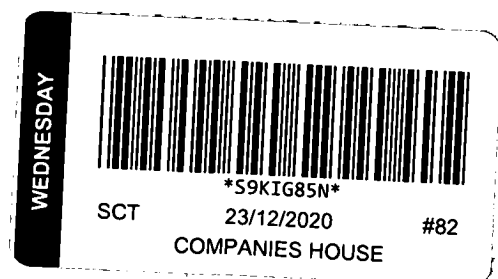


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Caledonian Trust PLC

Directors' report and financial statements
for the year ended 30 June 2020



Company Number 01040126

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Company information

Directors	I D Lowe (Chairman and Chief Executive) M J Baynham LL.B. (Hons) (Legal and Finance Director) R J Pearson MA, F.R.I.C.S. (Non-Executive Director)
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CHAIRMAN'S STATEMENT

Introduction

The Group made a pre-tax profit of £95,000 in the year to 30 June 2020 compared with a profit before tax of £2,059,000 last year. The earnings per share was 0.81p and the NAV per share was 204.5p compared with earnings per share of 17.47p and NAV per share of 203.7p last year. The net valuation gain in the year was £250,000 compared to a net valuation gain in the previous year of £2,375,000 which included a valuation gain of £3,000,000 on the Group's investment property, St. Margaret's House, Edinburgh

Income from rent and service charges increased to £446,000 from £441,000 in 2019. The sale of a house plot adjacent to Chance Inn Farmhouse resulted in a profit on sale of development properties of £8,000 (2019: £197,000). Administrative expenses were £428,000 (2019: £755,000) and interest payable was £29,000 (2019: £37,000). The reduction in the interest charge reflects the decreases in base rate during the year with the average base rate for the year being 0.56% compared to 0.73% in the previous year.

Review of Activities

The Group's property investment business continues but is changing because of the contingent sale of St. Margaret's House ("St Margaret's"), our investment property held for development. However, the rate of change has slowed due to the extended time taken, partially due to Covid-19 restrictions earlier in the year, to gain planning consent for the Reserved Matters application lodged by the contingent purchaser, Drum Property Group ("Drum"), on 24 September 2019 but which consent was only issued on 14 August 2020. The purchase is now contingent solely on securing a pre-let of the student housing element of the development. The Directors' expectations remain that completion of the sale will take place in the first quarter of 2022. We continue to hold a high yielding retail parade, a high yielding retail / industrial property, our North Castle Street offices and four central Edinburgh garage investments.

The most significant change to our portfolio has just occurred. As announced on 16 December 2020, and as set out in the Post Balance Sheet Event at Note 25 of the Consolidated Financial Statements, we have concluded unconditional missives for the sale of Ardpatrik Estate for £2.7m in cash with completion on 24 March 2021. We received an unsolicited approach from agents acting for retained clients, who had expressed an interest in acquiring a rural estate type property in the West of Scotland, requesting permission to view Ardpatrik during their summer vacation touring the West coast. We receive similar approaches most years, none of which have proceeded beyond an initial viewing. Following that initial viewing in early July a second viewing took place towards the end of their holiday in mid-August. An interest in acquiring either part of or the whole of our holding at Ardpatrik was expressed and after further deliberation a meeting was convened between ourselves and the agents acting for both parties in North Castle Street in late October at which broad outlines for the purchase of either the whole or the western part of Ardpatrik were discussed. After further consideration, a firm proposal for the purchase of the whole Estate was made on 14 November 2020. We issued instructions to our agents on 15 November 2020 setting out the basis and timetable for an unconditional missive to be concluded for the sale of Ardpatrik. The due diligence process, including valuation and building surveys was undertaken over the next four weeks leading to the issue of a formal offer at £2.7m with a date of entry on 24 March 2021 submitted to our solicitors on 15 December, with a letter concluding the missives issued by our solicitors later that day. The purchasers intend to continue to reinstate and revive Ardpatrik, building on the solid foundations we have laid following the years of neglect by the former owners. We understand they intend to make Ardpatrik their principal home and to undertake the farming of the Estate. At the outset of negotiations, the purchasers intimated that they would not proceed if the sale of the Oak Lodge plot was completed.

The timing of this offer proved particularly propitious as the effects of Covid-19 restrictions had made it more difficult to manage staff employed at Ardpatrik and we had found it increasingly difficult to engage reliable and hard-working staff. The sale will free up capital for the Group whose deployment

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Chairman's Statement

on the development of our existing portfolio will generate higher returns. It will also provide the Group with funds to repay certain existing debts and provide additional general working capital.

I am pleased to report that progress, albeit slower than we had hoped, continues with the contingent sale of St Margaret's. The processing of the Reserved Matters application submitted by Drum was delayed by the Covid-19 pandemic restrictions, but was approved by the planning committee on 14 August 2020. Only the securing of a pre-let of the student accommodation remains to be purified. However, this too has been impacted by Covid-19. As announced on 20 April 2020, as a consequence of the third party of undoubted covenant, with whom a pre-let had been anticipated, deciding no longer to pursue its interest in this location and as a consequence of anticipated Covid-19 impacts delaying the planning process, we agreed an amendment to the conditional missives with Drum, extending the period to satisfy the suspensive conditions, reducing the consideration for the conditional purchase from £15,000,000 to £11,500,000 exclusive of VAT, payable to the Company on completion in cash.

Since November 2010, pending redevelopment, St Margaret's has been fully let at a nominal rent, presently just over £1/ft² of occupied space, to a charity, Edinburgh Palette, who have reconfigured and sub-let all the space to over 200 artists, artisans and galleries. Previously I reported that Edinburgh Palette gained two new and very different premises, the first at 525 Ferry Road in north central Edinburgh, just west of the Fettes College playing fields and near to the Western General Hospital, where a modern 125,000ft² grade A office building has been secured on favourable terms. This central site is served by eight bus routes and has 125 car parking spaces, 83 single offices and numerous open plan spaces. The second, quite different premise, is the Stanley Street Container Village where an innovative landscaped village complete with parks and communal grounds is being assembled, using highly modified shipping containers, on a site leased until 2043 just north of Portobello golf course and about half a mile from the A1 and Brunstane rail station. Edinburgh Palette expect to provide community services and about 80 single studio units, primarily for local residents currently leasing spaces at St. Margaret's and for other creative groups and individuals. The container village was originally expected to open in the summer of 2019, but is now not likely to open until 2021. Following the relocation of a major charity and the temporary upset from the original sale announcement, St Margaret's continues with its long-term occupancy level. Occupancy rates at St. Margaret's have been largely unaffected by the impact of Covid-19.

Registers of Scotland did not renew the short-term lease of the car parking spaces at St. Margaret's when it expired at the end of November as their staff have been working predominantly from home since March and their prospective return in greater numbers scheduled for March next year now appears likely to be postponed further as a result of the recent Covid-19 announcements.

As reported in my Interim Statement, work at our site at Brunstane in east Edinburgh was suspended in March in accordance with Government guidance. Only the final tarmacking remained incomplete. When Covid-19 restrictions were eased and the housing market re-opened in late June, the tarmacking was completed, the sales brochures and an excellent video of the houses prepared and the marketing of the five houses commenced in early July. All five properties were under offer within two months and the sales of two of them have been completed in excess of their Home Report valuation, which itself was in excess of our budgeted figures. The three other houses remain under offer, but dependent on the completion of sales of the prospective purchasers' existing homes, all of which are under offer. We expect all three to complete in the first quarter of 2021.

We recently obtained consent to make several minor but important variations to the planning consent for the next phase of the development, the Steading phase, for five new build houses now extending to 8,700ft². The improvements include the remodelling of the courtyard elevations and an increase and enhancement of the internal spaces. We are currently preparing tender documentation with a view to commencing construction of this next phase in the Spring, utilising funds freed up from the sale of the Horsemill phase and Ardpark. This phase should be marketed in the Spring of 2022. The application for consent for 12 new houses, in addition to the large "farmhouse" on the Stackyard field to the east of the Steading, continues through the planning process and it is expected that consent will be granted early next year.

The third of our Edinburgh sites is in Belford Road, a quiet cul-de-sac less than 500m from Charlotte Square and the west end of Princes Street, where we have taken up both an office consent for 22,500ft² and fourteen car parking spaces and a separate residential consent for twenty flats over 21,000ft² and twenty car parking spaces. This site has long been considered "difficult". To dispel this myth, we have created a workable access to the site; cleared collapsed rubble and soil, exposed the retaining south wall and the friable but strong bedrock in parts of the site; and completed an extensive archaeological survey. In consequence the extent of the enabling construction works is much reduced compared to earlier estimates. Further investment in the site has been postponed, but we intend to remodel the Belford Road façade with a more contemporary design to reflect current market requirements. The "cost" of the site is well below the value, but bank loans, even at the very high overall cost of over 10%, can only be obtained when our cost (not value) to development cost does not exceed 60%. A site with a cost of £1m, total development costs of £4m and a GDV of £10m, would only warrant a loan of 60% of £5m, i.e., £3m; the same site with a cost of £4m would warrant a loan of 60% of £8m, i.e., £4.8m. In the first case no development without further equity is possible, even although the expected cash return before interest is £5m, while in the latter case development is possible, even although the cash return before interest is only £1.2m. The delay is not currently proving to our long-term disadvantage as prime locations in Edinburgh such as Belford Road have continued to increase in value.

At Wallyford, Musselburgh, we have implemented a consent for six detached houses and four semi-detached houses over 12,469ft². The site lies within 400m of the East Coast mainline station, is near the A1/A720 City Bypass junction and is contiguous with a completed development of houses. Taylor Wimpey have completed the construction of over 500 houses nearby but on the other side of the mainline railway, which laterally sold at prices of around £250/ft² for smaller 3-bedroom end-terraced houses and £240/ft² for larger detached houses. To the south of Wallyford a very large development of 1,050 houses has commenced at St Clement's Wells on ground rising to the south, affording extensive views over the Forth estuary to Fife and on the eastern edge, Persimmon have completed 131 houses in the first phase of their development. On another nearby site Taylor Wimpey have commenced construction of 80 houses which are being marketed at £280/ft² for smaller 3-bedroom semi-detached houses and £260/ft² for 4-bedroom detached houses. On the western side of St Clement's Wells, Barratts are building 245 three and four-bedroom new houses with semi-detached and terraced three-bed houses currently selling for £221,000 or £242/ft². The Master Plan for the St Clement's Wells development includes a school, separate nursery and community facilities, which opened earlier this year, replacing the existing school in Wallyford, a supermarket and many civic amenities and is subject to a proposal to expand St Clement's Wells to 1,450 houses by incorporating land immediately east. The environment at Wallyford, no longer a mining village, is rapidly becoming another leafy commuting Edinburgh suburb on the fertile East Lothian coastal strip.

The Company has three large development sites in the Edinburgh and Glasgow catchments of which two are at Cockburnspath, on the A1 just east of Dunbar. We have implemented the planning consent on both the 48-house plot northerly Dunglass site and on the 28-house plot, including four affordable houses, southerly Hazeldean site. The Dunglass site is fifteen acres of which four acres is woodland, but the non-woodland area could allow up to a further thirty houses to be built if the ground conditions, which currently preclude development, could be remediated.

Gartshore, the third large development site, is only seven miles from central Glasgow, near Kirkintilloch (on the Union Canal), East Dunbartonshire, and comprises the nucleus of the large estate, previously owned by the Whitelaw family, including 120 acres of farmland, 80 acres of policies and tree-lined parks, a designed landscape with a magnificent Georgian pigeonier, an ornate 15,000ft² Victorian stable block, three cottages and other buildings and a huge walled garden. Glasgow is easily accessible as Gartshore is two miles from the M73/M80 junction, seven miles from the M8 (via the M73) and three miles from two separate Glasgow/Edinburgh mainline stations and from Greenfaulds, a Glasgow commuter station. Gartshore's central location, historic setting and inherent amenity forms a natural development site. Accordingly, proposals have been prepared for a village within the existing landscape setting of several hundred cottages and houses together with local amenities. This would complement our separate proposals for a high-quality business park, including a hotel and a destination leisure centre within mature parkland. Discussions with East Dunbartonshire Council continue from whom we seek support for a joint promotion of the site. The next Local Plan is due to be published in 2022, although

such plans are often delayed, and we will continue to work closely with the East Dunbartonshire Council to gain suitable allocations.

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 subject to wider objection, especially as such small developments, outwith major housing allocations, may not merit high priority. Thus, gaining such consents is tortuous, although such restrictions add value and for many of these rural opportunities, we have endured planning consents. In general, at least until very recently, the rural housing market has not been experiencing the rapid growth taking place in Edinburgh and Glasgow and in their catchment areas with values in regions such as Perth and Kinross, Fife and Argyll and Bute rising only marginally in real terms. Accordingly, no immediate investment is proposed in the rural portfolio, except to maintain existing consents or to endure them, until the current market improvement is confirmed.

In Perthshire, at Tomperran, a 34-acre smallholding in Comrie on the River Earn, we hold a consent for twelve detached houses totalling over 19,206ft² which has been endured by the demolition of the farm buildings. West of this site, nearer Comrie, we hold a consent for a further thirteen houses on our adjoining two-acre area, previously zoned for industrial use. We have recently gained consent to change the current terrace of four houses into three detached and two semi-detached houses. In total the twenty-five new houses covering these two areas will occupy over 33,912ft². The original farmhouse, currently let, will remain intact within the development.

At Chance Inn farm steading we hold a consent for ten new houses over 21,831ft² following acceptance of our proposals for the mandatory environmental improvements. Chance Inn, part of the Loch Leven catchment area, is subject to very strict regulations governing the phosphate flows into Loch Leven. New developments are required to effect a reduction in the total phosphate emissions to the loch such that, for every 1.00 grams of phosphate that a new development is deemed to discharge, 1.25 grams of phosphate has to be eliminated. New developments with suitable treatment discharge very low levels of phosphate but, patently, do not effect an overall reduction. In order to allow our developments at Chance Inn to proceed we have negotiated for five years with four neighbouring houses to effect the necessary reductions. In July 2018 we made the final connection, so purifying this condition, and bringing the total cost of emission reduction to £125,000. In the Summer of 2018, we demolished an existing farm building so enduring the consent for the 10 houses. When we sold the Chance Inn farmhouse, we retained land in the former garden on which we gained consent for two new houses of 2,038ft² and 2,080ft². One of these two plots was sold in October 2016 for over £100,000 together with a small paddock for £34,000. The second much smaller plot was sold in September 2019 for £90,000. These two plot sales confirm the attraction of this location, particularly as the market for rural properties near cities seems so much improved. We hold sufficient land next to the farm steading to allow the sale of similar paddocks to purchasers of all the new houses.

