# CALEDONIAN TRUST

PLC

# INTERIM STATEMENT

Half Year to 31 December 2006

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## CHAIRMAN'S STATEMENT

The Group made a pre-tax loss of £399,000 in the six months to 31 December 2006 compared with a profit of £155,125 for the same period last year. Losses per share were 3.35p and NAV per share was 219.2p compared to earnings and NAVs of 1.09p and 222.5p and 1.31p and 205.3p at 30 June 2006 and 31 December 2005 respectively. There were no property sales in the six months to 31 December 2006, but rental income increased by £92,000. Continuing investment in development properties resulted in increases of £263,000 in net interest payable and most of the £69,000 increase in administration costs. An unchanged interim dividend of 1.0p will be paid.

The Group's current major strategy continues to be the acquisition and creation of development opportunities, particularly those with a reasonable probability of achieving high returns and a small probability of a nil or, at worst, a negative return. Since June 2006 we have acquired four such development opportunities, three of which are rural properties. These acquisitions comprise a further four-acre development site near Dunbar; a two-acre site in Lochdon, Mull; a 1.5ha steading site in Fife, a few miles from St Andrews; and a farm near Kinross comprising a farmhouse, 257 acres of land, mostly arable, and a large steading with buildings extending to 27,580ft2. The Group now owns twelve rural development opportunities, and has two further large rural properties under offer.

Several planning consents have been gained, others have been submitted and more are being prepared. Near Dunbar our four-acre site gained permission for 24 detached houses and four affordable houses. At Wallyford in August 2006, five years after submission, we eventually gained consent for eight detached houses and at Brunstane, in east Edinburgh, we obtained an improved consent for ten houses over 14,000ft2, including some "new build", in the charming Georgian steading. At Ardpatrick, Argyll, we have obtained consents to convert and extend a bothy for residential use, to enlarge the gate lodge by 100% and to divide the mansion house into four individual properties ranging from 1760ft2 to 3478ft2. Application has been made for four new or converted additional houses in or around the walled garden. Sites for several other new houses in the rural development area are under discussion. Planning applications have been made for ten houses at Balnaguard, Perthshire and for a large steading development of fifteen houses at Ardonachie near Bankfoot, Perthshire. Other applications will be made this year. Our joint development of 39 small detached and semi-detached houses at Herne Bay continues successfully with only three houses remaining unsold.

There are few changes to our investment portfolio. The leases of our two properties in Young Street, Edinburgh adjacent to Charlotte Square, determined on 28 August 2006. 17 Young Street, the smaller of the two properties, together with its two garages has been re-let to the former tenants at a slightly enhanced rent. We have re-let the garages associated with 19 Young Street and, after agreeing a satisfactory dilapidations settlement, have marketed the property for sale un-refurbished. Planning permission has been obtained to reconvert the ground and 1st floor of 61 North Castle Street to residential use and warrant should be obtained to incorporate the Edwardian extension at the rear of 61 North Castle Street into the existing office space in Hill Street.

UK economic prospects appear propitious. GDP growth in 2006 increased to 2.6% from 1.9% in 2005 and is forecast to be 2.7% in 2007 by the Economist Poll of Forecasters and between 2.5% and 3.0% in 2008 according to the Budget Statement. The major domestic risk to the economy is of long-term inflationary trends resulting in further increases in interest rates and the consequent damaging effects on house prices and on consumption. Fortunately the CPI has fallen from a high of 3.0%, the upper prescribed limit, but the RPI, often used in wage comparisons, has risen to 4.6%. Most commentators expect the CPI to fall rapidly within the next two months, and to only 1.6% by 2008, as the rise in energy costs that occurred last year drops out of the comparison and as gas prices fall. However it is the MPC's projection of future inflation that determines policy: 3 month LIBOR rates indicate, and the Royal Bank of Scotland predict, a further 0.25% point increase before interest rates fall back.

The recent increases in interest rates do not appear to have significantly affected house prices. The FT House Price Index has risen 6.9% in the year to January 2007, a monthly change of 0.7%, broadly similar to the second half of 2006 but up from 3.7% in January 2006. The Nationwide and Halifax report rises of 9.3% and 9.6% respectively. The Lloyds TSB Scotland Price Index rose by 11.0% in 2006 following increases of 13.3% in 2005 and 18.8% in 2004. Lloyds say "increases continue at a robust pace propelled by a favourable economic background and demand for houses exceeding supply". Given the favourable economic outlook, including stable interest rates, the housing market continues to be attractive, especially in Scotland.

