27 March 2013

Caledonian Trust PLC

Unaudited Interim Results

for the six months ended 31 December 2012

Caledonian Trust PLC, the Edinburgh-based property investment holding and development company, announces its unaudited interim results for the six months ended 31 December 2012.

CHAIRMAN'S STATEMENT

Introduction

The Group made a pre-tax loss of £308,000 in the six months to 31 December 2012, compared with a loss of £633,000 for the same period last year.

The loss per share was 2.60p compared with a loss of 5.33p last year and the NAV per share was 143.7p compared with 152.3p last year. For the year to 30 June 2012 the comparable figures were a loss of 11.98p and NAV of 1.45.6p.

Investment property values were unchanged. Property revenues were similar to the equivalent period from last year and property costs fell in the period as a consequence of cost savings on properties sold in the same period last year. Administrative expenses decreased slightly by £19,000 due to the lower level of some overheads. Financing costs were reduced as the Bank Loans were repaid and debt reduced.

No dividend will be paid for the period.

Review of Activities

The group has continued to invest in enhancing the value of its development properties by working towards, or gaining, planning consents and by maintaining, improving or expanding existing consents.

Last year we started the extensive alterations to three Georgian cottages at Brunstane Home Farm together with the initial infrastructure necessary for the next three stages of the development. The cottages will be marketed very shortly. An original Georgian cottage, south facing with French doors to the garden, near a railway station and within the City but with a country "feel" will be a desirable property. The next two phases comprise ten houses and a cottage over 14,828ft² for which consent was obtained in October 2012 for an extensive redesign incorporating larger dining/living spaces more en-suite bathrooms, improved fenestration and lower construction costs. The Horsemill phase is of four stone houses and a further stone built cottage over some 7,000ft². The Stackyard phase comprises five further houses over 7,758ft² and the final phase is a 3,326ft² detached house. Additionally, we have a strategic holding of *c*.2 acres of land previously used in conjunction with the farmyard for livestock housing and handling which we are continuing to promote for extraction from the Green Belt for housing.

We have realised the Group's New Town investment portfolio when development opportunities were achieved or when investment value had been optimised, and the only remaining property is the basement at 61 North Castle Street for which planning and listed building consent have been granted for its reconversion to the more valuable residential use. Plans for reconfiguring the adjacent 27 Hill Street are well advanced and when these are finalised the re development can proceed.

St Margaret's House, London Road, a 92,000ft² multi-storey building situated on the A1 about one mile east of the Parliament and Princes Street, is our largest individual property let at a very modest rent to a charity, Art's Complex, who have reconfigured and sub-let all the space to over 250 "artists" and "artisans" and "galleries" for which there is a lengthy waiting list. One hundred and twenty parking spaces are let to our neighbours, the Registers of Scotland. We hold a Planning Permission in Principle for a 231,000ft² mixed-use development of residential and/or student accommodations, an hotel and offices and other commercial space, together with parking for 225 cars. Two outline proposals have been considered for utilising the consent by adding to the existing building but these appear less attractive than the longer term potential. We have had two unacceptable unsolicited approaches for the property.

We continue to receive interest in our development project at Belford Road, Edinburgh, a quiet cul-de-sac less than 500m from Charlotte Square and the West End of Princes Street, for which we have an implemented office consent for 22,500ft² and fourteen cars. We also hold a planning consent for a residential development of twenty flats, with car parking, over 21,000ft². Improving market conditions for this type of property make development more attractive, but the risks inherent in present conditions so discount the returns that the likelihood of higher returns within a reasonable period is more attractive.

We have implemented a consent for eight detached houses at Musselburgh at a site in Wallyford which is within 400m of the East Coast mainline station, and near the A1/A720 City Bypass junction. To suit market conditions we have obtained consent to replace the two largest detached houses with a terrace of four, providing ten houses with a larger saleable area of 12,496ft². The environment at Wallyford, formerly a mining village but located on the fertile East Lothian coastal strip, continues to improve as a result of the recent development of 250 houses nearby and a new development by Taylor Wimpey of 200/400 houses north of the railway.