Economic Prospects

"The future has changed" as Margaret Thatcher's deputy, Willie Whitelaw, so famously pronounced in the Commons. The successful outcome of phase 3 trials of several Covid-19 vaccines presages the aversion of the possible ruination of the economy, a distinct possibility if such a treatment were delayed by even as little as a year, and a higher possibility as any such a delay lengthened. In June 2020 The Lancet noted vaccine development is typically a long game. The US Food and Drug Administration only approved a vaccine against Ebola virus last year, 43 years after that deadly virus was discovered. Vaccinologists have made little headway with HIV or respiratory syncytial virus, despite huge investments. On average, it takes 10 years to develop a vaccine.

Vaccines stimulate a natural resistance against diseases, each specific to each disease. Unlike bacterial diseases, viral diseases are not induced by animate creatures, but inanimate virions which mobilise infected cells to make more virions in an alteration between non-living virion and living virus phases. Such inanimate virions were first chemically synthesised by Eckard Wimmer in 2002.

Dauntingly, there are estimated to be ten times as many viruses as the sum of all living creatures, the vast majority of which are bacteria and other single celled life forms. One dry kilogram of soil may contain a trillion viruses. Coronaviruses are the simplest and the most advanced of seven types of virion, as classified by the conformation of their nucleic acid. Coronaviruses alone have a single strand of RNA formulated as MRNA the form of RNA that instructs cell mechanisms to make complex molecules, in this case identical copies of itself! Viruses exhibit an outstanding example of mass production, and the sheer force of numbers can overwhelm natural defences. Vaccines, effectively “blanks”, cause the defences to be readied and massively reinforced and so able to overcome the initial virus attack.

With a vaccine “the future has indeed changed” as vaccines offer protection from a plague of a scale that has ruined economies and transformed societies. The perception of “plague” as a dark medieval threat is a dangerous misconception, as the last major pandemic in 1918, the Spanish Flu, infected an estimated third of the world population and claimed at least 50m lives. Immunity in the population together with a progressive attenuation of the virus reduced the incidence and virulence of the Spanish flu virus which in a “mutated” form contributes to the current seasonal flu infections. The common cold, and flu are Coronaviruses like the virulent, but currently uncommon SARS and MERS viruses. The frequent mutation of such viruses allows spread between species but also contributes to their attenuation over time. A virus may reproduce once a day giving 2^{365} mutation possibilities per year, human reproduction occurring every 25 years provides distinctly fewer such possibilities

Plagues, (“plangere” to strike) and pestilences have almost certainly occurred since aggregated social groups, “societies”, without natural resistance formed. The Book of Exodus records those “natural” plagues inflicted on the Egyptians to induce the Pharaoh to free the enslaved Israelis: water to blood; frogs; lice; fleas; livestock pestilence; boils; hail; a plague of locusts; darkness; and the death of the Egyptian first-born children. Only this last plague induced the Pharaoh to keep his promise. Such outcomes may have been the consequences of the immense volcanic eruption in nearby Santorini in c.1600BC. The volcanic mineral cinnabar would colour the water red and acidify the Nile, causing the frogs to leave the water to die in the arid desert. Their carcasses, together with those of other poisoned animals, would provide food for “strike” flies and similar insects, whose lice-like larvae would pupate to adult flies. The volcanic cloud and ash would have caused many days of darkness, together severely damaging the grazings, so starving the livestock, while the ash and acid rain would cause human skin disease, including boils, and the widespread damage to crops would cause the locust migration, consuming any remaining vegetation. Under these circumstances infant mortality would have been high. A weakened state might lose central control or, given famine, direct the Israeli's expulsion, so determining that society's future.

The DNA of “Black Death” microbe's (*Yersinia pestis*) has been found preserved in teeth in European Neolithic burial sites dating from 5000BC, when their agricultural territory was taken over by Yamnaya immigrants from the Eurasian steppe grasslands, tolerant of the disease infecting the indigenous population and subsequently supplanting them. Millennia later, in 430BC, *Y. pestis* is recorded in Athens where it killed a third of the population, and led to the overthrow of the long-standing ruling Athenian “coalition” by Sparta.

The Antonine Plague (165 – 170AD), probably smallpox, migrated from eastern China, appearing first in Mesopotamia in the Roman Army who spread it rapidly, reaching Rome where it killed 3,000 a day, 25% of those infected, and ultimately some 5m people altogether. Roman trade and military strength were so weakened that the Antonine Empire lost much of the Western Empire. That smallpox plague, killing an estimated 10% of the population, was a “mild” disease unlike its deadly sequel, the Plague of Justinian (541 – 750AD). The cause of the disease, *Y. pestis*, travelled along routes from Asia, killed an estimated 55% of the affected population in Europe, Middle East and North Africa, so weakened Roman power that it effectively ended the Western Roman Empire.

The extensive Justinian, *Y. pestis*' plague was even more destructive than historic Neolithic *Y. pestis* outbreaks. The Neolithic spread was probably primarily airborne, but since Neolithic times this bacterium had gained two different genes, considerably widening its infectivity. One gene, *ymt*, present in many gut bacteria, codes for an enzyme protective of gut digestive enzymes, so allowing such bacteria to migrate inside its hosts tissue, including its feeding apparatus, a facility allowing *Y. pestis* to become

transmittable by biting hosts such as fleas. This formidable addition to the bacterium's defences and transmissibility was subsequently augmented by a second very sinister mechanism. The bacterium developed a mutation in a gene and other characteristics that improved its ability to form an adhesive extra cellular matrix. This pernicious permutation has a devastating affect: a gooey agglomeration of cells now takes place, blocking the mid gut of infected fleas, denying them sustenance. The starving fleas are driven into an insatiable feeding frenzy, biting furiously, as unsatisfied hunger engulfs them: consequently, the free loading bacterium becomes more widely distributed!

The subsequent pandemic caused by *Y. pestis*, the Black Death, spread from central Asia, along the silk road from the east, reaching Florence in 1348 where 80% of the population died, about 90% of those contracting the disease. Over the next 10 years between one third and one half of the population of Europe died.

Disease spreading from the East is the recurring feature of most European and New World pandemics as the disease reaches previously unexposed populations, lacking natural immunity. In the Bronze age the incidence of plague and hepatitis B followed well documented western migration routes and much later tuberculosis was carried west by merchants, traders and vessels entering Europe at the western termination of the "Silk Roads". The transmission is similar today from east to west, but today's "Roads" lack such illusionary romanticism, being crowded airports, closely packed planes with recycled atmospheres, bringing the unknowing sick with them. Apart from very high mortality, a recurring feature of all the above pandemics, so spread in the Old World, was the economic damage caused to these societies, usually leading to profound political or societal changes.

In the New World it was discovery, exploration and settlement that carried eastern diseases westward. In 1521, soon after the Spanish conquests in Central America ("Mexico"), 80% of the Aztec population died from a pandemic known locally as *cocoliztli*, but now considered to be a *Salmonella* bacterium previously unidentified in mass graves, but common in contaminated European food and water and in their domestic animals and vermin, all items trans-shipped across the Atlantic. Following settlements and conquests all the New World indigenous populations were ravaged by disease, but unlike the Aztecs who suffered the *Salmonella* pandemic, the pandemics elsewhere, extending later into North America, were caused by the virus *Variola major*, or smallpox, also introduced by the settlers. As it spread across the continent from the early 1500s, it is judged to have killed the majority of the indigenous population who lacked even the European's partial immunity. By 1862 smallpox had spread to Western Canada and the North West of the USA where the mortality rate was a "low" 50%.

Fortunately, subsequent plagues have resulted in proportionately many fewer deaths, estimated as: "Spanish" flu (1918-19) 50.0 million; HIV/AIDS (1980's global) 1m per year and Covid-19 (2019 to date, global) 1.5m.

The economic effects of plagues vary with the extent to which the affected populations are economically specialised. In the least economically developed civilisations, almost wholly subsistence agriculture, it seems likely that one primarily subsistence economy replaced another, adding some more advanced technologies, but frequently eliminating long standing and developed cultures. Unlike Europe and Eurasia, the New World comprised many widely dispersed almost self-contained separated economies, as physical, cultural and technological barriers limited interchange: there was no silk road or easily navigable "Mediterranean" sea, facilitating trade. The influence of the settlers and their diseases spread slowly – plagues killing millions of the indigenous population in Mexico, including the 200,000 Aztecs in Mexico City after it fell to Cortes in 1521.

New World plagues effectively wiped indigenous populations out replacing them and their societies and civilisations. The 431-404BC Plague during the Peloponnesian war killed Pericles, the famous Athenian leader, and many of his army, of which the historian Thucydides gives a vivid account of the effect on Athenian morale, reporting that while Athens was so weakened Persian reinforced Sparta and Athens fell, leading to the realignment of political power in the region. In the earlier Roman and later Byzantine empires, the plagues so severely reduced the taxes, the in-specie supplies, the tributes and the bounty, the income that underpinned their military power, that the empires were progressively forced from outlying areas and eventually crumbled.

In England, the economic effect of the “Great Mortality”, later the “Black Death”, which spread from Asia in 1368, while deeply profound, was different. Unlike the farming and hunting gathering cultures of the Neolithic period or the varied indigenous peoples and cultures of the New World, in England the existing population and culture was not supplanted by incomers, inherently tolerant of the plagues they imparted there. Unlike Rome, England, apart from limited French interests, had no dominion, empire or colonies to rise in revolt, invade or subvert, nor was it economically dependent on their taxes and tributes. England was independent and the profound economic and social changes due to the plague were wholly internal.

The immediate consequence of the Great Mortality was a sharp contraction in the supply of labour, particularly in the country where high farm rat populations resulted often in higher infection and death rates than in the towns. Wages rose, and rents and interest rates fell, reallocating wealth and income from capital and land owners to artisans, service providers and labourers. Serfdom was abandoned and society became less stratified, and, with their living standards falling, landlords sought tenant co-operation to maximise output to their mutual benefit. Both the incentive and the requirement to change resulted in a reappraisal of embedded systems and traditional habits and facilitated the dismantling of restrictive practices: productivity improved and a spirit of change was engendered. In a distant adumbration of more modern times a much larger percentage of women entered the workforce, increasing household earnings. Increased wealth brought disposable income to the working and middle classes whose saving ratio was much lower than the capital owning upper classes and so demand boomed for finished products, a demand that was a precursor of England's industrialisation.

Wool production, the primary cash crop of English agriculture, was concentrated in East Anglia, centred on Norwich, England's second city. Appropriately, until recently the Lord Chancellor of England sat on “The Woolsack”. This valuable raw material, whose processing and distribution was the source of considerable wealth to the neighbouring low countries, became increasingly processed in England and the finished products trade over the North Sea and across Europe became reciprocal. The English industries, being recently established, were more flexible and not subject to the extensive restrictive practices of the oligopolies formed by established guilds which were deeply entrenched in the entrepot states of the European south and to a lesser extent in cities on the nearby continental seaboard. The plague persisted intermittently across the centuries, tragically culminating in the Black Death in London in 1665. The legacy of this terrible pestilence was profound social change engendering a vast, enduring and continuing rise in productivity, in universal living standards and in longevity: albeit at a very high “capital” price.

Covid-19 is the third pandemic in the last 100 years, all having animal origins, all being worldwide, and all involving “new” virus infections. The Spanish flu, originating probably from domesticated wild fowl in the USA, killed c.50m people. The high death rate occurred because there were no viricides or vaccines or any antibiotic treatments for the many subsequent infections. HIV/AIDS, previously endemic in non-human African primates, has killed about 0.37% of the world population, control becoming possible by cultural practices, antiviral drugs and vastly improved health care. The HIV virus, unlike most viruses including Covid-19, may “hide”, unexpressed and inactive in healthy cells over many years, an action bypassing present types of vaccine, and maintaining a bank of disease. Covid-19, probably made a mammalian transfer to humans from bats, living in dense societies in caves. In northern China Covid-19 is highly infectious being spread from asymptomatic individuals and has a high mortality rate. Less than a year since Covid-19 first appeared it has killed 0.02% of the world population according to an FT report.

In January this year, before the spread of Covid-19, the OBR forecast growth of 1.1% in 2020 and 1.8% for 2021, similar to the IMF's forecast 1.4% and 1.5%, but slightly higher than the Bank of England's forecast of 0.8% and 1.4%. In March, based on information available up until 11 February 2020, as understanding of the extent and danger of the pandemic started to be appreciated, the OBR reported “since we closed our premeasures forecast news of the spread of the Coronavirus has prompted large movements in asset prices the ultimate spread and economic impact of Coronavirus is at this stage highly uncertain most likely to be concentrated in the near term. For our central forecast, we assumed that the associated economic disruption would be relatively short lived and concentrated in China, with

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Chairman's Statement

some transmission through supply chains to other parts of Asia and Europe. This implied a temporary impact on global GDP and trade, weighing modestly on UK activity in the first part of this year – a mild ‘V-shaped’ shock ... we were guided by the impact of the 2003 SARS outbreak, which is estimated to have knocked around 1 percentage point off Chinese GDP growth that year. The associated impact on world GDP and trade was, though, quite limited. Bearing this in mind, we lowered our forecast for Chinese GDP growth in 2020 by 1 percentage point (to 5 per cent), ... and reduced world GDP growth by 0.3. percentage points ... this was expected to knock 0.1 percentage points off UK GDP growth this year.”

Expectations worsened only slowly at first. On 17 February 2020 the FT considered that the UK economy “will contract in the first half of this year”; and on 17 March 2020 quoted views of three previous members of the Monetary Policy Committee (MPC): Andrew Sentance thought a “recession in the UK ... was likely” in the first half of the year with a two to five percent contraction in GDP in the second quarter followed by a rebound ... ; Professor David Miles thought a recession was quite likely but not the “near Armageddon scenario implied by the stock market” and Martin Weale said “the key point is that recovery may be rapid.”

Similarly, Megan Green of the Harvard Kennedy School wrote in the FT on 23 February 2020 that City investors considered the virus as “temporary”, just as mad cow disease and Sars were. She considered that a recent survey of America’s fund managers showing that cash was only 4% of portfolios, the lowest since 2013, while global equities hit record highs were hardly signs of concern! Thus, it was widely considered that the economic consequences of the virus were minimal.

