Caledonian Trust PLC

INTERIM STATEMENT

Half Year to 31 December 2023

61a North Castle Street
Edinburgh EH2 3LJ

Telephone: 0131 220 0416
Facsimile: 0131 220 0417

Company Number 01040126

Company Information

Directors	I D Lowe (Chairman and Chief Executive) M J Baynham LLB (Hons) (Legal and Finance Director) R J Pearson MA, FRICS (Non-Executive Director)
Secretary	M J Baynham LLB (Hons)
Registrars	Neville Registrars Neville House Steelpark Road Halesowen B62 8HD
Nominated Adviser	Allenby Capital Limited 5 St Helen's Place London EC3A 6AB
Broker	Allenby Capital Limited 5 St Helen's Place London EC3A 6AB
Registered Office	c/o Womble Bond Dickinson The Spark Drayman's Way Newcastle Helix Newcastle upon Tyne NE4 5DE
Head Office	61a North Castle Street Edinburgh EH2 3LJ

Website: www.caledoniantrust.com

CHAIRMAN'S STATEMENT

Introduction

The Group made a pre-tax loss of £415,000 in the six months to 31 December 2023 compared with a pre-tax profit of £353,000 for the same period last year. The loss per share for the six months to 31 December 2023 was 3.52p and the NAV per share as at 31 December 2023 was 199.9p compared with a profit per share of 3.00p and a NAV per share of 200.3p last year.

Review of Activities

The Group's property investment business continues unchanged, except that the public house in Alloa, the last of the four originally refurbished in the late 1990s, is currently under offer.

St Margaret's House, continues to be fully let at a nominal rent £1.50 per ft^2 of lettable space (excluding VAT), to a charity, Edinburgh Palette, which has reconfigured and sub-let all the space to over 200 artists, artisans, entrepreneurs and galleries. The exceptional value ensures St Margaret's continues to have a waiting list.

At St. Margaret's we have gained and, subsequently, endured the planning permission for a development of 377 student bedrooms and 107 residential flats. Furthermore, we have secured a non-material variation of the consent to increase the number of studio rooms in the student block from 73 to 277 while reducing the cluster bedrooms from 304 to 84. We have retained Montagu Evans to advise on the sale of St Margaret's House for which we plan to launch a marketing campaign later this year provided market conditions are propitious.

At Brunstane, in East Edinburgh, in September 2022 we completed the construction of the final part of the listed former farm steading, the Steading Courtyard, comprising five new build stone faced houses over 8,650ft^2. The last of the five houses was sold in August 2023 for £0.66m. The application for 10 new houses (c.20,000ft^2) "Upper Brunstane", in the field to the east of the steading was granted in November 2022 – we intend to prepare the site for development, take up the planning consent and shortly intend to submit the application for the requisite building warrant with a view to undertaking the development as soon as market conditions improve. A previous application to modify the consent for a very large house (3,500ft^2), "Plot 10", lying between the Steading phase and Upper Brunstane, by replacing the existing permission with two smaller houses of a combined similar size, was unsuccessful.

At Wallyford, East Lothian, we have made several minor but important variations to the planning consent for six detached houses and four semi-detached houses totalling over 13,350ft^2. We obtained detailed tender prices last September, but delayed construction in light of the current and prospective market conditions. The site lies within 400m of the East Coast mainline station, is near the A1/A720 City Bypass junction and is contiguous with a large completed development of houses. To the south of Wallyford another very large development of new houses is being built at St Clement's Wells on ground rising to the south, affording extensive views over the Forth estuary to Fife. Taylor Wimpey, Barratt, Cruden Homes and Ambassador Homes are currently building at Wallyford, but recent sales volumes have declined and incentives are often offered. Nearby, Dandara have started ground works on their site of 87 homes. Wallyford, no longer a mining village, is rapidly becoming another leafy commuting Edinburgh suburb on the fertile East Lothian coastal strip.

The Company owns thirteen rural development opportunities, nine in Perthshire, three in Fife and one in Argyll and Bute, all of which are set in areas of high amenity where development is more controversial and therefore can be subject to wider objection, especially as such small developments, outwith major housing allocations, may not merit high priority. We have endured planning consents on all of those sites where planning consent has been granted, most recently at Larennie Farm, Peat Inn near St. Andrews. No further development work has been undertaken at these sites as there are more attractive immediate opportunities for the Group in and around Edinburgh.