At Chance Inn near Kinross we hold a consent for ten houses over 21,836ft² in the farm steading. An improved consent has been granted to increase the size of the consented detached houses adjacent to the modern farmhouse from 3,366ft² to 4,118ft². We have converted the integral farmhouse garage into a self-contained "guest suite" and upgraded the house, including adding an en-suite bathroom. The upgraded farmhouse and the two separate house plots will be marketed shortly.

At Myreside Farm, in the Carse of Gowrie between Perth and Dundee, we have previously made two unsuccessful applications. Using further guidance from the planning department we submitted new proposals for one new "farmhouse" and four houses on the site of the existing buildings for which consent was granted in February 2013. Two further developments await planning outcomes. In Perthshire at Tomperran, a smallholding in Comrie on the River Earn, we hold consent for twelve detached houses over 19,260ft². Approximately one acre of Tomperran adjacent to the settlement zoned for industrial use is being promoted for housing for which we await the Reporter's decision on the Local Plan, and a further large area is being promoted for housing. Nearby at Carnbo we expect the emerging Local Plan to retain the paddock of the former farmhouse in the village settlement and so gain a presumption for a development of four detached houses.

At Strathtay we hold consents for two large detached houses over 6,040ft² and a further consent for a mansionhouse, two ancillary dwellings and a service block over about 10,811ft² in a secluded garden and paddock near the River Tay. This mansionhouse site and the two individual houses will be marketed in the summer as plots or as completed bespoke houses.

At Ardpatrick we have applied for an improved consent for "Bay Cottage", a new three-bedroom house extended from the former stone-built Keepers bothy situated among the Achadh-Chaorann cottages. This is being marketed at present with the existing consent. Nearby, also on the UC33 Ardpatrick Road, there are attractive secluded sites within the areas designated by the Landscape Capacity Study for which we are applying for consent. Unlike most other areas the infrastructural requirements of these developments are moderate.

Currently we are marketing two attractive sites on the shore by Ardpatrick. South Lodge is a stone built cottage overlooking West Loch Tarbert with consent for a 634ft² extension and a double garage. Oak Lodge is a plot nearby with a similar view with consent to build a 1,670ft² house and a double garage. In the summer we will also market two one-and-a-half storey house plots of 2,200ft² each at the north end of the Estate on the B8024 Kilberry Road.

We will market five properties at Ardpatrick this year. Unfortunately other potential new sites and many of the conversion sites are commercially difficult to realise. Current market conditions are unhelpful, but major continuing constraints are the high costs of conversion and the overall cost of upgrading the inadequate infrastructure, partially due to the required enhancement of the public services. Considerable effort has been expended on minimising the costs of reinstatement and development by operational efficiencies, but the current burdens and restrictions will curtail earlier plans, unless some relaxations become available or other development opportunities emerge.

Economic Prospects

The "Irish" joke, paraphrased, goes: "You know, sir, if I was going to Balbriggen I wudnae be starting from here at all". So it is with the UK economy. The fictional Irish yokel might not have rephrased his directions quite so enigmatically, but the adjustments necessary to improve the UK economy can be discerned within the following quotations: "the questions in the Cambridge Economics Tripos examination are often the same, but the answers vary" (anon). During the Bay of Pigs crisis Kennedy opined it was necessary "to avoid feeling that just because they were military men their opinions on military matters were worth a damn" (Michael Burlington); "if we want things to stay as they are, things will have to change" (Giuseppe di Lampedusa); "the greatest danger in times of turbulence is to act with yesterday's logic" (Peter F Drucker).

The context of the need to consider change is that the current economic policies are not leading to a similar recovery in output as has occurred following previous major economic shocks. In the 19th century the "Panic of 1857", originating in the US following the railroad boom after the failure of the Ohio Life Insurance and Trust Company, quickly spread to the UK bankrupting exporters and Banks. In the 20th century the post WWI and 1930s Great Depression caused falls in output of 9% and 7% respectively, and shallower falls in output resulted from the mainly inflationary bubbles in 1973-1976, 1979-1983 and 1990-1993, but in all these circumstances output had recovered to the pre-crisis levels within four years and often earlier and further growth followed. In the sixteen UK recessions since 1847 consumer spending was 2% or more above the pre-recessionary peak within three years except on three occasions of which the current instance is by far the worst.