But complacency turned to concern, as the previously sanguine views changed and the UK “lockdown” was introduced on 23 March 2020. Capital Economics forecast then that economic activity would fall 16% in the next few weeks, regain the present level in early 2021, then subsequently grow more rapidly than previously forecast and return to the previously forecast level in a few years. The MPC May report continued what has transpired to be an unrealistically optimistic tone, maintaining that the fall in activity should be temporary, and that GDP should push up relatively rapidly as such distancing measures were relaxed. Their “illustrative scenario” forecast a 14% drop in GDP followed by a 15% rise in 2021 and then a further rise of 3% in 2022. The MPC report analyses “The economic effects of Covid-19”. The critical assessment was that the impact on GDP of the then enforced social distancing and policy support measures “cost” GDP 0.75% a week, but that such interventions with the Spanish flu outbreak reduced the longer term adverse economic effects. A report on the effects of a more severe pandemic than the Spanish flu estimated that with no intervention the UK death rate would be over 750,000, over ten times the 61,000 deaths already by December. In general, social distancing increases output loss initially, but lowers output loss later.

By August the MPC was considerably more optimistic about short-term prospects, saying: “Higher frequency indicators imply that spending has recovered significantly since the trough in activity in April; payments data suggest that household consumption in July was less than 10% below its level at the start of the year; housing market activity appears to have returned to close to normal levels. Consequently, the MPC’s August forecast for changes to GDP was improved from the very pessimistic May forecast to -9% for 2020, +9% for 2021 and +3.5% for 2022.

In November the MPC reported “there has been a rapid rise in Covid-19 infection” ... and “that developments related to Covid-19 will weigh on near-term spending to a greater extent than projected in the August 2020 report, leading to a decline in GDP in 2020 Q4”, an estimate that took account of “all restrictions announced up to and including 31 October 2020” and that the current direct impact of Covid-19 in the economy is expected to wane in 2021.

The MPC conditioned its forecast on the assumption that “improved treatments or other health interventions become available”, a condition not previously explicit, but one which could include the introduction of a vaccine. Less significantly the estimate also assumed a Free Trade Agreement (FTA) from 1 January 2021 with the EU. Accordingly, the MPC forecasted that GDP would fall by 11% in 2020, and recover only by 7.25% in 2021, leaving the economy 4.5% lower at the end of 2021 than in

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2019. The May and August reports had forecast a faster recovery, leaving the economy only 1.5% lower in 2021.

Other forecasts made before the announcement of the successful vaccines are more pessimistic than the Bank of England. PWC forecast that GDP will be only 92.0% of the 2019 level at the end of 2021 while the Bank forecast 95.5%. EY Item Club forecast "the economy is not expected to return to Q4 2019 until the second half of 2023 when the Bank expects GDP to be 3% higher than 2019 at the end of 2023. Consensus forecasts by HMT in November 2020 for "new" forecasts were also more pessimistic than the Bank showing a return to the 2019 position by the end of 2023.

Unlike the MPC the OBR gives three separate forecasts: one the upside scenario "with a rapid rollout of the vaccines"; one in which restrictive public health measures are kept in place until the Spring and vaccines are rolled out more slowly; and one in which lockdown is extended and vaccines are less effective in keeping the virus in check.

The delivery of an effective vaccine has a dramatic effect on the forecast. In the upside scenario output returns to its pre Covid-19 level in Q4 2021 and, most importantly, returns then to the output levels previously forecast in March 2020. Without an effective vaccine, recovery is not forecast to take place before Q4 2024 when the growth rate resumes from a base level 6% lower than in March, due to permanent scarring to the economy. Significantly the difference between the upside and the downside scenarios is: peak unemployment 5.1% and 11.0%; PSNB 2020-21 16.7% and 21.7% and PSND 90.5 and 123.1.

The OBR's scenario with no effective vaccine would yield an outcome that would be socially disruptive, as the economic consequences would be dire: unprecedented public borrowing would be required, if essential services such as the NHS were to be maintained, and if social benefits were to be continued; and demand would collapse, reducing asset prices, leading to widespread negative equity, and bankruptcies would throttle supply causing inter-linked businesses to fail. In turn these factors would further increase Government borrowing. While such a disaster now seems likely to be avoided, I forecast that in such a scenario, for which there are ample precedents, a great inflation would follow relieving debtors, at the cost of savers and other creditors – the debt would be monetised. The social impact of such an economic outcome would be considerable.

Fortunately, as Willie Whitelaw said, "The future has changed" a sentiment with which I concur as I forecast an economic outcome similar to the OBR upside scenario. Only the OBR has forecast this upside scenario, based specifically on the early deployment of an effective vaccine, a course which the UK is undertaking. GDP is expected to return to its pre-pandemic level in Q4 2019 by Q4 2021 and grow substantially as previously forecast in March 2020 at 1.5%.

OBR, like the Bank and most other forecasters, assume that the current Brexit negotiations conclude with a "deal". Without such a deal there would be an initial reduction in output of 2% compared to its upside scenario, a reduction which would fall to 1.5% by Q1 2026, or a reduction due to a no deal Brexit of about 0.3% per year for about 20 years.

The economic forecast for Scotland closely resembles that of the UK, except the recent Scottish growth has been lower than the UK in every quarter since Q2 2018. EY forecast this underperformance to continue and over the period 2020 to 2024 to be 0.3% lower per annum than for the UK. Notwithstanding the Scottish performance, Edinburgh is expected to grow by 0.3% above the UK average and 0.6% above the Scottish average.

The Scottish fiscal position is currently of little practical significance but would be material if Scotland became independent. However, the new tax raising powers in Scotland matched with Scottish expenditure give Scotland increasing responsibilities and these parameters are becoming increasingly relevant. The FAI reported in September that there were "no indications that the Scottish economy has been disproportionately affected by Covid-19 compared to the UK". The UK budget deficit for 2020/2021 is forecast at £394bn or 19% of GDP, having been forecast at 2.5% before the Covid-19 pandemic. However, before the pandemic Scotland had a budget deficit of 8.6% of GDP which is likely

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to increase to 26% to 28% of GDP and will remain around 10% long after the crisis is over. Until 2010 the Scottish budget deficit moved in line with the UK budget deficit, before widening dramatically and consistently to the current gap.

The most recent OBR forecast, taking into account a successful vaccine deployment, forecasts that UK growth will return to the previous pattern in Q4 2021. This storm will blow out. But Scotland faces a gathering long-term storm. Taxation brings in less per head than the UK but public expenditure is more than 12% higher than the UK average. Unfortunately, the deficit seems likely to increase as the FAI says "the Scottish Budget will bear the risk that devolved (i.e. Scottish) revenues decline proportionately more than the equivalent revenues in the UK" and "the more worrying question for the Scottish Government is the extent to which slightly weaker growth in the Scottish income tax base relative to UK might persist."

Symptomatic of these worries is the report that the Scottish budget estimated a boost from the five band income taxes it introduced of £428m, but only an extra £119m was obtained. FAI says that the error arose as the Scottish tax base (and specifically earnings) grew slightly more slowly than the UK's. For Scotland, the Covid-19 overarching crisis is a distracting flash flood in the parlour while the constant dreich dripping drizzle feeds the dry rot in the living room. In Scotland, as in the UK, we should rejoice that a miracle of science promises to enable us to return to "normality". Given the most likely outcome without an effective vaccine, Brexit and Scottish Independence are possible minor irritations, but both real ones.

In my judgement a deal or at least an arrangement will be made with the EU, an outcome which will have considerable influence on the future constitution of the United Kingdom. However, compared to a possible Scexit, Brexit is, as Andrew Neil said, like "a tea party".

Property Prospects

In the previous investment cycle the CBRE All Property Yield Index peaked at 7.4% in November 2001, then fell to 4.1% in May 2007 before peaking in this cycle at 7.8% in February 2009, a yield surpassed only very briefly since 1970, when the Bank Rate was over 10%. Subsequently, yields fell to 6.3% in 2012 before falling steadily to a low of 5.3% in August 2017 before rising again over two years to an estimated 5.5% in August 2019 and to 5.9% in September 2020.

This year Savills prime yields have risen in nine of the 14 identified sectors and are unchanged only for West End and City Offices at 3.71% and 4.00% and for distribution units and Industrial multi-lets at 4.25% and 4.10%. Food stores, being essential services, have remained open throughout the current emergencies and have fallen from 4.25% to 4.00%, but High Street retail, Shopping centres and Leisure Parks have all risen 1 percentage point to 6.75% and both M25 and Provincial offices by 0.25 percentage points to 5.25% and 4.00% respectively.

The All Property yield peaked at 7.8% in February 2009 during the Great Recession at 4.6 percentage points higher than the 10-year Gilt, the widest "yield gap" since the series began in 1972 and 1.4 percentage points wider than the previous record in February 1999. The 2012 yield of 6.3% marked a new record yield gap of 4.8 percentage points, due largely to the then exceptionally low 1.5% Gilt yield. The yield gap fell to a low of 3.3 percentage points in 2014 but rose steadily to 4.1 percentage points in 2018, due largely to a drop in the 10-year Gilt yield, and rose further to 4.8 percentage points in 2019 as the Gilt yield fell to a then astounding 0.7% in late November. This year, due to a rise in yield and the further fall in the Gilt yield to 0.3%, the yield gap has risen to 5.6 percentage points, a new record.

The All Property Rent Index, apart from briefly in 2003, rose consistently from 1994 to 2009 when it fell by 12.3%. Immediately following the Great Recession there were three small annual increases totalling 1.6%, but subsequently rental growth improved and averaged 3.6% in the five years to 2017. In 2018 there was a rise of only 0.8% followed by a fall of 0.1% in 2019, due to falls of 3.1% in Shops, 3.8% for Retail Warehouses and 4.9% for Shopping Centres, these last two sectors having had the worst performance in the previous years. The pattern has been repeated this year, as All Property Rental values have fallen 2.1%, Shops 6.0%, Retail Warehouses 4.2% and Shopping Centres 10.8%, while Office and

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Industrial rents are essentially unchanged. Since the Great Recession began 12 years ago, the All Property Rent Index (as extrapolated) has risen by 2.7%, Offices by 11% and Industrials by 28%, but Shops have fallen by 4.6%.

In the 12 months to October 2020 capital values have fallen 8% overall, but have fallen 30% for Shopping Centres, 17% for Retail Warehouses and 12% for Standard Shops, while Industrials are the only sector showing a small rise in value! It is no consolation that in the 24 months following the beginning of the Great Recession All Property capital values fell by an astonishing 44%. A more insidious fall has been the erosion contributed steadily by inflation. Since the market peak in 1990/1991 the CBRE rent indices, as adjusted by RPI for inflation, have all fallen: All Property 35%; Offices 37%; Shops 32%; and Industrials 28%.

The CBRE All Property return in the eight months until October 2020 was -4.0%, but is forecast to be -7.4% for 2020, a sharp change from their 3.5% forecast in February 2020. This forecast followed a return of about 1% for 2019 after two years each of 9.5% returns. The forecast for 2021 is for a return of 3.3%, a 10.0 percentage point change from 2020, but this return masks a continuing fall in Capital values in 2021 in all sectors except Industrials with continuing heavy falls of over 5.0% in Standard Retail, Shopping Centres and Retail Warehouses, sectors where rents continue to decline. However, in 2022 capital growth of 2% combined with rental income gives an estimated total All Property return of 7.2% with Industrial and Offices and Retail Warehouses returning 8% and Retail and Shopping Centres 4% to 5%. In 2023 and 2024 the forecast is for "stability" with returns of 6% for All Property, Offices, Industrials and Retail Warehouses, but a lower 4% to 5% for Standard Retail and Shopping Centres.

The downturn in the retail sector has been dramatic and initially unexpected. In early 2018 IPF forecast positive returns for all three sectors of the retail market in line with other property sectors until 2022. However, by late 2018 IPF forecasts for all retail sectors showed falls in rental and capital value and annual returns for them of between +2% and -2%. In November 2019 the forecast returns for the three sectors for 2019 showed falls of about 5% in rental value, 10% to 15% in capital value and forecast average returns per year for the five years to 2023 of only 1.4% to -0.7%. Symptomatic of the distress in the retail sector is the reduction in the value of Shopping Centres by an average of 30% in the last 12 months.

The retail sector's resilience had been severely tested before the restrictions to reduce the spread of Covid-19 were introduced in the Spring. For several years household income has stagnated or risen very slowly, retail competition has been increasing, especially among supermarkets, retail costs, especially labour costs and rates, have been rising rapidly and online competition has been taking an increasing share of retail sales. This toxic combination is having a most damaging effect on the most exposed retail sectors. But, the most insidious of these adverse factors has been the increase in online sales. In the UK these had already risen from 3% of total retail sales in 2006 to 18% in 2018 and 19% in 2019, resulting in the UK then having the highest percentage of internet retail sales in the world. This strong base in online sales expanded rapidly following the Covid-19 restrictions and online retailing reached a maximum of 33.3% in May 2020, but fell back to 28.5% in October 2020, presumably because of the then limited relaxation of the Covid-19 restrictions.

The Covid-19 regulations have occasioned considerable behavioural change leading to greatly increased use of modern technology, including internet ordering. The surge in demand for such services has prompted better service, technical innovation and cost reduction in deliveries and much wider product availability online. All these factors combine to increase the use of the internet compared to its already high use in 2019.

The forecast property returns to retailing indicate that the retail sector is expected to stabilise. If the recent increase in use of online shopping persists post Covid-19, then the use of the internet will stabilise at say 25% of total sales, a rise of five percentage points. Online sales pre-Covid-19 gained 1.5 percentage points more of the market each year. However, in most markets such high growth rates very rarely persist. As the market share of "bricks and mortar" retailing diminishes, as the non online retailers adjust to the change in demand, and as the most vulnerable retailers are replaced by those more competitive, then the online growth rate is likely to diminish, say, to 1.25 percentage points per annum.

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If online sales continue to increase market share by 1.25 percentage points per year then after five years, they will occupy another 6.25 percentage points or 31.25% of sales altogether. If retail sales rose 3.33% per year, then after five years total retail sales will be 18% higher or 118 "units". If internet sales take 31.25% of the 118 units, then internet sales will be 36.9 units and bricks and mortar sales will be 81.1 units, or 6.1 units higher than the existing 75% level. Thus, if the internet penetration reduced to an increase of 1.25 percentage points per year, then with a retail sales growth of 3.33%, bricks and mortar's total sales would increase each year.