Economic Prospects

Economic prospects are good in the short-term while disappointing longer-term. The economy grew 0.2% in January 2024, raising expectations of the economy expanding in Q1 2024, which would end the current recession. Evidence of a likely recovery is becoming more widely available, notably in the housing market where sales "subject to contract" rose by 23% in February 2024 compared to last year, while mortgage approvals rose to 55,000 in January 2024. The Nationwide HPI rose 1.2% in February, its first annual rise (seasonally adjusted) since January 2023. The RICS house price survey in February showed the percentage of agents forecasting rises over falls doubled to 36 compared to 18 in January. The PMI Manufacturing Index rose to 47.5 in February, the highest in ten months in spite of disruptions in production and delivery schedules due to the ongoing crisis in the Red Sea. The output expectations PMI for the year ahead is above its historic average, and similarly the Lloyds Business Barometer has risen to its highest level since 2017. Inflation has fallen rapidly in February from 4.0% to 3.4%. Inflation caused by food and fuel prices fell sharply as lower prices 13 months ago fell out of the calculation. In contrast "Core" inflation is 6.5% of which services inflation, a major component, continues at a high 5.1%. Due to lags the full contractionary impact of recent interest rises is yet to be felt on the service economy. As this takes effect, and the rising figures of the relevant previous 12 months become the comparator, the rate should fall.

The OBR observe that recent forecasts of the Bank Rate in the longer term have been volatile, oscillating between 2.7% and 4.2% since November last year. The OBR is forecasting CPI inflation to fall rapidly and average 2.2% in 2024 and only 1.5% in 2025, due primarily to continuing falls in global energy prices, and their second rounds affects, and a "looser" labour market, i.e. the reverse of the past excess aggregate demand over supply. Or, as the Bank of England expressed it, "a margin of excess supply is judged to emerge during the first half of the forecast period and to remain around 1% of potential GDP towards the end of the forecast period, putting downward pressure on inflation".

The fall in inflation has reduced the market implied path for the Bank Rate from 5¼ to around 3¼ by Q1 2027, a full 1 percentage point lower than the Bank's November 2023 forecast. The OBR forecasts the Bank Rate falling to an average of 4.4% in 2024-25 then to 3.2% in 2026-27 to 2028-29. Enigmatically, it forecasts a rate of 4.2% by the final quarter of 2024 without specifying when falls will take place. Given that the Bank Rate was unchanged on 21 March 2024, that there are only two meetings before 7 November (the last 2024 meeting is 19 December) and that cuts of more than 0.25% would appear "panicky" the forecast of 4.2% for Q4 2024 implies cuts starting no later than 9 May 2024, followed by quarter point cuts in the remaining three meetings in 2024. By Q1 2025 the Bank Rate is expected to be 3.9%, (1.1 percentage points lower than the November forecast), 3.3% in Q1 2026 and 3.2% in Q1 2027.

The rapid fall in the Bank Rate is not matched by an equivalent forecast rise in year-on-year GDP – Q1 2024 nil; Q1 2025 0.5%; Q1 2026 0.8% and Q12027 1.5%. Disappointingly, following a recession there is usually a "bounce": growth is above average, but no such catch-up is forecast.

The OBR forecasts (calendar year on calendar year) are slightly better, in part because, being made a month later than the Bank, conditions had improved, forecasting from year ending 2023 as follows: 0.3%; 0.8%; 1.9%; 2.0%, consistently above the Bank's forecast. For years 2027 and 2028 – beyond the Bank's remit – the OBR forecast averages 1.75%/year. Unfortunately, the OBR's forecasts have an inherent bias, as they are required to assume that the Chancellor's expectations – such as for his forecast increased productivity – are met, which is unlikely given the poor outcome of past expectations. Such a bias implies that the OBR's longer term forecasts are "optimistic".