The current economic depression commenced sixty months ago, but output is still about 3.5% below the pre-recession level. Unsurprisingly 12% of Britons expect their "household finances" to improve next year, but 52% think they will worsen, a finding probably influenced by a 4% fall in consumer spending during the depression, low wage rises of 2%, more than offset by price rises of 3%, and a saving rate of 6% to 7% compared to 0% in 2007.

If the NIESR forecasts of growth at 0.7% in 2013 and of 1.5% in 2014 are correct, the pre-recession output level will not be attained for at least eight years - apparent Cassandras who forecast a "lost decade" may, unfortunately, be proved correct! The current UK recession, based on three-month moving averages, was no deeper than the Great Depression and shallower than the post WWI recession, but these regained previous output levels about 48 months from the onset of recession and the economy grew strongly thereafter. Unlike the UK, other economies, apart from the aggregate of the Eurozone economies, recovered quickly from the 2008/09 downturn. The US economy grew 2.2% in 2012, the "Transition economies" 2.6%, Asia and Australasia 4.0%, Latin America 3.0%, Middle East 3.6% and Sub-Saharan Africa 4.5%, and all these economies are expected to maintain or increase their growth rate in 2013 and 2014.

In most recessions, once recovery starts, growth is above average, a "catch-up". In the 1990-93 recession growth was 12% in the three years after recovery commenced and in the Great Depression of 1930-34 it was 11% in the two-and-a-half years following recovery. In the current depression growth is forecast at about 1% pa for 2013 to 2017. Thus there is no projected "catch-up", or recovery when growth returns. Before the recession the economy was growing at over 2.25% pa and, had this been continued, output now would have been about 10% higher than in 2007. Output is currently about 3.5% lower than before the recession and the margin between expected output with normal growth of 2.25% and the current position is 14.4%. Unfortunately if growth remains below the historic 2.25%, as is forecast, this gap will continue to widen.

Unfortunately there may not only be no "catch-up", but there may be no return to the growth rate achieved before the current depression. Between Q3 1999 and the start of the recession in Q1 2008 labour productivity rose at about 2.25%. However productivity is currently at 95% of the pre-recession level and at 86% of the level that would have been achieved had productivity growth continued the pre-recession trend. This fall in productivity largely explains the low current unemployment figures as, simplistically, more hours are required per unit of output and as output falls employment does not fall proportionately. It is likely that the long depression will so impair the economy that not only will there be a permanent and continuing loss of output, but there will also be a reduction in the rate at which that reduced output is increased.

A return to a pre-depression economic growth rate is proving like the Holy Grail - as ephemeral as it is valued and still undiscovered, though often heralded. In June 2010, soon after taking office, the coalition Government announced its economic strategy, principally one of fiscal tightening. However, when the OBR produced its Economic and fiscal outlook in December 2012 its forecast for GNP in the fiscal year 2013-14 was 6.3% lower than it had expected in 2010. Largely because of this poor growth the 2010 Treasury forecast for public sector net borrowing for 2011-12 to 2015-2016 inclusive, has risen from £322bn to £462bn and, according to the Institute of Fiscal Studies, borrowing may be even higher, as the 2012-13 outturn will exceed that forecast level.

Like the Scarlet Pimpernel economic growth is elusive. This bright red flower closes up when overcast, reopening when conditions improve, but, on cutting, subsequent flowering only follows morphological change. Reinhart and Rogoff in their seminal analysis "This Time is Different" distinguish two main categories of downturn, cyclical or inflationary crises and Great Depression Crises, the latter including the current Second Great Depression. For the first category, regaining the pre-recession level of output took two to eight years with an average of four years, but in the Great Depression crises the pre-recession level of output was regained only after four to twelve years with an average of ten years.