Two additional factors will contribute to the future increase of non-online sales. "Retail" encompasses both goods and services and most services for almost all of which demand has been increasing are unavailable online. In the five years prior to the "lockdown" service shop numbers rose by over 20%, an extraordinary mix including increasing of takeaways 23%; casinos 24%; amusement arcades 27%; hair and beauty 31%; café and snack bars 36%; personal beauty 44%; markets 52%; and function rooms 114%. "Property" – letting, letting management, sales and commercial – have opened 8% to 18% more premises. In the current crisis, of the 45 categories of retail shops reducing numbers, only four categories provided services of which two, restaurants and internet cafes, were food related, a section severely effected by the Covid-19 "restrictions".

There is an elegant symmetry between the increase in high street service shops and online ordering: they are a common manifestation of an increased demand for service, the shops providing a service which usually requires personal attendance – getting one's hair done! – and online providing a physical service by reducing time and effort – window shopping and delivery to one's door!

In recent years service costs have risen with increasing labour costs, greater product specialisation and higher quality, while non-service costs have fallen – food and grocery prices in competing supermarkets and clothes and goods sourced in lower cost overseas areas. Thus, the turnover, or sales, of the growing service sector will rise compared to the non-service sector, so increasing the share of total sales secured by bricks and mortar. One of the main influences of demand for services is that as disposable incomes increase an increased proportion of any such increased income is spent on services. Higher living standards will add to the "recovery" of the traditional, but more service orientated high street.

The industrial sector is benefitting greatly from the Covid-19 restrictions, due to increased demand for warehousing and distribution to service online sales, and, post Covid-19, online sales are expected to continue to expand. A Brexit conclusion that does not provide free trade would have a most deleterious short term economic affect and produce a peak demand for these premises. After the immediate crisis there would be an increased demand for storage and handling facilities, partly to provide buffer stocks against custom clearing and transport delays. Overall, I consider any closure of manufacturing premises will be largely offset by premises required for import substitution. In reality, whatever the outcome, the Brexit impact on the overall industrial market will be small.

The Sunday Times reports that, whereas senior City figures "predicted an exodus", 200,000 in one case, the number of personnel being replaced from London or being moved abroad to meet EU regulations is estimated by The "EY" tracker to be 7,500 since 2016. The immediate effect on the office sector resulting from the Brexit outcome will also be small, at least compared to the Covid-19 effect. However, there will be a small continuing attrition, but the prospective future service growth in the City associated with the EU is almost certain to be reduced as continental centres, especially Paris, whose interests may have featured large in the protracted negotiations, vie to supplant the City. The current Brexit negotiations, although very wide ranging do not include detailed arrangements for services, particularly regarding banking and financial regulations, and how the current "understandings" are determined will be determinative on the level of the City's EU business. I suspect the longer-term effect of Covid-19 on office demand, especially for large city offices is potentially much more serious. Certainly, the continuation of the current protocols for minimising Covid-19 would induce a significant reduction in office values.

Fortunately, an effective vaccine or vaccines are expected to be available shortly, permitting a large-scale return to work premises, a change crucial for all but the very smallest offices, the extent of such a return will vary according to the size and layout of the business premises, the adoption of "working from

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home” and the type and lengths of commuting required, all three being interlinked. Most affected will be large businesses, especially those businesses in high rise buildings, requiring lifts to distant floors, and all businesses with staff commuting into or within city centres using public transport, notably in Central London. RICS report that 93% of respondents to their survey expect to “scale back their office footprint”. Of these 93% one third expect to reduce space by between 5% and 10% and a further third by between 10% and 20%. Unsurprisingly, in the RICS Survey in Q2 of rental expectations 75% of respondents expected rents to fall. In the Great Recession rental values were 5.5% lower nine months after a similar survey result.

Virus pandemics have either ‘faded’ like Spanish flu, been contained like Ebola, been attenuated by behavioural change and palliative drugs like AIDS or are tolerated at a low level by vaccination like “influenza”. Once the initial fears have subsided, the most likely outcome from Covid-19 will be, given most workers will not be Covid-19 “vulnerable” and that effective vaccines become widely used and updated, like the current flu vaccine, that the reduction in city centre working, even allowing for part time or full-time home working, primarily by the elderly or vulnerable, will be less than is currently feared.

The supply of offices is highly inelastic and its space normally unsuited for other uses. Thus, even a small reduction in demand as a result of Covid-19 or Brexit, will lead to high vacancy rates and lower investment values. Consequently, City centre office investments are likely to be the most vulnerable commercial asset in the coming years, given that most of the falls in the retail sector, particularly in Shopping Centres and Retail Warehouses, have already taken place or are largely discounted.

This time last year only very small rises in house prices were forecast. OBR forecast a rise of 1.3% and HMT's “Average of Forecasts” 2.0%. Such forecasts were made before the onset of the Covid-19 pandemic reduced prices by about 1% in the Spring. Thus, quite unexpectedly, increases in house prices in the 12 months to October 2020 are reported as: Halifax 7.5%; Nationwide 6.5%; and Acadata 4.4% (England and Wales only). Halifax reports that in four summer months alone prices rose by 5.3%, the largest rise since 2009, due to “a fundamental shift in demand brought about by the structural effects of increased home working and a desire for more space ... the stamp duty “holiday” is incentivising vendors and buyers to close deals” and that the average price is above £250,000 for the first time. Nationwide noted that the price rise was accompanied by a rise in mortgage approvals in October to 105,600, the highest monthly number since 2016.

The lower 4.4% rate of price increase reported by Acadata may be due to their compilation of completed sales whose date lags the mortgage approval dates used by Halifax and Nationwide by about two months. All the commentators note that “garden space”, the desire to “get away from the hustle and bustle of urban life” and “larger” houses were newly important considerations for those considering house purchases. Acadata illustrate the regional differences within England and Wales as in Greater London prices rose 7.3% but, in the Midlands, and the North East by only 2.0%.

Increased prices seem anomalous in the current severe economic downturn, as most commentators link house prices with long-term growth in GDP or earnings, but this year other factors have supervened. The uncertainty over the Brexit decision delayed house moves in 2019; measures to counteract Covid-19 increased demand for gardens, larger houses for home working and more “space”; more credit became available at low rates for low LTV buyers, normally “second steppers” and in England the time limited stamp duty concession instigated on 8 July 2020, lasting until 31 March 2021, increased demand disproportionately for more expensive houses, the main beneficiaries of the concession, and consequently, the more expensive areas. Per contra, high LTV borrowers, especially “first homes”, faced a greatly reduced supply of credit and benefited little from the stamp duty concessions. Thus, within sales there is a higher proportion of more expensive houses which increased the unweighted average price reported by more than if there had been a “standard” proportion of house types. Consequently, the UK average price of detached houses in the year to September rose by 6.2% but by only 2.0% for a flat.

The Acadata Scottish HPI lags its England and Wales index by a month. In the year to September house prices rose by 3.0% compared to 3.4% in England and Wales. The LBTT concession in Scotland is far

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less valuable than the SDLT concession in England and Wales. In England and Wales until 8 July 2020 a £500,000 house would be taxed at £15,000, but nil currently. In Scotland the respective payments would be £23,350 and £21,250, a small saving of £2,100!

The average price in Scotland was £189,452 a new record. The range of price changes within Scotland has been remarkable, between 28.4% in Shetland and -8.3% in Aberdeen City: Shetland's figure results from statistically few sales and Aberdeen's from the continuing contraction of the oil sector. Among the higher priced areas, Stirling and East Lothian recorded rises of 14.1% and 11.2% respectively, but East Dunbartonshire fell 7.5%. No pattern is discernible for such changes.

In contrast, the ESPC's report for east central Scotland shows a distinct pattern. Areas near Edinburgh have shown large price rises: 8.0% in the Lothians; about 13% just north of the Forth; and 20% in the Borders but overall Edinburgh City Centre prices have declined 7% to £347,000. In general, throughout Edinburgh one-bedroom flat prices are unchanged, but two-bedroom flats have risen, more particularly in the "better" or improving areas such as Morningside, Stockbridge and Portobello. This survey covers only sales by solicitors omitting those by Estate Agents whose market is skewed to the more expensive properties. Thus, higher priced properties are less fully represented, although comparisons between periods in the ESPC data are not so invalidated.

House price forecasts are unusually varied. The OBR expects prices to "fall back" by 8% in 2021, driven by the end of the stamp duty holiday and the "hit" on household incomes following the end of Coronavirus Job Retention Scheme, but recovering by about 4% in 2022 and to continue to rise, but by the end of 2025 to be 17% below their March 2020 forecast. HMT "new" forecasts reported in November 2020 are also despondent with forecasts of 1.5% in 2020 followed by -2.1%, -0.9%, -3.0% and -3.9% in the successive years 2021 to 2024.

Agents are generally less despondent. Hamptons expect no growth in 2021, but 6% over the next two years. For Scotland they forecast no rise in 2021 but 8.5% over 2022 and 2023. Savills provide the most comprehensive and the most frequent forecasts, and a comparison of recent forecasts demonstrates the perceived volatility of the market. In June 2020 UK mainstream house prices were forecast to decline 7.5% in 2020 and in the five years to 2024 to rise by 15.1%, but in September they revised the 2020 forecast to a rise of 4.0%, an 11.5 percentage point swing, and correspondingly improved their forecast to 20.4% for the five-year period to 2024.

The Savills September forecasts no change in 2021 in any of the GB regions, but growth is forecast to resume in 2022 by 4% and to be 15.7% over the three years to 2025. The three-year growth for London is forecast as only 7.5%, higher in the South East and South West, but highest in outlying areas, including the North West 21.9% and Scotland 20.7%. The separate Savills Prime market forecasts a price fall in 2020, but growth to resume in all regions in 2021 and, in the four years to end 2024, Outer London has the lowest growth forecast of 10.3% and the London commuting and suburban regions have below average rises. The highest rises of 18.5% are forecast for the Midlands and the North followed by 17.3% for Scotland.

Savills have consistently highlighted the prosperity of the Edinburgh region due to its inherent attraction and to its high economic output. In the December 2018 NUTS analysis – the current one is delayed - of the NUTS 3 category Edinburgh has the eighth highest output of the 174 NUTS units in category 3 and has an annual growth rate of "real" GDP of 2.7%, the fourth highest among the 174 group following Richmond on Thames 5.4%, Solihull 5.0% and Kensington and Chelsea 3.3%. Edinburgh house price rises are forecast to continue to exceed those in most other areas.

The Halifax index previously peaked at the £199,000 recorded in August 2007. The equivalent inflation-adjusted price in October 2020 would have been £283,252 or 42.3% higher, but the current Halifax price in October 2020 is £250,457 – some way off! If house prices rise at 3.5% per annum and inflation is 2.0% per annum, then just less than nine more years will elapse before the August 2007 peak is regained in real terms.

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House prices are difficult to forecast and historically errors have been large, especially around the timing of reversals or shocks. I repeat my previous forecasts, "... the key determinant of the long-term housing market will be a shortage in supply, resulting in higher prices".

Future Progress

The Group's strategy is unchanged, but its implementation has been delayed by a year by the direct and indirect effect of the Covid-19 virus pandemic. Work stopped on our development at Brunstane; the processing of the planning permission at St. Margaret's was extended by the working restrictions at City of Edinburgh Council; the commercial realisation of the redevelopment was delayed by the uncertainty of the future demand for student housing; and the demand for development plots was severely restricted. The dislocation of services caused by "furloughing" and changing methods of working has caused considerable delay to most normal business activity and subsequent commercial success. During this interruption virtually all normal overhead costs were payable while incomes were reduced or delayed.

The recent announcement of the commencement of vaccine treatments will allow the recovery from the current poor market conditions that persist in some market sectors. Fortunately, the successful prosecution of the Group's business does not depend on a full recovery, as a partial economic recovery, together with a lowering of restrictions will, when combined with an expected accompanying change in sentiment, ensure the strength of our markets.

Under such circumstances the Group's immediate strategy is to develop its sites in the immediate Edinburgh housing market and the geographical extension to that market that is developing.

Crucial to our strategy is the development of St Margaret's House, Edinburgh, into 377 student bedrooms and 101 residential flats of which 26 will be affordable. This conditional sale was due to have the primary conditions purified by August 2019, but market conditions and planning delays resulted in an extension until 31 August 2020. Continuing market uncertainty and further planning delays forced a continuation of the conditional sale until 30 June 2021. A major step in the completion of the sale took place on 14 August 2020 when planning permission was issued. The Company's application on 8 November 2019 for an amendment of the existing PPP was issued on 4 December 2020, ensuring that the PPP endures, as recently amended, until December 2023. After these long delays we now expect that the remaining suspensive condition will be purified by 30 June 2021 and that completion of the disposal will take place in the first quarter of 2022. These further delays have postponed work on other developments. The sales proceeds from Brunstane and the recent sale of Ardpatrik, once complete in March 2021, will allow us to expand our development programme.

We have explored "alternative financing" possibilities for our Belford Road development site, and will continue to do so, seeking an acceptable arrangement. However, in view of the long-lead times, we commissioned architects who have remodelled the Belford Road facade to reflect current demand and modern design. Further work will be undertaken early next year.

In November 2018 a contractor was appointed to our Horsemill phase at Brunstane after the site start was further delayed by credit formalities to complete even the small additional funding for the project. The uniquely complex nature of the restoration and the construction, together with a prolonged archaeological investigation, has hindered the project whose progress was then interrupted by the last-minute requirement of a monopoly service supplier to reroute an existing main cable. Then the contractor was due to undertake the final "tarmacking" on the day on which the Covid-19 lockdown regulations came into effect. When marketing eventually took place in July 2020, all five properties went "under offer" within two months at prices at or above the Home Report, all higher than our budget prices, and of which two have completed and the other three await offerors' sales of existing properties. All three completions are now expected in the first quarter of 2021.

Our developments require a stable and liquid housing market, but we do not depend on any increase in prices for the successful development of most of our sites, as most of these sites were purchased unconditionally, for prices not far above their existing use value and before the 2007 house price peak. A major component of the Group's enhancement of value lies in securing planning permission, and in

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its extent, and it is relatively independent of changes in house values. For development or trading properties, unlike investment properties, no change is made to the Group's balance sheet even when improved development values have been obtained. Naturally, however, the balance sheet will reflect such enhanced value when the properties are developed or sold.

