

CALEDONIAN TRUST

PLC

INTERIM STATEMENT

Half Year to 31 December 2007

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CHAIRMAN'S STATEMENT

Introduction

The Group made a pre-tax loss of £361,000 in the six months to 31 December 2007 compared with a loss of £399,000 for the same period last year. The loss per share after tax was 2.40p and the NAV per share was 214.5p compared with a loss of 2.39p and a NAV of 213.1p last year and earnings, as restated under IFRS of 4.40p and a NAV of 217.1p at the 30 June 2007 year end. A property was sold at Ardpatrik, Argyll, for a trading profit of £105,000, but there were no sales in the comparable period last year. Revenue from properties was little changed at £355,000 but property charges fell by £123,000 due to lower costs on unoccupied properties but administrative expenses rose by £70,000 while other expenses fell by £45,000. Net financing costs rose by £98,000 as weighted base rates were almost 1.0 percentage point higher than last year, and LIBOR rates considerably higher, due to current financial stress, and because last year benefited from an one-off £55,000 credit from our joint venture at Herne Bay, Kent. No interim dividend will be paid.

Review of Activities

The Group's recent major strategy has been 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 2007 we have bought another rural development comprising a farmhouse with a one-acre garden within the settlement and a three-acre field just outside it at Carnbo, four miles east of the M90 at Kinross. The Group's development sites now include fifteen rural development opportunities in addition to four large city centre sites, two sites in or near suburban Edinburgh and a consented scheme for at least seventy-three large house plots near Dunbar, East Lothian.

The Group's main emphasis has now switched to the exploitation of development opportunities where the realisation of many excellent prospects is often frustrated by the increasingly ponderous planning process.

After a long delay work on two local sites should start in 2008. Eight detached houses will be built at Wallyford, a settlement near the city bypass/A1 junction with a rail station on the east coast line, and ten varied houses, including some new build, totalling 18,000ft², will be fashioned from an existing B-listed stone steading at Brunstane Farm, in east Edinburgh, near the A1 and the Brunstane railway halt. Planning proposals are under consideration or shortly will be submitted for six separate rural developments totalling over 100,000ft² and two further applications will be submitted shortly. All these developments require intensive individual design and are subject to a variety of delays and constraints, usually absent from "new build". Development work continues on our city centre sites and the development brief for St Margaret's, Edinburgh, should be published in the summer and, if acceptable, approved this year.

Our investment portfolio is subject to minor changes. The rent review at South Charlotte Street was settled by arbitration at £94,850, a rise of 46% and in Aberdeen our small industrial unit at Dyce was re-let in December at £70,000 an increase of 27%. Recently the existing tenants at both 17 Young Street and at 57 North Castle Street exercised their break options. Fortunately, the market for such properties continues to be resilient. We expect also to market the vacant ground and first floors of 61 North Castle Street shortly. Quite different summer sales will be of the refurbished "Old Post Office", a detached stone and slate cottage set back from the Kilberry road on the northern march of Ardpatrik Estate, and of Carnbo farmhouse, Perthshire.

Economic Prospects

Chaos theory propounds that over the Amazon randomly a butterfly flutters its wings and in far-off lands a typhoon results. The current turmoil in western financial markets has been ascribed to the distant flutter of the sub-prime market in "Hicksville" USA: a present manifestation of a remote ephemeral malady.

This malady is proving to be a plague that is enduring, epidemic and systemic. The remedy prescribed was liquidity delivered in larger and larger doses and without effecting a cure, culminating in the recent \$230bn Fed boost.

The presenting symptom may be illiquidity but the disease, the systemic cause of the symptom, is solvency. A Financial Times leader puts in succinctly: "subprime mortgage-backed bonds have fallen to new lows, but that is the least of it in contrast to last year, it is clear that it is not primarily a problem of bank liquidity: it is a widespread problem of solvency at leveraged institutions". The disease has been highly contagious spreading from subprime to mortgages and their manifold securitized manifestations, municipal debt, corporate debt and now to many other obscure sectors.

There are three separate but interlocking vicious spirals: solvency, liquidity and economic activity. The solvency part of a chain affects the whole; the fear of insolvency affects liquidity and liquidity affects solvency;

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and solvency and liquidity *via* financial intermediaries affect economic activity, which economic activity affects solvency and liquidity, all of which are self-reinforcing.

