, which, although originally late and tentative, has been comprehensive and has proved effective in returning the economy to growth. Barring exogenous shocks, such as an all out war in the Middle East, the main variables determining the length of the depression are the rate of reduction in the structural deficit and the level of interest rates. Present indications are that the level of these two variables may not be optimal.

Notwithstanding current and prospective constraints there are profitable trading opportunities. There are also opportunities to acquire properties on favourable terms and we intend to construct participation arrangements which will allow us to exploit our market knowledge and planning skills. The continued reduction in house construction, particularly of family homes, will reduce their supply, while unfulfilled demand continues to increase. A large proportion of our prospective sites are targeted at this market.

In our existing portfolio most development properties are valued at cost, usually based on existing use, and, when these sites obtain consent and are then developed or sold, the considerable upside value should be realised.

I D Lowe
Chairman 22 March 2011

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Consolidated income statement for the six months ended 31 December 2010

	Note	**Unaudited 6 months ended 31 Dec 2010 £000**	**Unaudited 6 months ended 31 Dec 2009 £000**	**Audited Year ended 30 June 2010 £000**
Revenue from properties		**355**	**360**	697
Property charges		**(200)**	**(179)**	(305)
Net rental and related income		**155**	**181**	392

Proceeds from sale of trading properties		**-**	**50**	370
Carrying value of trading properties sold		**-**	**(24)**	(347)
Profit from disposal of trading properties		**-**	**26**	23
Other income		**31**	**55**	81
Net other income		**31**	**55**	81
Administrative expenses		**(401)**	**(463)**	(889)
Operating loss before investment property disposals and valuation movements		**(215)**	**(201)**	**(393)**
Profit on disposal of investment properties		**-**	**101**	48
Valuation gains on investment properties		**215**	**350**	450
Valuation losses on investment properties		**-**	**-**	(205)
Operating profit/(loss) before net financing costs		**-**	**250**	(100)
Finance income		**-**	**1**	1
Finance expenses		**(101)**	**(106)**	(195)
(Loss)/profit before taxation		**(101)**	**145**	(294)
Taxation	5	**-**	**-**	-
(Loss)/profit for the financial period attributable to equity holders of the company		**(101)**	**145**	(294)
(Loss)/earnings per share				
Basic (loss)/earnings per share (pence)	4	**(0.85p)**	**1.22p**	(2.47p)
Diluted (loss)/earnings per share (pence)	4	**(0.85p)**	**1.22p**	(2.47p)

Consolidated statement of recognised income and expenditure for the six months ended 31 December 2010

	Unaudited 6 months ended 31 Dec 2010 £000	**Unaudited 6 months ended 31 Dec** 2009 £000	**Audited Year ended 30 June 2010 £000**
Change in the fair value of equity securities available for sale	**-**	-	3

Net profit/(loss) recognised directly in equity	**-**	-	3
(Loss)/profit for the period	**(101)**	145	(294)
Total recognised income and expense for the period attributable to equity holders of the parent	**(101)**	145	(291)

Consolidated balance sheet as at 31 December 2010

	Note	**Unaudited 31 Dec 2010 £000**	**Unaudited 31 Dec 2009 £000**	**Audited 30 June 2010 £000**
Non current assets				
Investment properties		**16,625**	**16,495**	16,410
Plant and equipment etc		**23**	**27**	22
Investments		**5**	**2**	5
Total non-current assets		**16,653**	**16,524**	16,437
Current assets				
Trading properties		**11,000**	**11,119**	10,891
Trade and other receivables		**169**	**227**	134
Cash and cash equivalents		**-**	**355**	250
Total current assets		**11,169**	**11,701**	11,275
Total assets		**27,822**	**28,225**	27,712
Current liabilities				
Trade and other payables		**(553)**	**(562)**	(485)
Interest bearing loans and borrowings		**(7,716)**	**(3,598)**	(5,673)
		(8,269)	**(4,160)**	(6,158)
Non current liabilities				
Interest bearing loans and borrowings		**-**	**(3,975)**	(1,900)
		-	**(3,975)**	(1,900)