The strategy of the Group will continue to be conservative, but responsive to market conditions, so continuing a philosophy that underlay the change from primarily investment property to include an extensive development programme. This strategy change allowed us to escape the devastation caused by the 2008 Great Recession from which sections of the property sector never recovered and to avoid the extensive loss in value associated with Covid-19 pandemic and the changes adversely affecting most retail and many office investments.

On behalf of the members of the Group I pay tribute to all our employees who have worked well and unstintingly under difficult conditions throughout the long Covid-19 period.

The closing mid-market share price on 21 December 2020 was 145p, a discount to the NAV of 204.5p as at 30 June 2020. The Board does not recommend a final dividend, but intends to restore dividends when profitability and consideration for other opportunities and obligations permit.

Conclusion

Covid-19's effects will be less extreme, but more extensive than originally expected. Catastrophe on an historic scale, and even the lesser consequences of the Spanish flu, will be avoided due to the unprecedentedly rapid development of apparently successful novel vaccines. Unsurprisingly, very adverse possible long-term economic effects of the Covid-19 pandemic were widely considered likely. Fortunately, such forecasts made during or in the immediate aftermath of an unusual event are subject to a "salience bias," disproportionately weighting a recent or prominent event: one recently crashed car greatly increases the subjective assessment of the probability of traffic accidents.

There are many precedents for "expected" calamities becoming no more than "corrections". For instance, no forecast economic storm occurred following the widely held concerns about Y2K, leaving the ERM, or remaining outside the Eurozone, the latter two decisions actually proving very beneficial. Leaving the EU, considered by many to have far reaching economic consequences, has now been reappraised by the FT as: "Contrary to initial fears, Brexit no longer holds concerns for the global economy or financial stability", although "hard years of putting up with great trade frictions still lie ahead". Similarly, the OBR reassessed the potential economic damage to the UK economy as a 0.21% reduction per year until 2035 in the growth of the economy. For many the prospect of leaving the EU threatened the very future of the City. Axel Weber, ex-President of the Bundesbank, recently said "no other city had emerged as a viable challenger to London", noting his bank, UBS Group AG, had relocated only 4% of staff, a fraction of the initial estimate. Similarly, dire estimates of the economic effects of the Covid-19 pandemic have had to be re-appraised. In June the OECD forecast that the US economy would decline by 8.5%, but in November revised that forecast to only 3.7%, and that in China an expected contraction of 3.0% was revised to growth of 1.8%. The OBR now expect the UK's economy, assuming rapid deployment of the vaccine and a Brexit deal, to recover to the pre virus peak from the current -11% in Q4 2021.

We have been extraordinarily lucky, as in spite of inadequate contingent planning for new virus diseases, vaccines have been made available at unprecedented speed. We are also very lucky we are now able to discern that the orthodox assessment of such risks and that the pre-emptive planning for them was inadequate. Errors in one orthodoxy prompt questions of others.

Prior to the pandemic, orthodoxy considered such plagues were historic, even romanticised by Silk Road origins. The orthodox view had merit: smallpox, bubonic plague, polio, Sars, typhoid, bacterial diseases and even TB, malaria and HIV/AIDS have been controlled. The pandemic threats of virus diseases from distant places was considered as remote in spite of sporadic contrary warnings given by outbreaks of Ebola or Zika. Covid-19 shattered that orthodoxy of security.

Caledonian Trust PLC
Chairman's Statement

The overall economic response to the crisis, while wholly correct, is contrary to current economic orthodoxy. While raising debt levels to counter a recession is a normal contracyclical policy, what is unorthodox, as the FT comments, is "the funeral of austerity as fiscal orthodoxy practised over decades since the debt crisis .. has been replaced with fiscal activism". Martin Wolf, the FT's Chief Economic Commentator is more pungent: "The old fiscal rules were a mistake. Now they are grotesque."

The economic benefit of sustaining capital investment in and following a downturn was dismissed as inappropriate by Germany and the ECB during the Euro crisis, as it was by Cameron and Osborne sometime later in the UK. Such enforced fiscal rectitude – Margaret Thatcher's "kitchen sink economics" – delayed the recovery and hindered the growth in all these economies and was consistently and correctly criticised by informed economists such as Martin Wolf in the UK and Larry Summers in the USA. With the experience of recent events such fiscally constrained policies are now considered, and correctly so, as I have argued here consistently, to have been wrong. The summary abandonment of this mistaken orthodoxy coincides with undermining of another acquired orthodoxy: the reliance on monetary control via the MPC as the overriding method of economic management. These reversals follow a long tradition of failed economic orthodoxies with a lineage stretching back to the defence of Sterling, the ERM, the Gold Standard, and include of course, the Euro project, in reality a political Trojan horse. The motivation for these economic policy orthodoxies is diverse: political preference disguised as economics in some cases; in others, ulterior group loyalties, as so clearly demonstrated in the popular TV series – "Yes, Minister"; and at times, deference of individual opinion to group norms, "group think", or to "authority".

Orthodoxies are widely spread and provide the attitudinal structure for very widely encompassing and diverse networks, doctrines, cultures and organisations as Divine right of Kings; infallibility; medieval Guild systems; caste categorisation; WW1 strategy; persistence of medical phlebotomy; geocentrism; and cartelised professions. Many of these orthodoxies, private networks of collusive, collaborative and lobbying organisations, technically "distributional coalitions", give economic advantage to those few participants controlling them, but at the cost of much greater economic disadvantage to the whole economy. Such orthodoxies lack intellectual integrity which renders them susceptible to the sudden failure that has occurred with many economic orthodoxies.

The challenge to orthodoxy by the discovery of effective vaccines, but particularly of their rapid approvals, illuminates how, when the need arises, results are achievable, and illustrates the failure of the established orthodox procedure. Logically, it would be functional to examine all economically significant orthodoxies to determine their underlying control and motivation. Those dependent on "authority" should be assessed on authenticity, accuracy and appropriateness and their relevance reviewed, while other distributional coalitions should be analysed on the extent to which they operate against the public interest and should beneficially be reformed. A glorious memorial to the suffering caused by Covid-19 would be an appropriate dissolution of these orthodoxies.

A handwritten signature in black ink, appearing to read 'I D Lowe'. The signature is fluid and cursive, with a long horizontal stroke at the end.

I D Lowe
Chairman
22 December 2020

Strategic report for the year ended 30 June 2020

Operating and Financial Review

Principal Activities

The principal activities of the Group are the holding of property for both investment and development purposes.

Results and proposed dividends

The Group profit for the year after taxation amounted to £95,000 (2019 profit: £2,059,000). The directors do not propose a dividend in respect of the current financial year (2019: Nil). The Group net asset value amounts to £24,095,000 (2019: £24,000,000).

Business review

A full review of the Group's business results for the year and future prospects is included in the Chairman's Statement within the Review of Activities on pages 2 to 5 and Future Progress on page 16. In accordance with legislation the accounts have been prepared in accordance with IFRS as adopted by the EU ("adopted IFRS"). As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent Company is not presented as part of these financial statements.

Key performance indicators

The key performance indicators for the Group are property valuations, planning progress and the stability of house prices, all of which are discussed in the Chairman's Statement. The intention in the coming year is to realise cash from the sale of assets to provide funding for its existing development programme, repay certain existing debt and provide general working capital.

Principal risks and uncertainties

There are a number of potential risks and uncertainties, which have been identified within the business and which could have a material impact on the Group's long-term performance.

Development risk

Developments are undertaken where appropriate value is judged to be obtainable after consideration of economic prospects and market assessments based on both internal analysis and external professional advice. Committed developments are monitored regularly.

Planning risk

Properties without appropriate planning consent are purchased only after detailed consideration of the probabilities of obtaining planning within an appropriate timescale. The risk that planning consent is not obtained is mitigated by ensuring purchases are made at near to existing use value. In such purchases the Group adopts a portfolio approach seeking an overall return within which it accepts a small minority will be less successful.

Property values

The Group's principal investment properties have either development prospects or a development angle which should insulate them against the full effect of any general investment downgrade of commercial property.

Strategic report for the year ended 30 June 2020

Principal risks and uncertainties (continued)

Availability of funding

The Group is dependent upon bank funding to undertake its developments and for future property acquisitions. Bank facilities will be negotiated and tailored to each project in terms of quantum and timing. Any intended borrowings for future projects will be at conservative levels of gearing.

Funding is readily available, provided the banks' current strict criteria are met and the relatively high rates of interest are accepted.

The low acquisition cost of some of the Group's sites reduces the overall development cost and hence the level of funding available under current formulaic lending processes based on loan to cost.

Covid-19

While the timing of certain activities, principally the completion and sale of new homes on one development site and the completion of a conditional sale of an investment property, have been affected by Covid-19, the Group expects that Covid-19 will have less of an ongoing impact due to the availability of vaccines and that demand will be maintained from tenants for small commercial properties and for quality housing sales.

Tenant relationships

All property companies have exposure to the covenant of their tenants as rentals drive capital values as well as providing income. The Group seeks to minimise exposure to any single sector or tenant across the portfolio and continually monitors payment performance.

Environmental policy

The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by Group activities.

Brexit

The Group does not expect Brexit to impact significantly on its operations or assets as it and its customers are UK based although there could be an impact on certain building material and component supplies.

Corporate Governance

The directors recognise the need for sound corporate governance. As a company whose shares are traded on AIM, the Board adopted the Quoted Companies Alliance's Corporate Governance Code ("the QCA Code"). Its corporate governance statement including any disclosures required pursuant to the QCA Code is published on the Company's website www.caledoniantrust.com.

Section 172 Compliance

Section 172 of the Companies Act 2006 imposes a general duty on every Director to act in a way they consider, in good faith, would be the most likely to promote the success of the Company for the benefits of its shareholders as a whole. In doing so, Directors should have regard to several matters including:

Strategic report for the year ended 30 June 2020

Section 172 Compliance (continued)

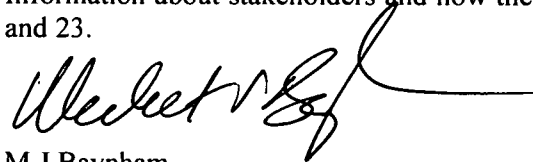
- a) The likely consequences of any decision in the long term;
- b) The interests of the Company's employees;
- c) The need to foster the Company's business relationships with suppliers, customers and others;
- d) The impact of the Company's operations on the community and environment;
- e) The desirability of the Company maintaining a reputation of high standards of business conduct; and
- f) The need to act fairly as between members of the Company.

The Board factors stakeholder interest into its long-term policies and objectives. The business of the Company requires engagement with shareholders, customers and tenants, local planning authorities, employees and suppliers.

When considering stakeholder interest, the Board is responsible for ensuring that the long-term policies and objectives implemented allow the Group to provide tenants with properties which meet their needs and to produce consistently high quality homes on its developments.

The Executive Directors are responsible for the operations of the business while the Non-Executive Director is independent and well positioned to provide objective judgement and scrutiny over decisions made by the Board.

Information about stakeholders and how the Board has discharged its duties are included on pages 22 and 23.



M J Baynham
Secretary
22 December 2020

Corporate Governance

QCA Code Compliance and Section 172 Statement

for the year ended 30 June 2020

The corporate governance report is intended to provide shareholders with a clear understanding of the Group's corporate governance arrangements, including analysing compliance with the Quoted Companies Alliance 2018 Corporate Governance Code ("the QCA Code") and where the Group does not comply with the QCA Code, an explanation of why it does not.

The QCA Code provides a robust framework which enables the Group to maintain high standards of corporate governance appropriate for the size of the Group. The QCA Code sets out ten principles and each principle and the Group's actions in relation related thereto are set out below. Douglas Lowe, in his capacity as Executive Chairman, is responsible for ensuring the Group has the necessary corporate governance framework in place and that, except for Principle Five, the ten principles are followed across the Group.

Principle One

Business Model and Strategy

The Group's business model is that of a property investment and development company, which is focused on the Scottish property market. Further details regarding application of the Group's business model, its activities and its properties can be found in the 'Review of Activities' section of the Chairman's Statement on pages 2 to 5 of the Group's annual report and accounts for the year ended 30 June 2020. The 'Future Progress' section of the Chairman's Statement on page 16 of the Group's annual report and accounts for the year ended 30 June 2020 provides a summary of the Group's strategy. The key challenges in the execution of the Group's business model and strategy and how the Group seeks to address these can be found in the 'Principal risks and uncertainties' section on pages 19 and 20 of the Group's annual report and accounts for the year ended 30 June 2020.

Principle Two

Section 172 Statement and Understanding Shareholder Needs and Expectations

As well as compliance with the QCA Code, Directors are required in accordance with Section 172 of the Companies Act 2006 to include a statement of how they have taken into account the shareholders in promoting the success of the Company. This section and information on pages 20 and 21 set out how the Board has discharged its duties.

The Board is committed to maintaining good communications and having constructive dialogue with its shareholders in order to understand the needs and expectations of the Company's Shareholders. It is important to note that the executive directors are the two largest shareholders, holding over 85% of the Company's share capital.

Investors have access to current information on the Company through its website, www.caledoniantrust.com, through its regulatory announcements, its annual and interim accounts and through the directors who are available to answer investor related enquiries.

Shareholders may contact the Company in writing via email (webmail@caledoniantrust.com), via telephone on 0131 220 0416 or in writing to the Company's Head Office, 61A North Castle Street, Edinburgh EH2 3LJ. Any information provided in response to any such enquiries will be information that is freely available in the public domain.

All shareholders are encouraged to attend the Company Annual General Meeting where the Directors listen to the views of the shareholders formally during the AGM and informally following the AGM. In the event of a voting decision not being in line with its expectations the Board would seek to engage

Corporate Governance
QCA Code Compliance for the year ended 30 June 2020

with those shareholders to understand and address any concerns as appropriate. The arrangements for the 2021 AGM will be affected by Covid-19 restrictions and the Directors will encourage shareholders to continue their engagement with the Directors through any of the channels already mentioned.

The Board seeks to encourage discussion with its shareholders to whom they make themselves available. The Board dedicate sufficient time to ensure that communication is effective with existing and potential shareholders and other key stakeholders. The Board believes the Company's mode of engaging with shareholders is adequate and effective.