The focus of the disease is the USA. House prices fell 9% in 2007 and futures contracts reflect a further 18% fall in 2008. Goldman Sachs estimate present total losses at \$1.165bn but Professor Roubini's analysis, based on further large house price falls and the consequent effects on economic activity, projects further losses of \$1.0bn to \$2.0bn. Financial losses result in credit shrinkage which reduces GDP by an estimated 1.25% per \$1.0bn loss. GDP is further reduced by the direct effect of falling house prices estimated at about 0.65% of GNP per 10% fall. Any extrapolation of recent trends indicates a severe US downturn which monetary policy alone is unlikely to reverse, due to the solvency crisis. The solvency crisis will end if nominal prices fall sufficiently, giving mass bankruptcy, or, if incomes are inflated, reducing real debts. The Fed's mandate encompasses financial stability and so, *in extremis*, is unlikely to eschew policies that are inflationary: let us hope so.

In the UK the Chancellor is re-arranging the "non-doms" on the deck of the Treasury Titanic whose future speed is forecast at 2% while the boilermen compute the narrow margin, 0.2%, by which public sector debt will now meet the golden rule by 2010-11, excluding Northern Rock - and, one may ask, how many angels can dance on the head of a pin?

The Treasury view is that the effect of the "credit crunch" will be minimal. The alternative view is that the UK economy, closely integrated in the US and world financial markets, still has to experience the consequences of a readjustment which is only partially complete. The extent to which the real economy will suffer will depend on regulatory assistance, and, if a recession, possibly a deep one, is to be avoided, interest rates may have to be reduced to a level which may prejudice the short-term inflation target: a sacred cow slaughtered! Capital Economics do "not rule out" an all time repo low of 2%. I suspect many commentators will reduce their estimates of UK growth in 2008 to c1% with a significant chance of a recession.

Property Prospects

Commercial property returned -5.5% in 2007, due principally to capital values falling about 10% in the last quarter. In January 2008 capital values fell a further 2% and IPF forecast a further capital fall of 7.6% in 2008. The derivatives market implies an incredible capital fall of 16.9% in 2008.

Residential Property values rose in 2007, although almost all sources monitored by the FT House Price Index showed falls in December 2007. In February 2008 surveys were equally divided between rises and falls, but the February RICS survey of UK prices, a lead indicator, showed a continuing rise in the % balance of surveyors reporting price falls and a continuing rise - to its highest level since 1996 - in the ratio of unsold houses to new enquiries. The reduced availability of mortgages and their increased cost is likely to be adversely affecting the retail market and any contraction in the economy will exacerbate this trend. The market in Scotland has risen 14% over the last year and, although now slowing, is likely to be less affected than the UK because of lower prices, lower prices-to-earnings ratios and the higher proportion of economic contributions of the government and the oil sector.

Conclusion

The economic background of and the immediate prospects for the UK are very much poorer than for many years. However, the Group's first developments, if commenced in the autumn, are not expected to be marketed before next spring by which time the worst of any downturn should be passing. The Group's investment assets generally have development or rental growth prospects and are protected from significant changes in yields. Most development properties are valued at cost, usually based on existing use and these values substantially understate the realisable value if and when planning consent is gained. We will advance as many of our developments to the consented stage as quickly as we can, so adding value which can be released by development or by disposal. I see no diminution in the long-term prospects for the Group.

I D Lowe
Chairman

27 March 2008

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Consolidated income statement for the six months ended 31 December 2007

	Note	Unaudited 6 months ended 31 Dec 2007 £000	Unaudited 6 months ended 31 Dec 2006 £000	Unaudited Year ended 30 June 2007 £000
Revenue from properties		355	375	684
Property charges - occupied properties		(80)	(77)	(145)
Property charges - unoccupied properties		(30)	(156)	(196)
Net rental and related income		245	142	343
Proceeds from sale of trading properties		175	-	1,477
Carrying value of trading properties sold		(70)	-	(1,074)
Profit from disposal of trading properties		105	-	403
Other income		31	78	163
Other expenses		-	(45)	(51)
Net other income		31	33	112
Administrative expenses		(415)	(345)	(807)
Operating (loss)/profit before investment property disposals and valuation movements		(34)	(170)	51
Profit on disposal of investment properties		-	-	15
Valuation gains on investment properties		-	-	867
Valuation losses on investment properties		-	-	(225)
Operating (loss)/profit before net financing costs		(34)	(170)	708
Finance income		13	92	257
Finance expenses		(340)	(321)	(567)
(Loss)/profit before taxation		(361)	(399)	398
Taxation	5	76	115	125
(Loss)/profit for the financial period attributable to equity holders of the company		(285)	(284)	523
(Loss)/earnings per share				
Basic (loss)/earnings per share (pence)	4	(2.40p)	(2.39p)	4.40p
Diluted (loss)/earnings per share (pence)	4	(2.40p)	(2.39p)	4.40p