I reported last year that the Group prospects for profit and for asset growth continue to be asymmetrical: rental income is less than administrative expenses and net interest payable, and profits are determined by relatively volatile asset sales. The Group reported no property sales in the last six months but during the balance of the current year asset and development sales, together with other income, should be sufficient to fund the ongoing investment in development properties. Larger more profitable projects should commence next year which will materially improve the Group's profitability as they mature and the Group now has a "production line" of developments which should help maintain future profitability. Alternatively, the Group has the option to realise development sites, many of which are carried as stock at values far below market value. Almost all our development properties are unencumbered and will provide excellent collateral for any development. In addition to building our physical assets the Group has established excellent relationships with its professional advisors who form a cohesive team in evaluating and promoting the Group's development interests. John Little and Bryan Rankin retired as non-executive directors at the AGM and I would like to thank them for their significant contribution to the Group. I welcome Roddy Pearson, a wise and experienced surveyor who has advised the Group formally and informally over many years to the Board. Roddy joins us as a non-executive director as we start to exploit the many development opportunities now available.

I D Lowe    Chairman    28 March 2007

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## Unaudited Consolidated Profit & Loss Account for the six months to 31 December 2006

| | 6 Months to 31 Dec 2006 (unaudited) £'000 | 6 Months to 31 Dec 2005 (unaudited) £'000 | Year to 30 June 2006 (audited) £'000 |
|---|---|---|---|
| INCOME-continuing operations | | | |
| Rental Income | 477 | 385 | 871 |
| Trading property sales | - | - | 410 |
| Other trading sales | 31 | 61 | 108 |
| | 508 | 446 | 1389 |
| OPERATING COSTS | | | |
| Cost of trading property sales | - | - | (305) |
| Cost of other sales | (45) | (61) | (113) |
| Administrative Expenses | (578) | (509) | (993) |
| | (623) | (570) | (1411) |
| OPERATING PROFIT/(LOSS) | (115) | (124) | (22) |
| Profit on disposal of investment property | - | 300 | 190 |
| Profit on disposal of investment | - | - | - |
| Interest receivable | 37 | 125 | 275 |
| Interest payable | (321) | (146) | (319) |
| PROFIT/LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | (399) | 155 | 124 |
| Taxation | - | - | 5 |
| PROFIT/LOSS ON ORDINARY ACTIVITIES AFTER TAXATION | (399) | 155 | 129 |
| Earnings per ordinary share | (3.35p) | 1.31p | 1.09p |
| Diluted earnings per ordinary share | (3.35p) | 1.31p | 1.09p |

# CALEDONIAN TRUST

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## Audited Consolidated Balance Sheet as at 31 December 2006

| | As at 31 Dec 2006 (unaudited) **£'000** | As at 31 Dec 2005 (unaudited) **£'000** | As at 30 June 2006 (audited) **£'000** |
|---|---|---|---|
| **Fixed assets** | | | |
| Investment Properties | 24,057 | 24,487 | 24,031 |
| Investments | 43 | - | 43 |
| Equipment & vehicles | 27 | 4 | 21 |
| | 24,127 | 24,491 | 24,095 |
| **Current assets** | | | |
| Stock of development property | 8,965 | - | 7,034 |
| Debtors | 756 | 1,044 | 968 |
| Cash at bank and in hand | 1,316 | 3,579 | 2,204 |
| | 11,037 | 4,623 | 10,206 |
| **Creditors:** Amounts falling due within one year | (2,119) | (3,594) | (2,177) |
| **Net current assets** | 8,918 | 1,029 | 8,029 |
| **Total assets less current liabilities** | 33,045 | 25,520 | 32,124 |
| **Creditors:** Amounts falling due after more than one year | (7,000) | (1,006) | (5,680) |
| **Net assets** | 26,045 | 24,514 | 26,444 |
| **Capital and reserves** | | | |
| Called up share capital | 2,377 | 2,377 | 2,377 |
| Share premium account | 2,745 | 2,745 | 2,745 |
| Capital redemption reserve | 175 | 175 | 175 |
| Revaluation reserve | 6,625 | 4,551 | 6,625 |
| Profit and loss account | 14,123 | 14,666 | 14,522 |
| **Shareholders' funds equity** | 26,045 | 24,514 | 26,444 |