The UK economy is already five years into this Great Depression which may well last a full ten years. The Government's view is that the policies are working and that "there is no alternative". Unfortunately, they are not working very well as evidenced by the results and there are indeed several other policy options which would provide better results. The kernel of the Government's policy seems to be to utilise monetary policy to control the economy and fiscal policy to achieve a balanced cyclically adjusted budget i.e. fiscal policy is not an appropriate tool for economic management. The emphasis on monetary policy is reinforced by the appointment of Mark Carney as the new Governor of the Bank of England, who seems to favour further expansion and relaxation of monetary policy and by independent reports of a more flexible mandate. This further emphasis on monetary policy, given that the economy has already been boosted by four years of interest rates at an unprecedented 0.5%, and by £375bn of unprecedented Quantitative Easing which has certainly ameliorated conditions but has not gained a recovery, is reminiscent of the aphorism that "the Generals always fight the last war". The Government may be influenced by Margaret Thatcher's handling of the 1979-83 recession whose words Mr Cameron used, "there is no alternative", when she eschewed the Keynesian expansionism then recommended to her in favour of monetary control. In that instance however a peak bank rate of 19% was used to reduce demand (and control inflation), but as inflation fell, rates were slashed to 8.5%, fuelling a massive growth in credit and money, an expansion already occurring due to deregulation, and with such a monetary stimulus the economy recovered rapidly.

In contrast, monetary policy has already been exhaustively developed and alone cannot now achieve dramatic results or even sufficient stimulus to increase growth. Even the current stimuli, the lowest official bank rate in history in place for four years and £375bn in asset purchases has not prevented the broad money supply - equivalent to lending – falling by 12 per cent between March 2009 and December 2012. The contraction in credit is a clear indication that existing monetary policy is insufficient to effect a recovery.

The policy makers have used several techniques to expand credit starting with exhortation, then moving to "Project Merlin" and now to LFS, as the previous "processes" proved inadequate. The Bank of England Inflation Report confirms that the stock of loans to Private Non-Financial Corporations has fallen 3% to 4% each year since 2009. New loans to small businesses in Q4 2012 fell 6.25% and to medium-sized companies 12.2%. The FLS launched in June 2012 is still in the early stages, but has made little impact. Of the £68bn potentially available, the 39 banks responsible for 80% of lending have drawn only £14bn. However, in the last three months of 2012 net lending by all FLS eligible banks was reduced – not increased – by £2.4bn. Of the major UK retail banks only Barclays – and Nationwide, the Building Society

– expanded lending in Q4. The "state" banks, RBS and Lloyds, drew funds under FLS but reduced lending to UK businesses and householders. The Bank says that reduced lending was caused by "The combination of the tight supply of, and the weak demand for, credit .. .." and the BBA says that eight out of ten loan applications for medium-sized businesses are approved. The Federation of Small Business says more loan applications are rejected than are approved!

The Chairman of the Fed, Ben Bernanke, in his seminal paper on causes of the Great Depression included this quotation:

> "We see money accumulating at the centers (sic!), with difficulty of finding safe investment for it; interest rates dropping down lower than ever before; money available in great plenty for things that are obviously safe, but not available for things that are in fact safe, and which under normal conditions would be entirely safe (and there are a great many such), but which are now viewed with suspicion by lenders".

(Frederiksen D M 1931 Harvard Business Review)

To Frederiksen's "suspicion" may be added "outwith policy". Policy restraints operating on many banks include an overriding need to reduce lending in order to ensure that the lending: capital ratio complies with regulation. If the ratio is, say, ten then any change in the capital requires a tenfold or larger drop in lending. Unfortunately the capital denominator of some banks has been shrinking fast due to past losses and technical changes in its computation, and, in some cases, has not yet taken account of actual but unaccounted losses, all of which require the affected banks to reduce lending, or to raise equity, an option either excessively dilutive or impractical. To attain the appropriate ratio the RBS, Lloyds and Santander UK are all dispensing with "non-core" parts of their businesses. Indeed, some commentators, including John Kay, consider that many central banks' monetary operations, such as the Bank of England's Quantitative Easing from which the public have gained little directly and which have provided little economic stimulus, because in reality a major objective of such monetisation has not been to put money in the hands of consumers and businesses, but to put money in the vaults of the banks. Certainly, the central bankers who disbursed it hoped it might work through to the real economy, but their primary objectives were to underwrite the losses of the banking system and to strengthen banks' balance sheets.