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Consolidated statement of recognised income and expenditure for the six months ended 31 December 2007

	Unaudited 6 months ended 31 Dec 2007 £000	Unaudited 6 months ended 31 Dec 2006 £000	Unaudited Year ended 30 June 2007 £000
Change in the fair value of equity securities available for sale	(19)	-	(2)
Net loss recognised directly in equity	(19)	-	(2)
(Loss)/profit for the period	(285)	(284)	523
Total recognised income and expense for the period attributable to equity holders of the parent	(304)	(284)	521

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Consolidated balance sheet as at 31 December 2007

		Unaudited 31 Dec 2007 £000	Unaudited 31 Dec 2006 £000	Unaudited 30 June 2007 £000
	Note			
Non current assets				
Investment properties		24,075	24,057	24,075
Property, plant and equipment		17	27	17
Investments		22	43	41
		<u>24,114</u>	<u>24,127</u>	<u>24,133</u>
Total non-current assets				
Current assets				
Trading properties		11,205	8,965	10,767
Trade and other receivables		423	756	539
Cash and cash equivalents		274	1,316	824
		<u>11,902</u>	<u>11,037</u>	<u>12,130</u>
Total current assets				
		<u>36,016</u>	<u>35,164</u>	<u>36,263</u>
Total assets				
Current liabilities				
Trade and other payables		(499)	(409)	(654)
Interest bearing loans and borrowings		(1,984)	(1,710)	(696)
Income tax liabilities		-	-	-
		<u>(2,483)</u>	<u>(2,119)</u>	<u>(1,350)</u>
Non current liabilities				
Interest bearing loans and borrowings		(7,400)	(7,000)	(8,400)
Deferred tax liabilities		(641)	(727)	(717)
		<u>(8,041)</u>	<u>(7,727)</u>	<u>(9,117)</u>
Total liabilities				
		<u>(10,524)</u>	<u>(9,846)</u>	<u>(10,467)</u>
Net assets				
	6	<u>25,492</u>	<u>25,318</u>	<u>25,796</u>
Equity				
Issued share capital	7	2,377	2,377	2,377
Other reserves		2,920	2,920	2,920
Retained earnings	6	20,195	20,021	20,499
		<u>25,492</u>	<u>25,318</u>	<u>25,796</u>
Total equity attributable to equity holders of the parent				
	6	<u>25,492</u>	<u>25,318</u>	<u>25,796</u>

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Consolidated interim cash flow statement for the six months ended 31 December 2007

	Unaudited 6 months ended 31 Dec 2007 £000	Unaudited 6 months ended 31 Dec 2006 £000	Unaudited Year ended 30 June 2007 £000
(Loss)/profit for the period	(361)	(399)	398
Adjustments			
Profit on sale of investment property	-	-	(15)
Investment property valuation movements	-	-	(642)
Loss on sale of plant and equipment	-	-	4
Depreciation	-	-	6
Net finance expense	327	229	310
Operating cash flows before movements in working capital	(34)	(170)	61
Increase in trading properties	(439)	(1,931)	(3,732)
Decrease in trade and other receivables	116	212	429
(Decrease)/increase in trade and other payables	(71)	(20)	162
Cash generated from operating activities	(428)	(1,909)	(3,080)
Interest paid	(424)	(373)	(557)
Interest received	13	92	257
Cash flows from operating activities	(839)	(2,190)	(3,380)
Investing activities			
Purchases of investment property	-	(26)	-
Proceeds from sale of investment properties	-	-	613
Purchases of plant and equipment	-	(6)	(6)
Cash flows from investing activities	-	(32)	607
Financing activities			
Proceeds from new long term borrowings	289	1,334	1,720
Repayment of borrowings	-	-	-
Dividends paid	-	-	(327)
Cash flows from financing activities	289	1,334	1,393
Net decrease in cash and cash equivalents	(550)	(888)	(1,380)
Cash and cash equivalents at beginning of period	824	2,204	2,204
Cash and cash equivalents at end of period	274	1,316	824

