

# CALEDONIAN TRUST

PLC

## INTERIM STATEMENT

Half Year to 31 December 2004

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# CALEDONIAN TRUST

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**CHAIRMAN'S STATEMENT**

The Group made a pre-tax profit of £276,076 in the six months to 31 December 2004 compared to £239,000 for the same period last year. Earnings per share were 2.42p and NAV per share was 171.0p compared to 3.63p and 173.9p respectively at 30 June 2004 and 2.00p and 171.7p at 31 December 2003. Rental income rose by £54,730 due primarily to income from two recent small investments. In both years interest payable broadly equalled interest receivable but in the period to 31 December 2004 administration expenses fell by £137,081. Trading property sales produced a £321,143 surplus compared to £475,000 last year. An unchanged interim dividend of 1.0p will be paid.

Trading property sales comprised two flats bought wholesale in June 2003, two flats created from unusable office space on the top three floors of 61 North Castle Street and St Clements Wells, a 200 acre East Lothian farm acquired in January 2004 and sold in July for 47% above cost.

In December 2004 we acquired a steading near Bankfoot, Perthshire, where we hope to obtain permission for 5-10 dwellings. In September we acquired a small industrial/retail investment yielding about 9% in an improving residential area in Kirkcaldy. In July we purchased a vacant warehouse for refurbishment and letting with an expected yield of 9-10% in Rutherglen adjacent to the line of the proposed M74 extension in South Glasgow. Since 31 December 2004 we have bought an investment also likely to benefit from the M74 extension, a small parade of shops in Scotland Street, Tradeston with a reversionary yield of nearly 8.0%. Other property acquisitions are currently under consideration. In January we sold the Old Pier public house for £300,000, about £100,000 above book value.

Progress in our housing developments sites is encouraging but slow. At Wallyford we expect to get planning permission for 8 houses when plans for the contiguous site are agreed. At our sites near Dunbar, where we hope to build about 70 houses, problems with the sewerage services are gradually being resolved. At Belford Road, Edinburgh, where we have existing office consent, we have recently lodged an application for 20,000ft<sup>2</sup> of residential property. At Tradeston, Glasgow, adjacent to the site where sales of 360 flats are just completing, we expect to lodge our application for 202 flats shortly. In Baylis Road, London, we have instructed an architect to assess the possibility of developing a residential scheme. We are currently considering options for our St Margaret's site on its own or possibly in conjunction with Meadowbank House, the neighbouring 150,000ft<sup>2</sup> Registers of Scotland office block with which it forms an island site. The claim against the Scottish Ministers for dilapidations at St Margaret's House was settled on a favourable basis on 8 February 2005 at £2,100,000.

In the UK GDP is rising at 5% and real GDP at 3%, above the 2.5% trend rate, resulting in inflationary pressure. The Bank's latest inflation forecasts show inflation above the 2% target in two years and interest rate expectations, which were below 4.75% for the next two years, are now above 5.0%.

Weak recently reported consumer spending is likely to moderate inflation and this weakness will be reinforced by any fall in the house market. National house prices have hardly moved since last summer with some regions beginning to fall in June. OPDM figures show a national 4% drop since July, the Halifax a drop of 0.5% in February and the ESPC a drop of 3.7% in the last quarter. Lehman Brothers forecast a drop of 7% by 2007 joining other "bears" such as Deutsche Bank, Capital Economics and NIESR. A fall in the house market could reduce spending rapidly and is a major threat to growth. The Bank's policy seems to be a fine balancing act between gradual monetary tightening and a possible precipitate house price fall.

Commercial property has not yet felt the impact of higher interest rates and total returns over 12 months have been a spectacular 19.0%, the best performing asset class over 1, 3, 5 and 10 years. On the CBRE Index yields dropped by 0.8% points to 6.3% during 2004 although rents grew only 2.2%. With interest rates now higher than 2004, and likely to rise further, and real rental growth unlikely, there is no fundamental reason for yet lower yields: however in the short term markets are not rational – property still has significant "momentum".

Prospects for profits and for asset growth over the next year are asymmetrical. At present our interest position is neutral and rental income is less than administrative expenses with profits determined by relatively volatile trading margins. Asset growth will be largely determined by the outcome of our planning applications for which the prospects are good.

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## Unaudited Statement of Total Recognised Gains and Losses For the six months to 31 December 2004

	6 Months to 31 Dec 2004 (unaudited) <b>£'000</b>	6 Months to 31 Dec 2003 (unaudited) <b>£'000</b>	Year to 30 June 2004 (audited) <b>£'000</b>
Profit for period	276	239	435
Unrealised surplus/ on revaluation of properties	-	-	161
Total gains and losses recognised relating to the period	<u>276</u>	<u>239</u>	<u>596</u>

### Notes

1 The figures for the six months to 31 December 2004 and 31 December 2003 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 2004 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 2004.

3 The calculation of earnings per ordinary share is based on the reported profit for the six months to 31 December 2004 and on the weighted average number of ordinary shares in issue in the period being 11,412,921.

4 An interim dividend of 1.0p per share will be paid on 29 April 2005 to shareholders on the register on 8 April 2005.

5 Copies of the Interim Results for the six months to 31 December 2004 will be posted to shareholders on or before 31st March 2005 and will be available, free of charge, from the company's Nominated Adviser, Noble & Company Limited, 76 George Street, Edinburgh, EH2 3BU, for a period of one month from the date thereof.