A relaxation of fiscal policy would add additional stimulus to the economy. Indeed, a forced relaxation has already taken place as evidenced by the failure of the present monetary-based strategy to meet the target for reducing the structural deficit. For instance the IFS concludes that by 2014-2015 the fiscal deficit will be £64bn more than planned two years ago.

There are cogent arguments for a measured further relaxation but a main obstacle is that such fiscal changes may conflict with ideology. The Government argues that there is no "magic money tree" and that increased borrowing will threaten the UK's credit rating and increase borrowing costs. However ample lending is available to the UK and at the lowest cost in UK history. The recent Moody's downgrade was due to poor economic growth which austerity has made worse and in practice it has not changed the UK's costs, as indeed it has not for the US. The Government argues further that the deficit reduction plan is not responsible for a reduction in growth but the OBR note that "every forecast .. .. published but the OBR since June 2010 budget has incorporated the widely held view that tax increases and spending cuts reduce economic growth in the short term". Indeed the extent of any such reduction in the current depressed economy may, according to the IMF, be much greater than previously thought. The ratio between tax changes and output, technically the "fiscal multiplier", may now be greater than 1.0 and fiscal tightening could raise the debt ratio as losses in output exceed fiscal gains.

The Government's apparent reluctance to accept further fiscal flexibility is perverse as the UK's net debt as a percentage of GDP compares favourably with other members of the G7, being equal to that of the US and France, but below that of Japan and Italy. Moreover, debt rises in current circumstances are normal as Reinhart and Rogoff show that on average during a banking crisis government debt rises 86%. UK debt was about 30% of GDP in 2008 and is estimated to rise to 76% in 2018 which compares well with 150% after WWI and the 1930s and over 200% after the Napoleonic War and after WWII. The rise in debt is accentuated by the gearing effect on debt of a downturn in GDP. Forecasts for 2012-13 made in 2008 compared with those in 2012 showed that a drop in nominal GDP of 13.6% reduced current receipts by 17.6% but increased public sector borrowing by 372%. However if growth could be restored then there would be an equivalent improvement in the figures. In these circumstances an appropriate fiscal stimulus could contribute to a recovery provided the correct sectors were targeted and such stimulus was accompanied by appropriate reforms.

I write before the 2013 Budget statement and on the presumption that the Eurozone continues its stable unstable condition! It seems unlikely that there will be an appreciable fiscal relaxation and also unlikely that investment will be redirected from the current "sacred cows" but likely that over the next few months further changes to monetary policy will take place, probably allowing a further devaluation of Sterling. I consider that in these far from optimal policy circumstances a good outcome would be economic growth of approximately 1% this year with a rise in 2014 as the election nears! What is certain is that there will be no swift recovery, no return to pre-crisis growth levels. I wrote in 2008 "Fortunately the recession (depression) will pass, but it will not leave its passage unmarked".

Property Prospects

The IPD Index commercial property returns were 2.7% in 2012, 8.1% in 2011, 14.5% in 2010, 2.1% in 2009 and - 22.5% in the disaster year of 2008. The 2012 return comprised 6.0% "Income" return and -3.1% "Capital" return. Equities returned 17.2%, Property Equities 19% and Gilts 8.8%. Values rose in Central London by 5% but fell 5.8% outside London.

The CBRE All Property Yield in December 2012 was 6.3%, a nominal 0.2 percentage point yield increase in the year. However the 10 year Gilt Yield fell 0.2 percentage points in December 2012 to 1.8%, 4.5 percentage points lower than the All Property Yield. At the market peak in May 2007 the All Property Yield was 4.8% compared to the current 6.3%, or equivalent to a fall in property value of 23.8%, assuming unchanged rents. The All Property Rent Index was 188 in May 2007 compared with 169 in December 2012 which, with the yield change, is equivalent to a fall of 31.5% in value since the peak. Over the year yields of all sectors in all geographical areas without exception were similar or higher, notably for shops outside London and for offices outside London and the South East. The Rental indices for all sectors were unchanged over the year but within shops there were some falls of around 5% in England outwith the South east, but not in Scotland.