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Notes to the accounts

1 This interim statement for the six month period to 31 December 2007 is unaudited and was approved by the directors on 26 March 2008. The information set out does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

2 Report and financial statements

The comparative figures for the financial year ended 30 June 2007 which are now presented under International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”) are not the statutory financial statements for that financial year. Those financial statements were presented under UK GAAP, reported on by the Group’s auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985. Copies of the Annual Report for 2007 are available from the Company’s head office by applying to the Company Secretary.

3 Accounting policies

Basis of preparation

The AIM rules require that the next annual consolidated financial statements of the company for the year ending 30 June 2008, be prepared in accordance with Adopted IFRSs.

This interim financial information has been prepared on the basis of the recognition and measurement requirements of IFRSs in issue that either are endorsed by the EU at 30 June 2008 or are expected to be endorsed and effective at 30 June 2008, the Group’s first annual reporting date at which it is required to use adopted IFRSs. Based on these adopted and unadopted IFRSs, the directors have made assumptions about the accounting policies expected to be applied, which are as set out below, when the first annual IFRS financial statements are prepared for the year ending 30 June 2008.

In addition, the Adopted IFRSs that will be effective in the annual financial statements for the year ending 30 June 2008 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ending 30 June 2008.

As required by IFRS 1, the impact of the transition from UK GAAP to IFRSs is explained in note 8.

The accounting policies set out below have been applied consistently to all periods presented in this interim financial information and in preparing an opening IFRS balance sheet at 1 July 2006 for the purposes of the transition to IFRS. The group has taken advantage of the exemption available under IFRS1 and has not restated business combinations prior to the date of transition.

The financial statements are prepared on the historical cost basis except for investment properties, and available for sale financial assets which are stated at their fair values.

The preparation of financial statements in conformity with Adopted IFRSs requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense. The estimates and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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Notes to the accounts (continued)

3 Accounting policies (continued)

Basis of preparation (continued)

In particular the most significant area of estimation and judgement is in relation to the valuation of investment property which is explained below.

The significant accounting policies that have been used in the preparation of the financial statements are summarised below.

Basis of consolidation

The financial statements incorporate the financial statements of the company and all its subsidiaries. Subsidiaries are entities controlled by the group. Control exists when the group has the power to determine the financial and operating policies of an entity to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date it ceases.

Revenue

Rental income from properties leased out under operating leases is recognised in the income statement on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of total rental income.

Other income comprises income from former leisure operations and other miscellaneous and is stated net of VAT.

Revenue from the sale of trading properties is recognised in the income statement on the date at which the significant risks and rewards of ownership are transferred to the buyer.

Investment properties

Investment properties are properties owned by the group which are held either for long term rental growth or for capital appreciation or both. Investment property is initially recognised at cost including related transaction costs and is valued at each balance sheet date to reflect fair value either by the directors or by independent professional valuers. Independent professional valuations are prepared at least once every three years. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arms' length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Purchases and sales of investment properties

Purchases and sales of investment properties are recognised in the financial statements on the date at which the significant risks and rewards of ownership are transferred to the buyer.

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Notes to the accounts (continued)

3 Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all property, plant and equipment at varying rates calculated to write off cost to the expected current residual value by equal annual instalments over their estimated useful economic lives. The principal rates employed are:

Office equipment	-	11 – 33.3 per cent
Fixtures and fittings	-	10 per cent
Motor vehicles	-	33.3 per cent

Investments

The group's investments in equity securities are classified as available for sale financial assets. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at fair value and changes therein, other than impairment losses, are recognised directly in equity. The fair value of available for sale investments is their quoted bid price at the balance sheet date. When an investment is disposed of, the cumulative gain or loss in equity is recognised in profit or loss.

Trading properties

Trading properties (inventories) are stated at the lower of cost or net realisable value. Net realisable value is based on estimated selling price less estimated cost of disposal.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on taxable income for the current year, using tax rates enacted or substantively enacted at the reporting date, adjusted for prior years under and over provisions.