	Note			
Total liabilities		**(8,269)**	**(8,135)**	(8,058)
Net assets	6	**19,553**	**20,090**	19,654
Equity				
Issued share capital	7	**2,377**	2,377	2,377
Other reserves		**2,920**	2,920	2,920
Retained earnings	6	**14,256**	14,793	14,357
Total equity attributable to equity holders of the parent	**6**	**19,553**	20,090	19,654

Consolidated cash flow statement for the six months ended 31 December 2010

	Unaudited 6 months ended 31 Dec 2010 £000	**Unaudited 6 months ended 31 Dec 2009 £000**	**Audited Year ended 30 June 2010 £000**
(Loss)/profit for the period	**(101)**	**145**	(294)
Adjustments			
Profit on sale of investment property	**-**	**(101)**	(48)
Investment property valuation movements	**(215)**	**(350)**	(245)
Depreciation	**-**	**-**	12
Net finance expense	**101**	**105**	194
Operating cash flows before movements in working capital	**(215)**	**(201)**	(381)
(Increase)/decrease in trading properties	**(109)**	**(87)**	121
(Increase)/decrease in trade and other receivables	**(35)**	**(44)**	73
Increase/(decrease) in trade and other payables	**57**	**(13)**	(110)
Cash generated from operating activities	**(302)**	**(345)**	(297)
Interest paid	**(90)**	**(120)**	(210)
Interest received	**-**	**1**	1
Cash flows from operating activities	**(392)**	**(464)**	(506)

Investing activities

Proceeds from sale of investment property	**-**	**1,001**	947
Purchases of plant and equipment	**(1)**	**(1)**	(10)
Cash flows from investing activities	**(1)**	**1,000**	937
Financing activities			
Proceeds from/(repayments of) from long term borrowings	**100**	**(1,087)**	(1,087)
Cash flows from financing activities	**100**	**(1,087)**	(1,087)
Net (decrease)/increase in cash and cash equivalents	**(293)**	**(551)**	(656)
Cash and cash equivalents at beginning of period	**250**	**906**	906
Cash and cash equivalents at end of period	**(43)**	**355**	250

Notes to the accounts

1 This interim statement for the six month period to 31 December 2010 is unaudited and was approved by the directors on 22 March 2011. The information set out does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

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 2010 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 2010. Copies of the Annual Report for 2010 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 2011.

The comparative figures for the financial year ended 30 June 2010 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 498 (2) or (3) of the Companies Act 2006.

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 2010 £000	**6 months ended 31 Dec 2009 £000**	**Year ended 30 June 2010 £000**
(Loss)/profitfor financial period	**(101)**	145	(294)
	===	===	===
	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	**(0.85p)**	1.22p	(2.47p)
Diluted (loss)/earnings per share	**(0.85p)**	1.22p	(2.47p)

5 Taxation

Taxation for the 6 months ended 31 December 2010 is based on the effective rate of taxation which is estimated to apply to the year ending 30 June 2011. 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 2010 there is a deferred tax asset which is not recognised in these accounts.

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Capital and reserves	**Share capital £000**	**Other reserves £000**	**Retained earnings £000**	**Total £000**
At 1 July 2010	2,377	2,920	14,357	19,654
Total recognised income and expense	-	-	(101)	(101)
At 31 December 2010	**2,377**	**2,920**	**14,256**	**19,553**
At 1 July 2009	2,377	2,920	14,648	19,945
Total recognised income and expense	-	-	145	145
At 31 December 2009	2,377	2,920	14,793	20,090
At 1 July 2009	2,377	2,920	14,648	19,945
Total recognised income and expense	-	-	(291)	(291)
At 30 June 2010	2,377	2,920	14,357	19,654

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

7 **Issued share**

capital

	31 December 2010		31 December 2009		30 June 2010	
	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
	=====	**====**	=====	====	=====	====