The immediate prospects for commercial property continue to be unfavourable, particularly as shown by forecasts derived from derivatives. The All Property contract implies a return of 1.5% in 2013, 3.00% in 2014 and 3.0% in 2015. The expired 2012 contract implied a return of 2.0%, an improvement over the nil return for 2012 implied exactly a year ago. The February 2013 IPF UK Consensus Forecast, which reported that its forecast for 2012 of a 2.0% return compared with the IPD reported return of 2.7%, forecasts total returns of 5.2% in 2013, 7.4% in 2014, 8.4% in 2015 and 7.8% in 2017. The 2013 return reflects minimal rental growth and a further small fall in capital values, but from 2014 onwards both rental growth and capital growth are forecast. Forecasts by individual surveyors of the All Property returns show a similar expected recovery from the poor results of 2012. In 2013 the retail sector is forecast to generate poorer returns than any other sector.

I repeat my previous statement "I see no recovery in the investment property market except in certain specialised areas until 'normal' economic growth returns. In due course there will be a recovery, but the investment market will continue to suffer a secular erosion caused by technical obsolescence, loss of locational primacy and competition from new formats".

House prices changed little in 2012 following little change both in 2011 and in 2010. In 2012 Nationwide reported a fall of 1% (rise of 1%), Halifax a fall of 0.3% (fall of 1.3%) and LSL Acadametrics a rise of 3.2% in England and Wales. LSL observes that the England & Wales market is strongly influenced by London prices which rose 9.9% in the year (2% rise) but only 1.4% outside London (fall of 2%) with some outlying areas falling slightly, notably Wales by1.3% (North 4.0%).

Figures for Scotland are varied, LSL report house prices fell in 23 of the 31 local authority areas in 2012 and by 4.2% overall (1.9% fall) probably caused by falls of over 10% in three Ayrshire council areas, by 17.5% in Clackmannanshire and by 7% falls in Edinburgh and Glasgow. Argyll and Bute prices rose 5.3% the second largest increase. The average price was £140,846 in December 2012 and price falls in the 16 higher priced local authority areas were 0.9% compared with 6.3% falls in the 16 lower priced local authority areas. The two mortgage providers publish contrasting figures for 2012 the Nationwide report a 3.3% fall but Halifax a 5.4% rise (sic).

Independent forecasts published by HMT show an average increase of 0.5% in 2013 with Capital Economics, a long standing bear of the housing market, forecasting a fall of 5.0%. Further increases are forecast by HMT for 2014 (1.7%) for 2015 (3.0%) and for 2016 (3.6%). Interestingly the forecasts for these three years made last year were: 2014 3.2%, 2015 5.0% and 2016 6.4%.

Savills distinguish between "Mainstream" and "Prime" housing markets. UK Mainstream prices are expected to rise by 0.5%, 1.5%, 2.0% and 3.5% from 2013 onwards rising 11.5% in five years, but London prices are expected to rise by 21% over five years and Scotland, like the Midlands and North of England, by around 6.0%. "Prime" housing markets are expected to rise more quickly.

The performance of the economy will be the main determinant of the housing market. Supply from repossessions will be limited by the surprisingly high employment figures and by the continuing low interest rates. Supply of new houses is curtailed primarily by the existing and expected price levels but also by the risk of price falls and protracted selling times. Demand will be increased by existing Government schemes, which may be extended, including "Newbuy" "Firstbuy" and the Funds for Lending which are reported to have increased sales, particularly for "First Time buyers". Demand will continue to be constrained by rationed mortgage finance, shortage of equity capital and lack of confidence.

Conclusion

We are continuing to endure the longest documented depression in history, already extending much longer than the "Great Depression" of the 1930s which is likely to persist for at least another two years. The depth of the recessions has been limited by the intervention of the authorities and, barring exogenous shocks, such as a "major" Eurozone crisis, the main variables likely to determine the length of the depression are the supply of credit, the extent of any fiscal stimulus and the rate of removal of industrial, social and institutional barriers to growth. Scotland traditionally has a large state sector which will expand with any further transfers of powers, and, while this may provide desired social benefits, will be at the expense of economic growth.