GDP growth reflects the whole economy which comprises the UK population, which is expected to grow, primarily due to net immigration (670,000 in 2023 forecast to fall to c.350,000 in 2028). The OBR forecasts GDP per capita to be 1 percentage point lower than GDP, i.e. -0.7 in 2023 and 0.5 percentage point lower over the years to 2028: thus, per capita growth over the four years to 2028 is forecast at only 1.0% per annum. The OBR summarises the effect of an increased population, together with other factors: -

"Having steadily declined since early 2022, real GDP per person is forecast to trough at 1¼ percent below its pre-pandemic peak in the first half of 2024. Persistent weakness in per person output has been driven by rises in inactivity and subdued productivity growth, which has remained well below its pre-financial crisis average in recent years, even after accounting for the rebound from the pandemic. We expect real GDP per person to begin to recover later this year and regain its pre-pandemic level in 2025."

Per capita growth in GDP is primarily dependent on productivity growth which was estimated at only 0.3% in 2022 to 2024, which both the Bank and the OBR forecast to be about 1% for 2025, the OBR qualifying its forecast: "the outlook for productivity growth is our most important and uncertain forecast judgement".

Indeed, as Paul Klugman said: "Productivity isn't everything, but, in the long-term, it is almost everything". To paraphrase, change in productivity isn't everything, but, in the long-term, it has determined almost everything. Had productivity increased at the 1955 – 2008 trend rate, GDP per head would now be 39% higher; living standards would have increased rather than stagnated and tax rates as a percentage of GDP would not be higher than at any time since WWII. Martin Wolf says succinctly: "in all, this is a disaster"

Wolf's cures for the "disaster" include "high-quality" investment, faster innovation, improved capital markets and human capital development. He includes climate change, a worldwide problem, to which the UK contributes 1% of emissions. Patently, whatever the total return to the UK's investment, the UK will only benefit by 1% of it… economically better to leave it to other 99%. However, this moral stand does not detract from economic analysis or his conclusion "the institutions in charge of British policy process are broken".

Wolf's description of some of the symptoms is clear, but the cure is opaque. To improve productivity there is no magic pill nor silver bullet – surely so simple a cure would already have been used. Improving productivity implies "change", a great inherent difficulty summarised by Richard Hooker (1554-1600): "Change is not made without inconvenience, even from worse to better".

Crucially, changes are beneficial only if they are relevant, consistent and compatible with existing skills, technologies or practices, requiring intimate knowledge of their economic environment. The opportunity and the means to effect such changes does not reside even in the "Rolls Royce" minds of Treasury officials and certainly not elsewhere in central or local officialdom. Too often "wonder" schemes, undertaken quite out of context end in failure. Investment development programmes are littered with economic wrecks: motorway style roads that have little traffic; state airlines that burn money; and large-scale western style investment incompatible with the existing infrastructure, condition and culture such as the East African Groundnut Scheme. Major advances usually occur "bit by bit", as Newton, qualifying his insight, said "if I have seen further, it is by standing on the shoulders of others". The importance of progressive change is easily exemplified: if there are 100 new variables each with a 99% chance of working, then the chance of the whole working is 0.37! And 1,000 variables each with a 99.9% chance of working, also have a 37% chance of working! Nothing works unless it all works: a Ferrari without an appropriate transmission will soon "blow-up"; an iPhone 14 with a poor signal is of no greater value than the iPhone 2G. The Challenger space programme had 25 flights before the disaster of STS-51-L in 1986. It "blew-up" because a simple but essential component, simple rubber "O" rings, had stiffened in cold weather reducing their flexibility to seal the joint in the rocket booster. Everything must work for anything to work.

Similarly, the achievement of higher productivity requires the successful integration of several components. The first component is technical change: economically relevant education and improved skills; the second is for sociological change: advancement by merit rather than by affiliation and association; the third is for cultural change: promoting freedom and reduced dependency and an acceptance that improvement to public goods and services, amenity and "greening" requires resources

which can only be provided without diminution elsewhere by increased output, not miraculously conjured up "out of thin air"; the fourth is an institutional change that eliminates red tape and encourages and rewards entrepreneurship; the fifth is an economic change that encourages competition and dismantles oligopolies, including professional bodies, acting as distributional coalitions against the public interest; and lastly, political change to encourage freer trade and the interchange of ideas, technologies and skills, the independence of universities, the development of research findings and the support of growth areas and industries rather than the continued subsidy of those failing.