# CALEDONIAN TRUST

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## Unaudited Consolidated Cash Flow Statement for the six months to 31 December 2006

| | 6 Months to 31 Dec 2006 (unaudited) **£'000** | 6 Months to 31 Dec 2005 (unaudited) **£'000** | Year to 30 June 2006 (audited) **£'000** |
|---|---|---|---|
| **Net cash inflow/(outflow) from operating activities** | (1,854) | 218 | (5,695) |
| **Returns on investments and servicing of finance** | (337) | (34) | (35) |
| **Equity dividends paid** | - | (178) | (297) |
| **Capital expenditure and financial investment** | (31) | (1,142) | 6 |
| **Tax paid** | - | - | (29) |
| **Cash inflow/(outflow) before management of liquid resources and financing** | (2,222) | (1,136) | (6,050) |
| **Financing** | 1,334 | (42) | 3,572 |
| **Decrease in cash in period** | (888) | (1,178) | (2,478) |
| **Reconciliation of net cash flow to movement in net funds** | | | |
| **Decrease in cash in the period** | (888) | (1,178) | (2,478) |
| Cash (outflow)/inflow from movement in debt | (1,334) | (42) | (3,572) |
| **Movement in net funds in the period** | (2,222) | (1,220) | (6,050) |
| **Net (debt)/funds at the start of the period** | (5,172) | 878 | 878 |
| **Net (debt)/funds at the end of the period** | (7,394) | (342) | (5,172) |

**Notes to the unaudited consolidated cash flow statement**

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

| | 6 Months to 31 Dec 2006 (unaudited) | 6 Months to 31 Dec 2005 (unaudited) | Year to 30 June 2006 (audited) |
|---|---|---|---|
| | **£’000** | **£’000** | **£’000** |
| Operating (loss)/profit | (115) | (124) | (22) |
| Depreciation | - | - | 5 |
| (Increase)/decrease in debtors | 212 | (25) | 50 |
| Increase/(decrease) in creditors | (21) | 367 | 97 |
| (Increase)/decrease in stock | (1,930) | - | (5,825) |
| Net cash inflow/(outflow) from operating activities | (1,854) | 218 | (5,695) |

(b)**Analysis of cash flows**

| | | | |
|---|---|---|---|
| **Returns on investment and Servicing of Finance** | | | |
| Interest received | 37 | 125 | 275 |
| Interest paid | (374) | (159) | (310) |
| | (337) | (34) | (35) |
| **Capital expenditure and financial investment** | | | |
| Purchase of tangible fixed assets | (5) | (1) | (866) |
| Purchase of investment property | (26) | (2,070) | 915 |
| Sale of investment property | - | 929 | - |
| Purchase of investments | - | - | (43) |
| | (31) | (1,142) | 6 |
| **Financing** | | | |
| Debt due within one year | | | |
| Increase/(decrease) in short term debt | (14) | (338) | (3,969) |
| Debt due beyond one year | | | |
| Increase(Decrease) in long-term debt | (1,320) | 296 | 397 |
| | 1,334 | (42) | (3,572) |

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## Unaudited Statement of Total Recognised Gains and Losses for the six months to 31 December 2006

| | 6 Months to 31 Dec 2006 (unaudited) | 6 Months to 31 Dec 2005 (unaudited) | Year to 30 June 2006 (audited) |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| Profit/(Loss) for period | (399) | 155 | 129 |
| Unrealised surplus on revaluation of properties | - | - | 1,979 |
| Prior year adjustment | - | - | 178 |
| Total gains and losses recognised relating to the period | (399) | 155 | 2,286 |

**Notes**

1 The figures for the six months to 31 December 2006 and 31 December 2005 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 2006 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 2006.

3 The calculation of earnings per ordinary share is based on the reported loss for the six months to 31 December 2006 and on the weighted average number of ordinary shares in issue in the period, being 11,882,923.

4 An interim dividend of 1p per share will be paid on 4 May 2007 to shareholders on the register on 10 April 2007.

5 Copies of the Interim Results for the six months to 31 December 2006 will be posted to shareholders shortly 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.

## DIRECTORS

I.D. Lowe (Chairman and Chief Executive)
M.J. Baynham L.L.B.(Hons)

## SECRETARY

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

## REGISTRARS

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## BROKER

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