The housing market will improve only slowly, but the continuing reduced level of house construction will reduce the supply, particularly of family homes, while unfulfilled demand continues to increase. We have an increasing number of sites tailored to this market which have gained consent or are likely to do which we propose to develop or to sell.

We continue to promote our strategic land sites and expect that over the next few years some of them will be ready for development by which time the market will be significantly better. 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 will be realised. Over the next twelve months we expect to market fourteen completed houses or house plots with a sales value, excluding the Mansionhouse and staff building plots at Strathtay, of over £2.0m.

I D Lowe
Chairman 21 March 2013

2013 Consolidated income statement for the six months ended 31 December 2012

	Note	**Unaudited 6 months ended 31 Dec 2012 £000**	**Unaudited 6 months ended 31 Dec 2011 £000**	**Audited Year ended 30 June 2012 £000**
Revenue from properties		**197**	194	371

Property charges		**(111)**	(179)	(310)
Net rental and related income		**86**	15	61
Other income		**25**	79	85
Other expenses		**(8)**	-	-
Net other income		**17**	79	85
Administrative expenses		**(365)**	(384)	(821)
Operating loss before investment property disposals and valuation movements		**(262)**	(290)	(675)
Profit/(loss) on disposal of investment properties		**-**	10	(362)
Valuation gains on investment properties		**-**	-	-
Valuation losses on investment properties		**-**	(250)	(225)
Operating loss before net financing costs		**(262)**	(530)	(1,262)
Finance income		**1**	1	22
Finance expenses		**(47)**	(104)	(184)
Loss before taxation		**(308)**	(633)	(1,424)
Income Taxes	5	**-**	-	-
Loss for the financial period attributable to equity holders of the company		**(308)**	(633)	(1,424)
Loss per share				
Basic loss per share (pence)	4	**2.60p**	5.33p	11.98p
Diluted loss per share (pence)	4	**2.60p**	5.33p	11.98p

Consolidated statement of recognised income and expenditure for the six months ended 31 December 2012

	Unaudited 6 months ended 31 Dec 2012 £000	Unaudited 6 months ended 31 Dec 2011 £000	Audited Year ended 30 June 2012 £000
Loss for the period	**(308)**	(633)	(1,424)
Total recognised income and expense for the period attributable to equity holders			

of the company	**(308)**	(633)	(1,424)
	====	====	====

Consolidated balance sheet as at 31 December 2012

	Note	**Unaudited 31 Dec 2012 £000**	**Unaudited 31 Dec 2011 £000**	**Audited 30 June 2012 £000**
Non current assets				
Investment properties		**8,125**	11,100	8,125
Plant and equipment		**30**	36	28
Investments		**-**	4	4
Total non-current assets		**8,155**	11,140	8,157
Current assets				
Trading properties		**11,631**	11,215	11,365
Trade and other receivables		**159**	123	140
Cash and cash equivalents		**171**	444	691
Total current assets		**11,961**	11,782	12,196
Total assets		**20,116**	22,922	20,353
Current liabilities				
Trade and other payables		**(456)**	(604)	(324)
Interest bearing loans and borrowings		**(2,725)**	(4,223)	(2,725)
		(3,181)	(4,827)	(3,049)
Total liabilities		**(3,181)**	(4,827)	(3,049)
Net assets	6	**16,935**	18,095	17,304
		=====	=====	=====
Equity				
Issued share capital	7	**2,357**	2,377	2,377
Other reserves		**2,897**	2,920	2,920
Retained earnings	6	**11,681**	12,798	12,007
Total equity attributable to equity holders of the parent	6	**16,935**	18,095	17,304
		=====	=====	=====