A more radical but politically difficult opportunity to increase productivity is available by substituting appropriate investment (note increasing wages is not "investment"). The NIESR compute that the two percentage point cut in NI will raise GDP by 0.05% over the next five years. The 10.5 billion cost of the NI cut invested in appropriate infrastructure or equipment would raise GDP by 0.17%, a 0.12 percentage point improvement.

Thus, compared to pre-2008 standards, economic prospects are disappointing, due to low productivity raising GDP per head by less than 1% per year, but compared to recent outcomes, prospects are good. However, once the economy is returned to growth the opportunity will be available to effect the change necessary to improve productivity and prospects. Any such improvement will depend on the long-term policy of the next Government which seems likely to have a sufficient majority, if it so wishes, to implement beneficial changes, rather than those required to "fight fires" or those simply politically expedient.

Property Prospects

I reviewed property prospects comprehensively in my statement to the year ended 30 June 2023 based on the forecasts made in the autumn. The Investment Property Forum (IPF) All Property return for 2024, previously forecast at 5.0%, improved in March to 5.9% primarily because Capital Value growth rose from 0.1% to 0.8%. In March all sectors are forecast to have improved Rental Value growth and Capital Value growth. In 2024 Industrials are forecast to have the highest Total Return of 8.2%, followed by Retail Warehouses at 6.7%, while Offices have the lowest Total Returns: 1.8% City Office; 2.5% "Office"; and 3.8% West End Office.

Forecasts for later years are for continued improvement in returns from 5.9% in 2024 to 8.8% in 2025 and 8.4% in 2026 and 7.6% for the five years from 2024 to 2028. In all years the Industrial sector has the highest Rental Value and Capital Value growth and Shopping Centres the lowest, although they return an average of 7.1% in the 5 years to 2028 because of the existing high yield. West End Offices have the second highest Rental Value growth 2.5% and Capital Value growth 2.8% in each year over 2024 to 2028.

The IPF forecasts are based on the mean of normally 20 forecasts evenly divided into two groups – Property Advisors and Fund Managers, and within each of these two groups individual forecasts are widely dispersed. Until recently there has been little difference between the average forecasts of these two groups, but for 2024 there is a sharp distinction. Whereas the nine Property Advisors mean forecast for the Total Return is 7.3%, the Fund Managers forecast was 5.4%. In subsequent years the difference between the two groups of forecasters is gradually eliminated.

Colliers provide comprehensive forecasts which, until 2023, had been very similar to the IPF means. Currently, the Colliers forecasts are again markedly different to the IPF's forecasts, particularly for 2024 where the 2024 Total Return is forecast as 10.2% in contrast to the IPF's 5.9%. There is a corresponding difference of 4.9 percentage points for Retail and Office returns, and a much smaller 1.8 percentage points difference for Industrials (11.0% cf 8.2%). There is a smaller disparity in the five-year return forecast where Colliers forecast an increased return of 0.9 percentage points for Offices and 2.2 percentage points for Industrials. In general, Colliers forecast a higher growth in Capital Values than the IPF, forecasting five-year Capital Value growth of 4.8%pa, double IPF's 2.4%.

Patently, returns as forecast by Colliers are greatly to be desired, but the scale of the increases forecast for 2024 by Colliers seems anomalous. The difference between the IPF Fund Managers and Property Advisors for the 2024 Return was 1.9 percentage points, accounting for some of the difference between the two forecasts. The IPF survey closed in February but the Colliers forecast was made post the March OBR report when the forecast improved economic conditions made the prospect of lower Bank Rate become less distant. Most forecasters tend to project a continuation of recent changes and very unusually are turning points accurately forecast. Colliers forecasts, being less pessimistic, may correctly be forecasting such an inversion!

Online sales were 20.5% of all retail sales in the three months before the Covid crisis in late March 2020, rose considerably during that crisis peaking at 37.8% in January 2021, and in January 2023 were 27.3% but fell in January 2024 to 26.3%, the first year on year fall.