Principle Three
Wider Stakeholder and Social Responsibilities

Following Scottish Government guidance on the Covid-19 pandemic, the Group's only development site was closed temporarily on 24 March 2020 and socially distanced work space was implemented within the Group's administrative office. Where possible, staff also worked from home.

On the basis of the Directors' knowledge and long experience of the operations of the Group the Board recognises that the long-term success of the Group is reliant upon the efforts of the employees of the Group, its professional advisors and its contractors. The directors engage directly on a regular basis with all these stakeholders which ensures that there is close Board oversight and contact with the Group's key resources and relationships.

Employees: The Group has a small number of full time and seasonal employees. The Executive Directors are in regular contact with the Group's employees, which provides an opportunity for employees to discuss matters they wish to raise. The administrative staff are in contact with the Directors on a daily basis and employees working remotely at other sites are in contact with the Chairman regularly by phone. No pay review has taken place due to the uncertainties caused by the Covid-19 pandemic.

Customers: The Group aims to deliver quality homes and other developments. It invests in good design features and should any snagging work be required, it ensures rectification is completed quickly. The Group's interaction with its tenants is constructive and cordial and any contentious points are quickly resolved. The Group recognises the important role of all relevant Regulations and seeks to conform with both the spirit and the requirement of the regulations.

Suppliers and professional advisors: The Group engages contractors after appropriate formal and informal vetting, and for larger projects after formal tendering. The Executive Directors meet with contractors regularly throughout large projects to review their recommendations and to review progress. Advisors are selected on the basis of suitability and experience for the advice required. For each firm engaged an agreed nominated partner or director is responsible for the Group's instructions and advice who reports to the executive directors as required.

Environment: The Board recognises the growing awareness and requirements in respect of environmental issues and is working with its professional advisors to promote an environmentally friendly approach to the design of its new developments.

The Group takes into account feedback received from its key stakeholders and considers making amendments to working arrangements and operational plans where appropriate and where such amendments are consistent with the Group's strategy and objectives. However, no material changes to the Group's working processes were required over the year to 30 June 2020, or more recently, as a result of stakeholder feedback received by the Company.

Corporate Governance
QCA Code Compliance for the year ended 30 June 2020

Principle Four
Risk Management

In addition to its other roles and responsibilities, the Audit and Compliance Committee is responsible to the Board as a key control for ensuring that procedures are in place, and are being effectively implemented to identify, assess and manage the significant risks faced by the Group in respect of the execution and delivery of the Group's strategy. The Board and executive management team also consider and monitor risk on an ongoing basis.

The principal risks and uncertainties which have been identified within the business and which could have a material impact on the Group's long-term performance can be found in the 'Principal risks and uncertainties' section on pages 19 and 20 of the Company's annual report and accounts for the year ended 30 June 2020.

The risks which the Group faces are subject to change and the measures to counter or to mitigate them are reviewed as required. The Board considers that an internal audit function is not necessary, due to the close day to day control exercised by the executive directors.

Principle Five
Maintaining a Well Functioning Board of Directors

As at 22 December 2020 the Board comprised the Chairman and Chief Executive Officer Douglas Lowe, one executive director, Michael Baynham and one non-executive director, Roderick Pearson. Of the Board's members, Mr Pearson is considered to be independent. A further commentary on this topic is provided below.

Mr Lowe has been both Chairman and Chief Executive Officer of the Company for many years. He is the largest shareholder holding over 79% of the issued share capital and has since the banking crisis of 2007 provided significant loans to the Group to fund its working capital requirements. The Board believes that Mr Lowe's shareholding aligns his interests with the other members' interests and there is ample evidence to support this.

The Board consider that in these circumstances it is in the best interests of the Group to maintain Mr Lowe's positions as both Chairman and Chief Executive Officer contrary to recommended best practice in the QCA Code. The Board has been assured that, subject to all debt being repaid, a return to normal remuneration levels and normal investment and trading conditions, further Board appointments and changes will be made. Separately, the Board has received an undertaking from Mr Lowe that if he ceases to work full-time, appropriate Board changes will be made.

The Company presently does not comply with the QCA Code recommendation to have at least two non-executive directors who are identified as independent. For those reasons the Board believes that, given the present size of the Company and the nature of its business and operations it is well served by the current composition of the Board which functions effectively and is well balanced. This position is considered regularly and where appropriate and necessary further appointments will be made.

Mr Pearson has been a non-executive director since March 2007 and the rest of the Board consider him to continue to be independent. Mr Pearson is sufficiently removed from the day to day operations of the Company to retain a critical and independent view and as such he represents the best interests of all the shareholders.

Corporate Governance
QCA Code Compliance for the year ended 30 June 2020

Mr Lowe and Mr Baynham work full time and Mr Pearson currently works on average two days per month. Biographical details of the current directors are set out below. Executive and non-executive directors are not presently subject to re-election.

The Board met formally on seven occasions during the year to 30 June 2020. All of the directors attended all of the meetings. It has established an Audit and Compliance Committee and a Remuneration Committee, details of which are set out further below. The Audit and Compliance Committee met on three occasions during the year ended 30 June 2020. As the Board resolved not to amend the remuneration of the Directors, the Remuneration Committee was not required to meet during the year ended 30 June 2020.

As appointments to the Board are made by the Board as a whole it is not considered necessary to create a Nominations Committee.

Principle Six
Appropriate Skills and Experience of the Directors

The Board currently consists of three directors. Mr Baynham is also the Group Company Secretary. The Board recognises that it currently has a limited diversity and increasing diversity will be considered as and when the Board concludes that replacement or additional directors are required.

The Board is satisfied that with the Directors, it has an effective and appropriate balance of skills and experience to deliver the strategy of Group for the benefit of the shareholders over the medium to long-term. All directors are able to take independent professional advice in the furtherance of their duties.

During the year ended 30 June 2020, neither the board nor any committee has sought external advice on a significant matter and no external advisers to the board or any of its committees have been engaged.

I Douglas Lowe
Chairman and Chief Executive Officer

Mr Lowe is a graduate of Clare College Cambridge (MA Hons in Natural Science and Diploma in Agriculture) and Harvard Graduate School of Business Administration (MBA and Certificate in Advanced Agricultural Economics). Until 1977 he was Chief Executive of his family business, David Lowe and Sons of Musselburgh, property owners, farmers and market growers established in 1860, which farmed intensively 2,000 acres and employed over 200 people.

In 1978 and 1979 Mr Lowe was Deputy Managing Director of Bruntons (Musselburgh), a listed company which manufactured mainly wire and wire rope and employed approximately 1,000 people. He was a significant shareholder and, from 1986 until shortly after joining the Company, Executive Deputy Chairman of Randsworth Trust PLC, a property company with a dealing facility on the Unlisted Securities Market. The market capitalisation of Randsworth Trust PLC increased from £886,000 to over £250 million between April 1986 and sale of the company in 1989.

Mr Lowe purchased shares in Caledonian Trust PLC in August 1987, at which time he became Chief Executive. Mr Lowe attends two broadly constituted private political and economics discussion groups throughout the year. He maintains close contact with all of the Group's professional advisers in order to discuss and identify any new laws, regulations or standards which may affect the Group. He studies a wide range of relevant economic, political and technical publications and undertakes extensive research in preparation of the Chairman's Statements, which accompany the Annual and Interim Accounts. Mr Lowe's experience in many senior executive positions in many organisations ensures that he has the necessary ability to develop and implement the Group's strategy.

Corporate Governance
QCA Code Compliance for the year ended 30 June 2020

Michael J Baynham

Executive Director and Company Secretary

Mr Baynham graduated in law (LLB (Hons)) from Aberdeen University in 1978. Prior to joining the Company in 1989, he worked as a solicitor in private practice specialising in commercial property and corporate law. He was a founding partner of Orr MacQueen WS in 1981 and from 1987 to 1989 was an associate with Dundas & Wilson CS.

Mr Baynham maintains his Practising Certificate with the Law Society of Scotland and attends professional development seminars and other relevant seminars on a regular basis throughout the year. He maintains close contact with all of the Group's professional advisers in order to understand and apply any new laws, regulations or standards relevant to the business.

Mr Baynham's experience of corporate law, commercial property law, commercial property finance, investment and development ensures that he has the necessary ability to implement the Group's strategy.

Roderick J Pearson

Non-Executive Director

Mr Pearson is a graduate of Queens' College Cambridge (MA Modern Languages and Land Economy) and is a Fellow of the Royal Institution of Chartered Surveyors. He has held senior positions in Ryden and Colliers International, practising in Edinburgh, Aberdeen and Glasgow, and now has his own practice, RJ Pearson Property Consultants.

Mr Pearson's experience of property as a surveyor in private practice together with his experience in senior management positions ensures that he has the ability to support the executive directors and also to challenge strategy, and decision making and to scrutinise performance.

All three members of the Board bring relevant sector experience through their long and varied careers throughout the property, financial, legal and consulting sectors. The Board believes that its members possess the relevant qualifications and skills necessary to effectively oversee and execute the Group's strategy.

Principle Seven

Evaluation of Board Performance

The directors consider that the size of the Company does not justify the use of third parties to evaluate the performance of the Board on an annual basis. The Company does not currently have a formal appraisal process for Directors but the Chairman assesses the effectiveness of the Board as a whole and the individual directors to ensure that their contribution is relevant and effective. This process is performed over the course of the year. He also assesses the effectiveness of the Audit Committee and the Remuneration Committee. During the year ended 30 June 2020, the Chairman's assessment did not find any shortcoming in Board or committee effectiveness and did not lead to any material recommendations for any changes.

The Chairman is the majority shareholder and the above arrangements are acceptable to him. The Board has not received any communication from independent shareholders raising an issue on Board effectiveness. The Board will continue to assess this position on at least an annual basis, and if and when it is deemed appropriate it will establish more prescribed evaluation processes.

Corporate Governance
QCA Code Compliance for the year ended 30 June 2020

The Directors have given consideration to succession planning and have in place a strategy to address succession as and when it becomes necessary. The Board believes the current board and current committee structure and membership is appropriate, but will consider whether any board and other senior management appointments are required on at least an annual basis and will consider the feedback from the Chairman's assessments, as described above, in this process.

Principle Eight
Corporate Culture

The Board acknowledges that their decisions on strategy and risk determine the corporate culture of the Group and its performance. High standards of ethical, moral and social behaviour is deemed important in achieving the Group's corporate objectives and strategy and such standards are actively promoted. The Group only has a small number of employees who work closely with the Executive directors. Accordingly, the Board is always well placed to assess its culture which respects all individuals, permits open dialogue and facilitates the best interest of all of the Group's stakeholders. The Board are prepared to take appropriate action against unethical behaviour, violation of company policies or misconduct.

The Company has adopted a policy for directors' and employees' dealings in the Company's shares which is appropriate for a company whose securities are traded on AIM, and is in accordance with rule 21 of the AIM Rules and the Market Abuse Regulation of the European Union.

Principle Nine
Maintenance of Governance Structures and Processes

Board Roles and Responsibilities

Ultimate authority for all aspects of the Group's activities rests with the Board, with the respective responsibilities of the Directors delegated by the Board. Given the size and nature of the Group's business both of the executive directors engage directly with all key stakeholders on a regular basis.

As noted in the disclosure above in respect of Principle Five, Mr Lowe is both Chairman and Chief Executive Officer of the Company. In his role as Chairman, Mr Lowe has overall responsibility for corporate governance matters in the Company, leadership of the board and ensuring its effectiveness on all aspects of its role. In his role as Chief Executive Officer Mr Lowe leads the Group's staff and is responsible for implementing those actions required to deliver on the agreed strategy.

Matters reserved specific to the Board include formulating, reviewing and approving the Group's strategy, budget, major items of capital expenditure, acquisitions and disposals, and reporting to shareholders and approving the Annual and Interim Statements. The Board is also responsible for assessing the risks facing the Group and where possible developing a strategy to mitigate such risk.

The Board complies with the Companies Act 2006 and all other relevant rules and regulations including their duty to act within their powers; to promote the success of the Group; to exercise independent judgement; to exercise reasonable care, skill and diligence; to avoid conflicts of interest; not to accept benefits from third parties and to declare any interest in any proposed transaction or arrangement.

At present, the Board is satisfied with the Group's corporate governance, given the Group's size and the nature of its operations, and as such there are no specific plans for changes to the Company's corporate governance arrangements in the shorter term. As the Group expands and when its programmes of developments increase, future Board appointments and Board changes to reflect such changes will be considered.

Corporate Governance
QCA Code Compliance for the year ended 30 June 2020

Audit Committee

During the period under review the Audit Committee was chaired by Mr Pearson. It met to review the Interim Report, the Annual Report, to consider the suitability of and to monitor the internal control processes and to review the valuations of its investment and stock properties. The Audit Committee reviewed the findings of the external auditor and reviews accounting policies and material accounting judgements.

The independence and effectiveness of the external auditor is reviewed annually and the Audit Committee meets at least once per financial year with the auditor to discuss their independence and objectivity, the Annual Report, any audit issues arising, internal control processes, auditor appointment and fee levels and other appropriate matters.

The Audit Committee have reported that they are satisfied that the internal control processes are robust. The accounting policies meet regulatory requirements and any material judgements are stated in Note 3 of the consolidated accounts for the year ended 30 June 2020. The Audit Committee is satisfied that the external auditor is independent and effective.

The Audit Committee terms of reference can be found here <http://www.caledoniantrust.com/CR11-AUDIT-COMMITTEE-M0918.pdf>.

Remuneration Committee

The Remuneration Committee was chaired by Mr Pearson and met once during the year as set out in its report for the year ended 30 June 2020.

The Remuneration Committee terms of reference can be found here www.caledoniantrust.com/CR11-REMUNERATION-COMMITTEE-M0918.pdf.

Nomination Committee

The Board have agreed that appointments to the Board will be made by the Board as a whole and have not created a Nomination Committee.

At present, the Board is satisfied with the Company's corporate governance, given the Company's size and the nature of its operations, and as such there are no specific plans for changes to the Company's corporate governance arrangements in the shorter term.

As the Group expands and when its programmes of developments increase, future Board appointments and Board changes to reflect such changes will be considered, as appropriate.

Principle Ten
Shareholder Communication

The work of the Company's Audit Committee and Remuneration Committee during the year is described above.

As the Board resolved not to amend the remuneration of the Directors the Remuneration Committee was not required to meet during the year, so no report from this committee is available.