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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 2004 (unaudited)	6 Months to 31 Dec 2003 (unaudited)	Year to 30 June 2004 (audited)
	£'000	£'000	£'000
Operating profit	285	236	(93)
Profit on disposal of property	(321)	(495)	(409)
Depreciation charges	-	2	4
(Increase)/decrease in debtors	(19)	174	184
Increase)/(decrease) in creditors	(199)	(45)	385
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Net cash inflow/(outflow) from operating activities	(254)	(128)	71
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### (b) Analysis of cash flows

#### Returns on investment and Servicing of Finance

Interest received	141	117	230
Interest paid	(177)	(130)	(248)
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	(36)	(13)	(18)
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#### Capital expenditure and financial investment

Purchase of tangible fixed assets	-	-	(3,081)
Purchase of investment property	(1,316)	(104)	-
Sale of investment property	1,941	970	3,540
Purchase of investments	-	-	(91)
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	625	866	368
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#### Financing

Purchase of ordinary share capital	-	-	(117)
Issue of ordinary share capital	308	-	-
Debt due within a year			
Increase/(decrease) in short term debt	(373)	543	1,076
Debt due beyond a year			
(Decrease) in long-term debt	(196)	(38)	(50)
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	(261)	505	909
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## Unaudited Consolidated Profit & Loss Account for the six months to 31 December 2004

	6 Months to 31 Dec 2004 (unaudited) £'000	6 Months to 31 Dec 2003 (unaudited) £'000	Year to 30 June 2004 (audited) £'000
INCOME-continuing operations			
Rental Income	350	295	615
Trading property sales	1,997	969	1,542
Other trading sales	203	181	375
	<u>2,550</u>	<u>1,445</u>	<u>2,532</u>
Property rental outgoings	-	-	-
Cost of trading property sales	(1,676)	(474)	(1,133)
Cost of other sales	(174)	(183)	(363)
Administrative Expenses	(415)	(552)	(1,129)
	<u>(2,265)</u>	<u>(1,209)</u>	<u>(2,625)</u>
OPERATING PROFIT/(LOSS)	285	236	(93)
Profit on disposal of investment property	-	-	584
Interest receivable	141	117	230
Interest payable	(150)	(114)	(286)
	<u>276</u>	<u>239</u>	<u>435</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	276	239	435
Taxation	-	-	-
	<u>276</u>	<u>239</u>	<u>435</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	276	239	435
DIVIDENDS	(119)	(115)	(264)
PROFIT RETAINED	<u>157</u>	<u>124</u>	<u>171</u>
Earnings per ordinary share	<u>2.42p</u>	<u>2.08p</u>	<u>3.78p</u>
Diluted earnings per ordinary share	<u>2.42p</u>	<u>2.00p</u>	<u>3.63p</u>

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## Unaudited Consolidated Balance Sheet As at 31 December 2004

	As at 31 Dec 2004 (unaudited) £'000	As at 31 Dec 2003 (unaudited) £'000	As at 30 June 2004 (audited) £'000
<b>Fixed assets</b>			
Investment Properties	18,998	18,237	19,302
Investments	91	-	91
Equipment & vehicles	<u>4</u>	<u>6</u>	<u>4</u>
	19,093	18,243	19,397
<b>Current assets</b>			
Debtors	142	352	122
Cash at bank and in hand	<u>6,233</u>	<u>6,253</u>	<u>6,313</u>
	6,375	6,605	6,435
<b>Creditors: Amounts falling due within one year</b>	<u>(4,094)</u>	<u>(3,821)</u>	<u>(3,726)</u>
<b>Net current assets</b>	<u>2,281</u>	<u>2,784</u>	<u>2,709</u>
<b>Total assets less current liabilities</b>	21,374	21,027	22,106
<b>Creditors: Amounts falling due after more than one year</b>	<u>(1,056)</u>	<u>(1,265)</u>	<u>(2,253)</u>
<b>Net assets</b>	<u>20,318</u>	<u>19,762</u>	<u>19,853</u>
<b>Capital and reserves</b>			
Called up share capital	2,377	2,302	2,283
Share premium account	2,745	2,531	2,531
Capital redemption reserve	175	155	175
Revaluation reserve	376	564	376
Profit and loss account	<u>14,645</u>	<u>14,210</u>	<u>14,488</u>
<b>Shareholders' funds equity</b>	<u>20,318</u>	<u>19,762</u>	<u>19,853</u>

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## Unaudited Consolidated Cash Flow Statement for the six months to 31 December 2004

	6 Months to 31 Dec 2004 (unaudited) £'000	6 Months to 31 Dec 2003 (unaudited) £'000	Year to 30 June 2004 (audited) £'000
<b>Net cash inflow/(outflow) from operating activities</b>	(254)	(128)	71
<b>Returns on investments and servicing of finance</b>	(36)	(13)	(18)
<b>Equity dividends paid</b>	(148)	(126)	(241)
<b>Capital expenditure and financial investment</b>	625	866	368
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<b>Cash inflow before management of liquid resources and financing</b>	187	599	180
<b>Financing</b>	(261)	505	909
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<b>(Decrease)/increase in cash in period</b>	(74)	1,104	1,089
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<b>Reconciliation of net cash flow to movement in net debt</b>			
<b>(Decrease)/increase in cash in the period</b>	(74)	1,104	1,089
<b>Cash (outflow)/inflow from movement in debt</b>	569	(505)	(1,026)
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<b>Movement in net debt in the period</b>	495	599	63
<b>Net cash at the start of the period</b>	1,816	1,753	1,753
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<b>Net cash at the end of the period</b>	2,311	2,352	1,816
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## **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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## **NOMINATED ADVISER**

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## **BROKER**

Numis Securities Limited  
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London EC2V 6LH

## **REGISTERED OFFICE**

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Newcastle upon Tyne NE99 1SB

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