Online sales administration and the associated distribution services appear to be becoming even more convenient and efficient. However, several factors militate against a further expansion of their proportion of retail sales: the "easiest", the low lying fruit, has been harvested; goods' returns are rising and are probably increasingly expensive to resell, especially of "personal" goods; working from home, while established, is declining; retail rents declined about 25%; existing retailers are adopting a hybrid system of online / collection / in-store services; and retail services are becoming increasingly "personal", for example, in areas of health and beauty, services which cannot be delivered online! While online sales will continue to expand, no significant change in their percentage of retail sales seems likely, but continuing small adjustment by bricks and mortar stores seems likely. Unfortunately, the total growth in retail sales will be limited by expected low growth in Real Household Disposable Income.

In the 12 months to June 2023 there were 4,000 net store closures compared to 923 in 2022 and a peak of 7,834 in 2020, and closures are expected to decrease only very slightly to 3,900 in 2025. The 4,000 net closures in 2023 included net openings of 304 barber units, 272 beauty or nail salons, 186 "Take-aways" and the net closure of 414 hairdressers, 310 chemists / toiletries and about 250 each of Estate Agents, Public Houses, Bookmakers and Fast Food Shops. The retail sector is continuing to adapt to changed economic circumstances, but the percentage of high street long-term vacancies of over three years has risen to a record 5.1%, reflecting reduced demand.

The office sector also faces reducing demand for its existing premises, reinforced by the effect of the continuing slow growth in the economy. Demand for existing offices has been reduced because of the changing work routines, especially "work from home", which, however disadvantageous for some work categories, seems likely to persist. For instance, anecdotal reports are Registers of Scotland's 125,00ft^2 office in Edinburgh is currently only 20% occupied. The office sector will continue to suffer, not only from a reduced demand, but from a change in demand as a result of energy pricing and ESG policies rendering much existing office stock outdated or redundant. Thus, while values will be high for the limited high-quality space meeting ESG aspirations, values of all other office stock will be greatly impaired.

The industrial sector is the only main property sector where demand is forecast to increase, a surprising volte-face from the traditional position where it traded on low nearly static rents and consistently high yields.

The OBR, comparatively optimistic in economics prospects, forecasts that "Commercial Property Prices" will decline 6.2% to 31 March this year and grow less than 2.0% p.a. for the next five years, less than forecast inflation, resulting in the real value of Commercial Property continuing to fall, albeit more slowly than during the recent high inflation. Thus, the poor performance of commercial property since 2007 will continue.

In the year to February 2024 both the Bank and the OBR expect house prices to have fallen about 2.0%, similar to the 2.9% reported by Acadata (E&W). The mortgage providers, Halifax and Nationwide,

report rises of 1.7% and 1.2% respectively for mortgages agreed some months ahead of the actual sale conclusion. Exceptionally, Scotland showed a year on year fall only in December 2023.

Forecasts for 2024 vary considerably. The OBR is pessimistic, forecasting falls of about 2%, but notably a forecast under half the 5% they forecast in November. The Bank notes that house prices are positively correlated with consumption, which is expected to "remain weak", but comments that most of the impact of tighter monetary policy seems to have come through, suggesting that further price falls are unlikely. Forecasts range widely: Capital Economics -5%; Savills (November 2023) -3%; Lloyds Banking Group -2% to -4%; Halifax and Zoopla -2%; Rightmove -1% and Knight Frank +3%.

Comprehensive forecasts are given by Savills covering the next five years. Mainstream UK prices are forecast to fall 3.0% in 2024 but rise 17.9% over the five years to 2028, but in London prices are forecast to fall 4.0% in 2024 and rise 13.9% over five years. Areas outside London have higher five-year forecasts from 16.7% in South East and East of England, rising to over 20% in Northern regions, Wales (21.4%) and Scotland (20.2%). Unusually, prime UK prices are forecast to be similar to mainstream, with five year forecasts, after a smaller fall in 2024 of c.1.0%, rising 18.0% in London and 20.9% in Scotland.

Current and prospective economic conditions do not indicate that an extension of the recession is likely. Following five year interest rates and the anticipation of falls this year in Bank Rate is stabilising demand for houses while the supply of new houses will be restricted by the slowdown in development, and the second-hand market is not experiencing significant "forced" sales. Consequently, house prices are forecast to rise in 2024 moderately, but above inflation, reversing the recent trend of falling real house values.

Conclusion
The UK economy is poised for a recovery, its timing dependent on the timing of the start of a progressive series of interest rate cuts, which I expect to start in the late summer.