Deferred tax is provided using the balance sheet liability method in respect of all temporary differences between the values at which assets and liabilities are recorded in the financial statements and their cost base for taxation purposes. Deferred tax includes current tax losses which can be offset against future capital gains.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

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Notes to the accounts (continued)

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 2007 £000	6 months ended 31 Dec 2006 £000	Year ended 30 June 2007 £000
(Loss)/profit for financial period	(285)	(284)	523
	==== 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	(2.40p)	(2.39p)	4.40p
Diluted (loss)/earnings per share	(2.40p)	(2.39p)	4.40p

5 Taxation

Taxation for the 6 months ended 31 December 2007 is based on the effective rate of taxation which is estimated to apply to the year ending 30 June 2008.

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.

6 Capital and reserves	Share capital £000	Other reserves £000	Retained earnings £000	Total £000
At 1 July 2007	2,377	2,920	20,499	25,796
Total recognised income and expense	-	-	(304)	(304)
	-----	-----	-----	-----
At 31 December 2007	2,377	2,920	20,195	25,492
	=====	=====	=====	=====
At 1 July 2006	2,377	2,920	20,305	25,602
Total recognised income and expense	-	-	(284)	(284)
	-----	-----	-----	-----
At 31 December 2006	2,377	2,920	20,021	25,318
	=====	=====	=====	=====
At 1 July 2006	2,377	2,920	20,305	25,602
Total recognised income and expense	-	-	521	521
Dividends	-	-	(327)	(327)
	-----	-----	-----	-----
At 30 June 2007	2,377	2,920	20,499	25,796
	=====	=====	=====	=====

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

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Notes to the accounts (continued)

7 Issued share capital

	31 December 2007		31 December 2006		30 June 2007	
	No	£000	No.	£000	No.	£000
	000		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
	=====	=====	=====	=====	=====	=====

8 Transition to International Financial Reporting Standards

The group will prepare its group accounts for the financial year ending 30 June 2008 using adopted International Financial Reporting Standards (adopted IFRSs). Previously the group has applied United Kingdom Generally Accepted Accounting Principles (UK GAAP). These interim financial statements are the group's first published financial statements under adopted IFRSs.

The areas of accounting that are most significantly impacted are:

- (1) The treatment of investment property revaluations – under UK GAAP gains or losses on revaluation of investment properties were recorded in a revaluation reserve. Under IFRS revaluation gains and losses are recorded in the income statement
- (2) Accounting for investments – under UK GAAP investments were held at cost less permanent impairments in value. Under IFRS investments are held as available for sale financial assets and are held at fair value with gains or losses recorded directly in equity unless there is a permanent impairment which is recorded in the income statement
- (3) Deferred taxation – under UK GAAP deferred taxation on investment property revaluation gains was not provided for in the balance sheet unless there was a commitment to sell the property. Under IFRS deferred tax provisions are made for the tax that would potentially be payable on the sale of investment properties where their carrying value is different from their cost for tax purposes. Where current tax losses can be offset against future capital gains, the related deferred tax asset has been recognised and offset against the deferred tax liability.

The following table summarises the impact of the adoption on the group's profit for the six months ended 31 December 2006 and the year ended 30 June 2007.

	Unaudited 6 months ended 31 Dec 2006 £000	Unaudited Year ended 30 June 2007 £000
Loss for the period as reported under UK GAAP	(399)	(244)
IFRS adjustments		
Revaluation of investment properties (1)	-	642
Deferred taxation (3)	115	125
	-----	-----
(Loss)/profit before tax as reported under IFRS	(284)	523
	=====	=====

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Notes to the accounts (continued)

8 Transition to International Financial Reporting Standards (continued)

The impact on total equity (and net assets) at 30 June 2006, 31 December 2006 and 30 June 2007 is shown in the table below:

	30 June 2006 £000	31 December 2006 £000	30 June 2007 £000
Net assets as previously reported under UK GAAP	26,444	26,045	26,515
IFRS adjustments			
Fair value of financial assets (2)	-	-	(2)
Deferred taxation (3)	(842)	(727)	(717)
Net assets as reported under IFRS	<u>25,602</u> =====	<u>25,318</u> =====	<u>25,796</u> =====

DIRECTORS

I.D. Lowe (Chairman and Chief Executive)

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

R.J Pearson M.A., F.R.I.C.S

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