Shareholders have access to current information on the Company through its website, <http://www.caledoniantrust.com>, through its regulatory announcements, its annual and interim financial

Corporate Governance
QCA Code Compliance for the year ended 30 June 2020

reports and via Mr Lowe, Chairman, who is available to answer investor relations enquiries. Shareholders may contact the company in writing, via email (webmail@caledoniantrust.com) or via telephone on 0131 220 0416. Enquiries that are received will be directed to the Chairman, who will consider an appropriate response.

The results of voting on all resolutions in future general meetings will be posted to the Group's website and announced via RNS. Where a significant proportion of votes (e.g. 20% of independent votes) have been cast against a resolution at any general meeting, the Board will post this on the Group's website and will include, on a timely basis, an explanation of what actions it intends to take to understand the reasons behind that vote result, and, where appropriate, any different action it has taken, or will take, as a result of the vote.

The Company's financial reports since 2002 can be found here http://www.caledoniantrust.com/accounts_details.html. Notices of General Meetings of the Company for the last five years can be found here http://www.caledoniantrust.com/AGM_Notices.html.

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Group engages in full and open communication with its shareholders and endeavours to reply promptly to all shareholder queries received. The Chairman prepares a detailed summary of the Group's activities in his Statement which accompanies the Annual and Interim Financial Statements. Regulatory announcements are distributed in a timely fashion through appropriate channels to ensure shareholders are able to access material information on the Group's progress. A report of the audit and remuneration committees is included with Principle Nine above. All shareholders are encouraged to attend the Company's Annual General Meeting.



M J Baynham
Secretary
22 December 2020

Corporate Governance

Audit Committee report for the year ended 30 June 2020

Statement from the Chairman of the Audit Committee

On behalf of the Board, I am pleased to present the Audit Committee Report for the year to 30 June 2020. This report provides shareholders with an overview of the activities carried out by the Audit Committee during the year. The Audit Committee ensures the financial performance of the Group is properly measured and reported.

Committee Members

The Audit Committee comprises R J Pearson (Chairman) and I D Lowe. R J Pearson is the independent non-executive Director.

Other members of the Board occasionally attend Audit Committee meetings when requested by invitation. In the year to 30 June 2020 the Audit Committee met three times and the other member of the Board attended two of those meetings.

Responsibilities

The Audit Committee, inter alia, determines and examines matters relating to the financial affairs of the Group including the terms of engagement of the Company's auditor and, in consultation with the auditor, the scope of the annual audit. It receives and reviews reports from management and the Company's auditor relating to the half yearly and annual accounts and the accounting and internal control and risk management systems in use throughout the Group; reviews the Group's overall risk appetite and strategy; and monitors, on behalf of the Board, the Group's current risk exposures. The Audit Committee monitors the integrity of the financial statements produced by the Group and makes recommendations to the Board on accounting policies and their application. The Audit Committee receives reports from compliance functions within the Group and is responsible for reviewing and approving the means by which the Group seeks to comply with its regulatory obligations. The Committee also ensures that the arrangements for employees and contractors to raise concerns confidentially about possible wrongdoing in financial reporting (or other matters) are proportionate and allow for independent investigation. The duties of the Audit Committee are set out in its terms of reference, which are available from the Company's website. These are regularly reviewed to ensure they remain applicable and up-to-date with legislation, regulation and best practice.

The Audit Committee meets at least twice a year. For the year ended 30 June 2020, the Audit Committee has met three times to consider the planning of the statutory audit and to review the Group's draft half year and full year results prior to Board approval and to consider the external auditor's detailed reports.

Internal Audit

The Group does not currently have an internal audit function. The Audit Committee considered the size and nature of the Group and believes that existing management within the Group is able to derive assurance as to the adequacy of internal control and risk management systems without the introduction of an internal audit function.

Risk Management and Internal Controls

The Group has a range of internal controls, policies and procedures in place. The Audit Committee works alongside the Board to review, and where necessary suggest changes to, the current systems in place.

Corporate Governance
Audit Committee report for the year ended 30 June 2020

The Audit Committee is satisfied that the current systems in place are operating effectively.

External Audit

Johnston Carmichael LLP were re-appointed for the year to 30 June 2020. The Audit Committee monitors the relationship with the external auditor to ensure independence and objectivity at all times. The Audit Committee also reports to the Board on the independence, objectivity and effectiveness of the external auditor. Johnston Carmichael have been the external auditor for the Group since 2017 with David Holmes as the Partner for three years and Grant Roger taking responsibility as Director in 2020. The Audit Committee has recommended that Johnston Carmichael LLP are appointed for the next financial year. Johnston Carmichael LLP do not carry out any non-audit work for the Group.

External Audit Process

Johnston Carmichael LLP prepare an audit plan. This plan sets out the scope and timetable of the audit as well as the areas to be specifically targeted. The plan is provided to the Audit Committee for approval in advance of the audit. On completion of the audit, the findings are presented to the Audit Committee by the auditor for discussion. There were no significant areas of concern highlighted by the auditor this year.

The Group accountant has regular contact and communication with the auditor during the year. This allows for any areas of concern or of significance to be raised with the auditor throughout the year.

Main Issues Discussed and Conclusions

The table below highlights the issues at the audit close meeting: -

Issue	How it was addressed by the Audit Committee
Revenue recognition Revenue from sales of investment and trading properties is recognised on legal completion which is when the buyer takes control of the property whether it is commercial property, private houses or plots of land. Using legal completion minimises the management judgements required to determine when ownership is transferred. Revenue from rents are spread over the life of the lease and for service charges over the period to which the service relates.	With the Group's development site closed due to the Covid-19 lockdown in March, the five houses were not marketed until July 2020 and the Committee satisfies itself that there is no issue with revenue recognition on sales.

Corporate Governance
Audit Committee report for the year ended 30 June 2020

Fair value The approach to assessing fair value of investment properties is conservative. The directors took note of the RICS guidance relevant at 30 June 2020 with specific reference to the impact of the Covid-19 pandemic on property markets and valuations. The directors' assessment of fair value at 30 June 2020 was based on the 2019 external independent valuations by Montagu Evans, Chartered Surveyors, for all but one of the investment properties at 30 June 2019. The remaining investment property was valued at 30 June 2020 by Rettie & Co, a leading independent Scottish firm with the relevant expertise in valuing estates and similar property in Scotland. Both firms prepared their valuations in accordance with relevant industry standards using transactional evidence.	The Committee discusses each of the valuations and is satisfied that the valuations reflect the market prior to the Covid-19 pandemic and the manner in which the markets have performed since. The values ascribed to specific assets are also considered and commented upon in the audit report by our auditor, Johnston Carmichael LLP.
Development properties held as stock Trading properties are carried at the lower of cost and net realisable value. The net realisable value is an area of judgement based on demand, future costs and the availability of planning consent.	The Committee monitors progress and intentions for each location and the timing of work to ensure that planning consents already given endure.



R J Pearson
Chairman of the Audit Committee
22 December 2020

Corporate Governance

Remuneration Committee report for the year ended 30 June 2020

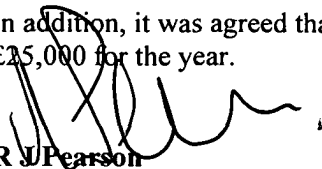
The Remuneration Committee comprises, R J Pearson (Chairman), the independent, non-executive director and I D Lowe. The Remuneration Committee met once during the year.

The Group's cash flow position deteriorated as a result of the Covid-19 pandemic and the lockdown announced in March 2020 and the executive directors agreed to reduce their salary entitlements to the following sums for the year ended 30 June 2020:

Mr ID Lowe	£Nil
Mr MJ Baynham	£37,500

Mr Lowe's benefits package, valued at £6,000, was unchanged. The remuneration of the non-executive director, Mr RJ Pearson, also remained unchanged at £8,000 per annum.

In addition, it was agreed that the Company's pension contribution for Mr Baynham would remain at £25,000 for the year.



R J Pearson
Chairman of the Remuneration Committee
22 December 2020

Directors' report for the year ended 30 June 2020

Directors

The directors who held office at the year end and their interests in the Company's share capital and outstanding loans with the Company at the year-end are set out below:

Beneficial interests - Ordinary shares of 20p each

	Percentage held	30 June 2020 £	30 June 2019 £
I D Lowe	79.1	9,324,582	9,324,582
M J Baynham	6.2	729,236	729,236
R J Pearson	-	-	-

Beneficial interests – Unsecured loans

I D Lowe	100.0	4,380,000	4,330,000
M J Baynham	100.0	99,999	99,999

The interest of I D Lowe in the unsecured loans of £4,380,000 (2019: £4,330,000) is as controlling shareholder of the lender, Leafrealm Limited. The interest of M J Baynham in the unsecured loan of £99,999 (2019: £99,999) is in respect of a loan made by his wife, Mrs V Baynham.

No rights to subscribe for shares or debentures of Group companies were granted to any of the directors or their immediate families or exercised by them during the financial year.

Political and charitable donations

Neither the Company nor any of its subsidiaries made any charitable or political donations during the year.

Disclosure of information to auditor

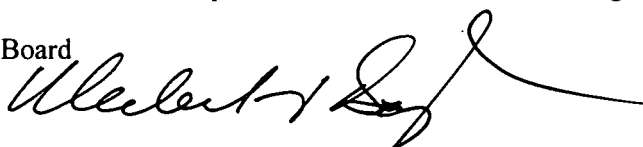
The directors who held office at the date of approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of Johnston Carmichael LLP will be put to the Annual General Meeting.

By Order of the Board

M J Baynham
Secretary



22 December 2020

Directors' Responsibilities Statement in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report and the Directors' Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and the directors have elected to prepare the parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the profit or loss of the Group for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and parent Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the parent Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CALEDONIAN TRUST PLC

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CALEDONIAN TRUST PLC

Opinion

We have audited the financial statements of Caledonian Trust PLC (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 June 2020, which comprise the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Balance Sheet, Company Statement of Changes in Equity, Company Statement of Cash Flows and Notes to the consolidated financial statements and notes to the parent company financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and parent company's affairs as at 30 June 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Overview of our audit approach

- Overall materiality: Group set at £306,200, which represents 1% of the total assets of the Group. Parent company materiality set at £168,410, which represents 1% of the total assets of the company, restricted to component materiality set at group level;
- Key audit matters were identified as the carrying value of investment properties and the carrying value of trading properties held in stock;
- We performed full scope audit procedures for the parent company and all trading subsidiaries within the Group.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CALEDONIAN TRUST PLC

- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in the auditor's professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identify. These matters include those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements, as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Carrying value of investment properties (note 10) Group - 2020: £17.7M, 2019: £17.5M Parent company – 2020: £3.0M, 2019: £3.0M The Group has a large portfolio of investment properties, which provide significant rental income to the Group. We focus on the valuation of investment properties because of their materiality to the Group's and parent company's balance sheet and the inherent level of management judgement required in estimating the year-end value. The value at 30 June 2020 is a valuation by the Directors, based on a third-party valuation as at 30 June 2019, updated for their assessment of current year factors that impact the valuation. The valuation assessment is that all properties bar one have retained their value as at 30 June 2020 in line with the prior year, based on current year assessment of rental yields and estimated rental value. One property in a subsidiary company has increased in value by £250K.	We reviewed the year end valuation of investment properties and challenged the key assumptions and inputs as follows: - We obtained the third-party valuation reports in the prior year and considered whether the assumptions inherent in these valuations remain valid or not for the 30 June 2020 valuation. - We reviewed management assumptions used in their appraisal of valuations and compared to external industry data to assess whether these were reasonable. - We considered external local market data relevant to each property to assess whether or not the fair value movements (based on current rental income and market yields for similar properties) were reasonable, including consideration of the short-term impact of the covid-19 pandemic versus projected longer-term yield data. - We critically assessed the independence, competence and objectivity of each third party responsible for the fair value assessment. Overall, we found the valuation of investment properties to be acceptable.
Carrying value of trading properties held in stock (note 13) Group - 2020: £13.0M, 2019: £12.4M Parent company – 2020: £3.0M, 2019: £3.0M	We reviewed the year end valuation of land and properties held in stock and challenged the key assumptions and inputs as follows:

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CALEDONIAN TRUST PLC

The Group has a large portfolio of land and properties, which are held for development and/or sale. We focus on the valuation of trading properties because of their materiality to the Group's and parent company's balance sheet. Trading properties are included at the lower of cost and their net realisable value. There is a considerable level of inherent management judgement required in estimating net realisable value. Net realisable value is dependent upon availability of planning consent and demand for sites.	• We obtained a reconciliation of the opening carrying value to the closing carrying value of the trading property stock and agreed a sample of additional costs incurred in the year to supporting documentation. • We obtained the current planning status and development plans for each site from the directors, to understand if these sites are to be developed internally or sold as plots to external developers, including copies of the latest planning permissions and consents. • For properties to be developed by the Group, we reviewed management's expected build cost per square foot by comparing to the build costs for similar sites and industry data on build costs and obtained explanations for any variances. • For properties to be sold to an external developer we estimated future build costs and developer margin against external market data to assess the expected total cost. • These projected costs were added to the site carrying costs and then compared to management's projected net realisable value per property or plot. We challenged management's forecast sales prices by comparing to supporting market data on sales prices per square foot and also to recent housing sales in the local market specific to each property. We also considered the overall market in Scotland and the relevant regions by reviewing external report on house price movements in Scotland, including consideration of the short-term impact of the covid-19 pandemic versus projected longer-term price data. • Finally, we performed testing over sales completed in the year and post year end to confirm that these were in excess of cost and therefore did not provide any evidence that carrying values may not be recoverable. Overall, we found the valuation of trading properties to be acceptable.
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· CALEDONIAN TRUST PLC

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CALEDONIAN TRUST PLC

Our application of materiality

The scope of our audit was influenced by the application of materiality. We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Materiality was determined as follows:

Materiality Measure	Group	Parent company
Financial statements as a whole (Overall materiality)	£306,200 This was based on 1% of the total assets of the Group. This is considered to be the most appropriate benchmark given the nature of the business and significant asset value in the investment properties and trading property stock, and is a generally accepted auditing benchmark.	£168,410 This was based on 1% of the total assets of the parent company. This is considered to be the most appropriate benchmark given the nature of the business and significant asset value in the investment properties and trading property stock, and is a generally accepted auditing benchmark. For the consolidation, parent company materiality was then capped from £253,160 to £168,410 based on a component materiality calculation to ensure that the materiality of each component (subsidiary company) is reasonable related to overall group materiality.
Performance materiality used to drive the extent of testing	75% of financial statement materiality.	75% of financial statement materiality.
Threshold for communication of misstatements to the Directors	£15,310 (5% of overall materiality) and any misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£8,420 (5% of overall materiality) and any misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

For each subsidiary within the Group separate materiality calculations were prepared on the same basis as above. The statutory materiality for each subsidiary was lower than the allocated component materiality at a Group level.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements,

CALEDONIAN TRUST PLC

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CALEDONIAN TRUST PLC

for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all audits we also considered the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into accounts the structure of the Group and the parent company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of twelve entities, including the parent company itself. Of these twelve entities seven are dormant companies and five are trading companies. We completed statutory audits of all four trading subsidiary entities and the parent company, which also trades. All work was undertaken by the Group audit team. This audit work was complete prior to finalisation of the audit of the Group financial statements, thereby providing further evidence in support of our Group opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept for the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or

CALEDONIAN TRUST PLC

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CALEDONIAN TRUST PLC

- we have not received all the information and explanations we require for our audit.