The Covid pandemic and the war in Ukraine have delivered very severe exogenous shocks whose effects are becoming etiolated, leaving the systemic problems of the UK economy unresolved. Unfortunately, this recovery is a reprieve: there has been no cure.

The reprieve returns the economy to a position experienced when stopping "banging one's head against a wall"; a relative improvement! Two main underlying problems remain. The first limits growth because of recurring economic or financial mismanagement which caused or accentuated the post WWI recession, the Great Depression, Black Wednesday, the Global Financial Recession, the post-Covid recession and, most recently, the UK pensions crisis and the failure of the SVB and Credit Suisse. To remedy such unnecessary economic setbacks, a change in regulation is required together with a change in some regulators. The Bank's decision to put up interest rates on the eve of the Great GFC and then to maintain low interest rates into the current "Great Inflation" illustrate such shortcomings.

The second impediment to better economic performance is the UK's poor productivity. Since 2015/16 productivity has increased only by 0.8% per year. Prior to 2008 productivity improved by about 2.25% pa, about 1.5 percentage points above the post 2008 level, and had it been maintained at the 2.25% pre-2008 level, would have resulted in current output being around 39% higher than at present.

In its analysis of productivity, the NIESR concludes: -

"The UK has one of the poorest productivity performances among the OECD's 38 advanced economies and this has been made worse by Covid-19. If policymakers return to the same economic structures post-pandemic that failed to resolve the productivity problem pre-pandemic, then the UK is set for another decade of a low-growth, low-productivity and low-wage economy". Of this Martin Wolf says *"The biggest problem for the UK remains its dismal underlying productivity growth". This is*

dramatically illustrated by the NIESR's recent analysis of Public Sector productivity – of which it says: "inputs rising by 19% since 2019 and output by only about half that".

Fortunately, although the prospectively poor long-term lack of growth in the economy with the consequent denial of improved living standards is extremely disappointing, the short-term recovery is expected to provide the long-awaited opportunity for the Company to effect the sale of St. Margaret's House at the appropriate price. As St. Margaret's House has consent for 361 student units, mostly studios, in one of the very few property sectors where demand is growing and supply is limited, prospects for its sale will continue to improve.

Similarly, other development opportunities in our existing portfolio are expected to continue to improve and I conclude, as previously, "In our existing portfolio, most development properties are valued at cost, usually based on existing use, and when these sites are developed or sold, I expect their considerable upside will be realised. Some investment properties also have considerable development value, as we expect to realise at St Margaret's".

I D LOWE
Chairman
28 March 2024

Consolidated income statement for the six months ended 31 December 2023

	Note	**6 months ended 31 Dec 2023 £000**	6 months ended 31 Dec 2022 £000	Year ended 30 Jun 2023 £000
Revenue				
Revenue from development property sales		**660**	1,990	2,665
Gross rental income from investment properties		**173**	195	373
Total Revenue		**833**	2,185	3,038
Cost of development property sales		**(502)**	(1,393)	(1,795)
Property charges		**(26)**	(35)	(139)
Cost of Sales		**(528)**	(1,428)	(1,934)
Gross Profit		**305**	757	1,104
Administrative expenses		**(424)**	(294)	(626)
Other income		**4**	-	10
Net operating (loss)/profit before investment property disposals and valuation movements		**(115)**	463	488
Valuation gains on investment properties	5	**-**	-	560
Valuation losses on investment properties	5	**(174)**	-	(80)
Net (losses)/gains on investment properties		**(174)**	-	480
Operating (loss)/profit		**(289)**	463	968
Financial income		**7**	-	1
Financial expenses		**(133)**	(110)	(251)
(Loss)/profit before taxation		**(415)**	353	718
Income tax	6	**-**	-	-
(Loss)/profit/(loss) and total comprehensive (expenditure)/income for the financial period attributable to equity holders of the parent Company		**(415)**	353	718
(Loss)/Earnings per share				
Basic and diluted (loss)/earnings per share (pence)	7	**(3.52p)**	3.00p	6.09p