Consolidated cash flow statement for the six months ended 31 December 2012

	Unaudited 6 months ended	**Unaudited 6 months ended**	**Audited Year**

	31 Dec 2012 £000	31 Dec 2011 £000	ended 30 June 2012 £000
Loss for the period	**(308)**	(633)	(1,424)
Adjustments			
(Profit)/loss on sale of investment property	**-**	(10)	362
Investment property valuation movements	**-**	250	225
Depreciation	**-**	-	12
Net finance expense	**46**	103	162
Operating cash flows before movements in working capital	**(262)**	(290)	(663)
Increase in trading properties	**(266)**	(84)	(234)
Increase in trade and other receivables	**(19)**	(58)	(70)
Increase/(decrease) in trade and other payables	**85**	72	(170)
Cash flows from operating activities	**(462)**	(360)	(1,137)
Interest paid	**-**	(83)	(207)
Interest received	**1**	1	22
Cash flows from operating activities	**(461)**	(442)	(1,322)
Investing activities			
Proceeds from sale of investment property	**-**	310	2,938
Purchases of plant and equipment	**(2)**	(1)	(5)
Cash flows from investing activities	**(2)**	309	2,933
Financing activities			
Repayments of long term borrowings	**-**	-	(1,497)
Sale of trade investment	**4**	-	-
Purchase of own shares	**(61)**	-	-
Cash flows from financing activities	**(57)**	-	(1,497)
Net (decrease)/increase in cash and cash equivalents	**(520)**	(133)	114
Cash and cash equivalents at beginning of period	**691**	577	577
Cash and cash equivalents at end of period	**171**	444	691

Notes to the accounts

1 This interim statement for the six month period to 31 December 2012 is unaudited and was approved by the directors on 21 March 2013. Caledonian Trust PLC (the "company") is a company domiciled in the United Kingdom. The information set out does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

2 Going concern basis

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

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 financial information set out in this announcement for the year ended 30 June 2012 does not constitute the Company's statutory accounts for that period within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 June 2012 are available on the Company's website at www.caledoniantrust.com and have been delivered to the Registrar of Companies. These accounts have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The auditors have reported on those financial statements; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

The financial information set out in this announcement has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("adopted IFRS"). The financial information is presented in sterling and rounded to the nearest thousand.

The financial information has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 30 June 2012.

In the process of applying the Group's accounting policies, management necessarily makes judgements and estimates that have a significant effect on the amounts recognised in the interim statement. Changes in the assumptions underlying the estimates could result in a significant impact to the financial information. The most critical of these accounting judgement and estimation areas are included in the Group's 2012 consolidated financial statements and the main areas of judgement and estimation are similar to those disclosed in the financial statements for the year ended 30 June 2012.

4 Loss per share

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

	6 months ended 31 Dec 2012 £000	**6 months ended 31 Dec 2011 £000**	**Year ended 30 June 2012 £000**
Loss for financial period	**(308)**	(633)	(1,424)
	===	===	===
	No.	No.	No.
Weighted average no. of shares:			

For basic loss per share and for diluted loss per share	**11,844,016**	11,882,923	11,882,923
	========	========	========
Basic loss per share	**2.60p**	5.33p	11.98p
Diluted loss per share	**2.60p**	5.33p	11.98p

5 Income tax

Taxation for the 6 months ended 31 December 2012 is based on the effective rate of taxation which is estimated to apply to the year ending 30 June 2013. Due to the tax losses incurred there is no tax 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 2012 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 2012	2,377	2,920	12,007	17,304
Total recognised income and expense	-	-	(308)	(308)
Purchase of own shares	(20)	(23)	(18)	(61)
At 31 December 2012	**2,357**	**2,897**	**11,681**	**16,935**
	====	====	=====	=====
At 1 July 2011	2,377	2,920	13,431	18,728
Total recognised income and expense	-	-	(633)	(633)
At 31 December 2011	2,377	2,920	12,798	18,095
	====	====	=====	=====
At 1 July 2011	2,377	2,920	13,431	18,728
Total recognised income and expense	-	-	(1,424)	(1,424)
At 30 June 2012	2,377	2,920	12,007	17,304
	====	====	=====	=====

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

7 Issued share capital

	31 December 2012		31 December 2011		30 June 2012	
	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	**11,784**	**2,357**	11,883	2,377	11,883	2,377
	=====	====	=====	====	=====	====

For further information please contact:

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