Consolidated statement of changes in equity as at 31 December 2023

	Share Capital £000	Capital redemption reserve £000	Share premium account £000	Retained earnings £000	Total £000
At 1 July 2023	2,357	175	2,745	18,694	23,971
(Loss) and total comprehensive expenditure for the period	-	-	-	(415)	(415)
At 31 December 2023	**2,357**	**175**	**2,745**	**18,279**	**23,556**
At 1 July 2022	2,357	175	2,745	17,976	23,253
Profit and total comprehensive income for the period	-	-	-	353	353
At 31 December 2022	2,357	175	2,745	18,329	23,606
At 1 July 2022	2,357	175	2,745	17,976	23,253
Profit and total comprehensive income for the period	-	-	-	718	718
At 30 June 2023	2,357	175	2,745	18,694	23,971

Consolidated balance sheet as at 31 December 2023

	Note	**31 Dec 2023 £000**	31 Dec 2022 £000	30 Jun 2023 £000
Non-current assets				
Investment property	8	**16,916**	16,610	17,090
Plant and equipment		**11**	10	10
Investments		**1**	1	1
Total non-current assets		**16,928**	16,621	17,101
Current assets				
Trading properties		**9,031**	9,840	9,451
Trade and other receivables		**136**	159	154
Cash and cash equivalents		**2,214**	2,367	1,953
Total current assets		**11,381**	12,366	11,558
Total assets		**28,309**	28,987	28,659
Current liabilities				
Trade and other payables		**(733)**	(1,001)	(668)
Interest bearing loans and borrowings		**-**	(360)	-
Total current liabilities		**(733)**	(1,361)	(668)
Non-current liabilities				
Interest bearing loans and borrowing		**(4,020)**	(4,020)	(4,020)
Total liabilities		**(4,753)**	(5,381)	(4,688)
Net assets		**23,556**	23,606	23,971
Equity				
Issued share capital	10	**2,357**	2,357	2,357
Capital redemption reserve		**175**	175	175
Share premium account		**2,745**	2,745	2,745
Retained earnings		**18,279**	18,329	18,694
Total equity attributable to equity holders of the parent Company		**23,556**	23,606	23,971
NET ASSET VALUE PER SHARE		**199.9p**	200.3p	203.4p

Consolidated cash flow statement for the six months ended 31 December 2023

	6 months ended 31 Dec 2023 £000	6 months ended 31 Dec 2022 £000	Year ended 30 Jun 2023 £000
Cash flows from operating activities			
(Loss)/profit for the period	**(415)**	353	718
Adjustments for:			
Net loss/(gain) on revaluation of investment properties	**174**	-	(480)
Depreciation and Loss on sale of fixed assets	**-**	-	5
Net finance expense	**126**	110	250
Operating cash flows before movements in working capital	**(115)**	463	493
Decrease in trading properties	**420**	832	1,221
Decrease/(increase)in trade and other receivables	**18**	(25)	(20)
Increase/(decrease) in trade and other payables	**85**	(218)	(377)
Cash generated from operations	**408**	1,052	1,317
Interest received	**7**		1
Interest paid	**(153)**	-	(315)
Net cash inflow from operating activities	**262**	1,052	1,003
Investment activities			
Acquisition of plant and equipment	**(1)**	(2)	(7)
Cash flows (absorbed by) investing activities	**(1)**	(2)	(7)
Financing activities			
(Decrease) in borrowings	**-**	-	(360)
Cashflows (used) from financing activities	**-**	-	(360)
Net increase in cash and cash equivalents	**261**	1,050	636
Cash and cash equivalents at beginning of period	**1,953**	1,317	1,317
Cash and cash equivalents at end of period	**2,214**	2,367	1,953

Notes to the interim statement

1 This interim statement for the six-month period to 31 December 2023 is unaudited and was approved by the directors on 28 March 2024. Caledonian Trust PLC (the "Company") is a company incorporated in England and 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

The Group and parent Company finance their day to day working capital requirements through related party loans and bank funding is considered for specific development projects. The related party lender has indicated its willingness to continue to provide financial support and not to demand repayment of its principal loan during 2024.

The directors have prepared cash flow projections and expect that the Group's cash reserves and existing loan arrangements are expected to be sufficient for the Group's cash flow needs.

For these reasons, the directors continue to adopt the going concern basis in preparing this interim statement.

3 Basis of preparation

The consolidated interim financial statements of the Company for the six months ended 31 December 2023 are in respect of the Company and its subsidiaries, together referred to as the "Group". The financial information set out in this announcement for the year ended 30 June 2023 does not constitute the Group'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 2023 are available on the Company's website at www.caledoniantrust.com and have been delivered to the Registrar of Companies. The accounts for the year ended 30 June 2023 have been prepared in conformity with UK-adopted International Accounting Standards. 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 Accounting Standard IAS34 "Interim Financial Reporting". The financial information is presented in sterling and rounded to the nearest thousand.

The interim financial statements have been prepared in conformity with UK-adopted International Accounting Standards that are expected to exist at the date on which the Group prepares its financial statements for the year ending 30 June 2024. To the extent that UK-adopted International Accounting Standards at 30 June 2024 do not reflect the assumptions made in preparing the interim statements, those financial statements may be subject to change.

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 2023 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 2023.

Notes to the interim statement (continued)

4 Accounting policies

The accounting policies used in preparing these financial statements are the same as those set out and used in preparing the Group's audited financial statements for the year ended 30 June 2023.

5 Valuation (losses)/gains on investment properties

	31 Dec 2023 £000	31 Dec 2022 £000	30 Jun 2023 £000
Valuation gains in investment properties	**-**	-	190
Valuation losses on investment properties after transaction costs	**(174)**	-	(690)
Net valuation (losses)/gains on investment properties	**(174)**	-	(500)

6 Income tax

Taxation for the six months ended 31 December 2023 is based on the effective rate of taxation which is estimated to apply to the year ending 30 June 2024. 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 2023 there is a deferred tax asset which is not recognised in these accounts.

Notes to the interim statement (continued)

7 Earnings per share

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

	6 months ended 31 Dec 2023 £000	6 months ended 31 Dec 2022 £000	Year ended 30 Jun 2023 £000
(Loss)/profit for financial period	**(415)**	353	718
	No.	No.	No.
Weighted average no. of shares: For basic and diluted profit or loss per share	**11,783,577**	11,783,577	11,783,577
Basic (loss)/earnings per share	**(3.52.p)**	3.00p	6.09p
Diluted (loss)/earnings per share	**(3.52.p)**	3.00p	6.09p

8 Investment Properties

	31 Dec 2023 £000	31 Dec 2022 £000	30 Jun 2023 £000
Valuation			
Opening valuation	**17,090**	16,610	16,610
Revaluation in period	**(174)**	-	480
Closing valuation	**16,916**	16,610	17,090

The fair value of investment property at 31 December 2023 was determined by the directors' taking cognisance of the independent valuation by Montagu Evans, Chartered Surveyors as at 30 June 2022 having made adjustments for changes in market conditions.

Notes to the interim statement (continued)

9 Financial instruments

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	31 Dec 2023		31 Dec 2022		30 Jun 2023	
	Fair value £000	**Carrying amount £000**	Fair value £000	Carrying amount £000	Fair value £000	Carrying amount £000
Trade and other receivables	**82**	**82**	144	144	118	118
Cash and cash equivalents	**2,214**	**2,214**	2,367	2,367	1,953	1,953
	2,296	**2,296**	2,511	2,511	2,071	2,071
Loans from related parties	**4,020**	**4,020**	4,380	4,380	4,020	4,020
Trade and other payables	**26**	**26**	992	992	21	21
	4,046	**4,046**	5,372	5,372	4,041	4,041

Estimation of fair values

The following methods and assumptions were used to estimate the fair values shown above:

Trade and other receivables/payables – the fair value of receivables and payables with a remaining life of less than one year is deemed to be the same as the book value.

Cash and cash equivalents – the fair value is deemed to be the same as the carrying amount due to the short maturity of these instruments.

Other loans – the fair value is calculated by discounting the expected future cashflows at prevailing interest rates.

Notes to the interim statement (continued)

10 Issued share capital

	31 Dec 2023		31 Dec 2022		30 Jun 2023	
	No. 000	**£000**	No. 000	£000	No. 000	£000
Issued and Fully paid						
Ordinary shares of 20p each	**11,784**	**2,357**	11,784	2,357	11,784	2,357

11 Seasonality

Investment property sales by the Group are not seasonal and sales of completed houses on development sites are driven more by completion of construction projects than by season.