Responsibilities of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 35, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Grant Roger (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

22 December 2020

Chartered Accountants
Statutory Auditor

7-11 Melville Street
Edinburgh
EH3 7PE

Consolidated income statement for the year ended 30 June 2020

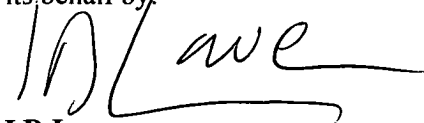
	Note	2020 £000	2019 £000
Revenue			
Revenue from development property sales		90	440
Gross rental income from investment properties		446	441
Total Revenue	5	536	881
Cost of development property sales		(82)	(243)
Property charges		(172)	(173)
Cost of Sales		(254)	(416)
Gross Profit		282	465
Administrative expenses		(428)	(755)
Other income		20	11
Net operating loss before investment property disposals and valuation movements		(126)	(279)
Valuation gains on investment properties	10	250	3,025
Valuation losses on investment properties	10	-	(650)
Net gains on investment properties		250	2,375
Operating profit	5	124	2,096
Financial expenses	7	(29)	(37)
Net financing costs		(29)	(37)
Profit before taxation		95	2,059
Income tax	8	-	-
Profit and total comprehensive income for the financial year attributable to equity holders of the parent Company		95	2,059
Earnings per share			
Basic and diluted earnings per share (pence)	9	0.81p	17.47p

The notes on pages 46 – 66 form an integral part of these financial statements.

Consolidated balance sheet as at 30 June 2020

	Note	2020 £000	2019 £000
Non-current assets			
Investment property	10	17,720	17,470
Plant and equipment	11	10	6
Investments	12	1	1
Total non-current assets		17,731	17,477
Current assets			
Trading properties	13	13,006	12,398
Trade and other receivables	14	122	151
Cash and cash equivalents	15	72	131
Total current assets		13,200	12,680
Total assets		30,931	30,157
Current liabilities			
Trade and other payables	16	(1,213)	(1,206)
Interest bearing loans and borrowings	17	(1,503)	(881)
Total current liabilities		(2,716)	(2,087)
Non-current liabilities			
Interest bearing loans and borrowings	17	(4,120)	(4,070)
Total liabilities		(6,836)	(6,157)
Net assets		24,095	24,000
Equity			
Issued share capital	21	2,357	2,357
Capital redemption reserve	22	175	175
Share premium account	22	2,745	2,745
Retained earnings		18,818	18,723
Total equity attributable to equity holders of the parent Company		24,095	24,000
NET ASSET VALUE PER SHARE		204.5p	203.7p

The financial statements were approved by the board of directors on 22 December 2020 and signed on its behalf by:



I D Lowe
Director

The notes on pages 46 - 66 form an integral part of these financial statements.

Consolidated statement of changes in equity as at 30 June 2020

	Issued share capital £000	Capital redemption reserve £000	Share premium account £000	Retained earnings £000	Total £000
At 1 July 2018	2,357	175	2,745	16,664	21,941
Profit and total comprehensive income for the year	-	-	-	2,059	2,059
At 30 June 2019	2,357	175	2,745	18,723	24,000
Profit and total comprehensive income for the year	-	-	-	95	95
At 30 June 2020	2,357	175	2,745	18,818	24,095

Consolidated statement of cash flows for the year ended 30 June 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Profit for the year		95	2,059
Adjustments for:			
Net gains on revaluation of investment properties		(250)	(2,375)
Depreciation		5	5
Net finance expense		29	37
Net operating cash flows before movements in working capital		(121)	(274)
(Increase) in trading properties		(608)	(748)
Decrease/(increase) in trade and other receivables		29	(14)
(Decrease)/increase in trade and other payables		(22)	199
Cash (absorbed by) operations		(722)	(837)
Interest received		-	-
Net cash (outflow) from operating activities		(722)	(837)
Investing activities			
Acquisition of property, plant and equipment		(9)	(4)
Cash flows absorbed by investing activities		(9)	(4)
Financing activities			
Increase in borrowings	17	672	521
Cash flows generated from financing activities		672	521
Net (decrease) in cash and cash equivalents		(59)	(320)
Cash and cash equivalents at beginning of year		131	451
Cash and cash equivalents at end of year		72	131

Notes to the consolidated financial statements as at 30 June 2020

1 Reporting entity

Caledonian Trust PLC is a public company incorporated in England and domiciled in the United Kingdom. The consolidated financial statements of the company for the year ended 30 June 2020 comprise the Company and its subsidiaries as listed in note 7 in the parent Company's financial statements (together referred to as "the Group"). The Group's principal activities are the holding of property for both investment and development purposes. The registered office is St Ann's Wharf, 112 Quayside, Newcastle upon Tyne, NE99 1SB and the principal place of business is 61a North Castle Street, Edinburgh EH2 3LJ.

2 Statement of Compliance

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards and its interpretation as adopted by the EU ("Adopted IFRSs") applied in accordance with the provisions of the Companies Act 2006. The company has elected to prepare its parent Company financial statements in accordance with Adopted IFRSs; these are presented on pages 67 to 86.

3 Basis of preparation

The financial statements are prepared on the historical cost basis except for investments and investment properties which are measured at their fair value.

The preparation of the 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 expenses. The estimates and associated assumptions 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 the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These financial statements have been presented in pounds sterling which is the functional currency of all companies within the group. All financial information has been rounded to the nearest thousand pounds.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 2 to 18. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in note 18 to the consolidated financial statements.

In addition, note 18 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Group and parent Company finance their day to day working capital requirements through related party loans and bank funding for a specific development project. A related party lender has indicated its willingness to continue to provide financial support and not to demand repayment of its principal loan during 2021.

Notes to the consolidated financial statements (continued)

3 Basis of preparation (continued)

The directors have prepared projected cash flow information for the period ending twelve months from the date of their approval of these financial statements. These forecasts include the directors' assessment of the impact of the Covid-19 pandemic and assume the Group will make property sales in the normal course of business to provide sufficient cash inflows to allow the Group to continue to trade.

Should these sales not complete as planned, the directors are confident that they would be able to sell sufficient other properties within a short timescale to generate the income necessary to meet the Group's liabilities to third party creditors as they fall due.

For these reasons they continue to adopt the going concern basis in preparing the financial statements.

Areas of estimation uncertainty and critical judgements

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is contained in the following notes:

Estimates

- *Valuation of investment properties (note 10)*

The fair value has been assessed by the directors at 30 June 2020 taking account of third-party valuations provided by external independent valuers at 30 June 2019. The independent valuations are based upon assumptions including future rental income, anticipated void cost and the appropriate discount rate or yield. The independent valuers also take into consideration market evidence for comparable properties in respect of both transaction prices and rental agreements. It is not expected that Covid-19 will have a material effect on the carrying values of investment properties.

- *Valuation of trading properties (note 13)*

Trading properties are carried at the lower of cost and net realisable value. The net realisable value of such properties is based on the amount the Group is likely to achieve in a sale to a third party. This is then dependent on availability of planning consent and demand for sites which is influenced by the housing and property markets.

Judgements

- *Deferred Tax (note 20)*

The Group's deferred tax asset relates to tax losses being carried forward and to differences between the carrying value of investment properties and their original tax base. A decision has been taken not to recognise the asset on the basis of the uncertainty of the timing of future taxable profits.

Notes to the consolidated financial statements (continued)

4 Accounting policies

The accounting policies below have been applied consistently to all periods presented in these consolidated financial statements.

Basis of consolidation

The financial statements incorporate the financial statements of the parent 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 so as 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.

Turnover

Turnover is the amount derived from ordinary activities, stated after any discounts, other sales taxes and net of VAT.

Revenue

Revenue from the sale of investment and trading properties is recognised in the income statement on legal completion, being the date on which control passes to the buyer.

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. Costs of obtaining a lease and lease incentives granted are recognised as an integral part of total rental income and spread over the period from commencement of the lease to the earliest termination date on a straight-line basis.

Other income

Other income comprises income from agricultural land and other miscellaneous income recognised on receipt.

Finance income and expenses

Finance income and expenses comprise interest payable on bank loans and other borrowings. All borrowing costs are recognised in the income statement using the effective interest rate method. Interest income represents income on bank deposits using the effective interest rate method.

Taxation

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 the charge / credit 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. As the carrying value of the Group's investment properties is expected to be recovered through eventual sale rather than rentals, the tax base is

Notes to the consolidated financial statements (continued)

4 Accounting policies (continued)

Taxation (continued)

calculated as the cost of the asset plus indexation. Indexation is taken into account to reduce any liability but does not create a deferred tax asset. 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.

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. Properties transferred from trading properties to investment properties are revalued to fair value at the date on which the properties are transferred. When the Group begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured based on the fair value model, and is not reclassified.

The cost of investment property is recognised on legal completion and includes the initial purchase price plus associated professional fees and historically also includes borrowing costs directly attributable to the acquisition. Subsequent expenditure on investment properties is only capitalised to the extent that future economic benefits will be realised.

Investment property is measured at fair value at each balance sheet date. External 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.

Any gain or loss arising from a change in fair value is recognised in the income statement.

Tangible assets

Tangible assets are stated at cost, less accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible assets 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:

Fixtures and fittings	-	33.3 per cent
Motor vehicles	-	33.3 per cent
Other equipment	-	20.0 per cent

Trading properties

Trading properties held for short term sale or with a view to subsequent disposal are stated at the lower of cost or net realisable value. Cost is calculated by reference to invoice price plus directly attributable professional fees. Interest and other finance costs on borrowings specific to a development are capitalised through stock and work in progress and transferred to cost of sales on disposal. Net realisable value is based on estimated selling price less estimated cost of disposal.

Notes to the consolidated financial statements (continued)

4 Accounting policies (continued)

Financial instruments

The Group had no hedge relationships at 1 July 2018, 30 June 2019 or 30 June 2020.

Financial assets

Investments

The Group's investments in equity instruments are measured initially at fair value which is normally transaction price. Subsequent to initial recognition investments which can be measured reliably are measured at fair value with changes recognised in the profit or loss. Other investments are measured at cost less impairment in profit or loss. Dividend income is recognised when the Group has the right to receive dividends either when the share becomes ex dividend or the dividend has received shareholder approval.

Current receivables

Trade and other receivables with no stated interest rate and receivable within one year are recorded at transaction price including transaction costs. Assessments for impairment are performed at each reporting date and any losses are recognised in the statement of comprehensive income. Impairment reviews take into account changes in behaviours and the patterns of receipts from tenants on a case by case basis.

Cash and cash equivalents

Cash includes cash in hand, deposits held at call (or with a maturity of less than 3 months) with banks, and bank overdrafts. Bank overdrafts that are repayable on demand and which form an integral part of the Group's cash management are shown within current liabilities on the balance sheet and included with cash and cash equivalents for the purpose of the statement of cash flows.

Financial liabilities

Current payables

Trade payables are non-interest-bearing and are initially measured at fair value and thereafter at amortised cost.

Interest bearing loans and borrowings

Interest-bearing loans and bank overdrafts are initially carried at fair value less allowable transactions costs and then at amortised cost.

Notes to the consolidated financial statements (continued)

4 Accounting policies (continued)

Changes in accounting policies

IFRS 16 "Leases" replaced IAS 17 and was effective for the Group from 1 July 2019. It establishes principles for the recognition, measurement and disclosure of leases. One impact is the requirement for lessees to recognise "right of use assets" and corresponding lease liabilities. The Group has no relationships where it is lessee and so there was no impact as lessee from the adoption of IFRS 16. IFRS 16 may also affect lessors whose tenants are affected by its adoption.

Operating segments

The Group determines and presents operating segments based on the information that is internally provided to the Board of Directors ("The Board"), which is the Group's chief operating decision maker. The directors review information in relation to the Group's entire property portfolio, regardless of its type or location, and as such are of the opinion that there is only one reportable segment which is represented by the consolidated position presented in the primary statements.

5 Operating profit

	2020	2019
	£000	£000
Revenue comprises: -		
Rental income	446	441
Sale of properties	90	440
	<u>536</u>	<u>881</u>

All revenue is derived from the United Kingdom

	2020	2019
	£000	£000
The operating profit is stated after charging: -		
Depreciation	5	5
Amounts received by auditors and their associates in respect of:		
- Audit of these financial statements (Group and Company)	15	16
- Audit of financial statements of subsidiaries pursuant to legislation	8	8
	<u>23</u>	<u>29</u>

Notes to the consolidated financial statements (continued)

6 Employees and employee benefits	2020	2019
	£000	£000
Employee remuneration		
Wages and salaries	174	407
Social security costs	13	41
Other pension costs	29	32
	<u>216</u>	<u>480</u>

Other pension costs represent contributions to defined contribution plans.

The average number of employees including executive directors during the year was as follows:

	No.	No.
Management	2	2
Administration	3	3
Other	2	2
	<u>7</u>	<u>7</u>

	2020	2019
	£000	£000
<i>Remuneration of directors</i>		
Directors' emoluments	52	249
Company contributions to money purchase pension schemes	25	25
	<u>77</u>	<u>274</u>

Director	Salary and Fees £000	Benefits £000	Pension Contributions £000	2020 Total £000	2019 Total £000
I D Lowe	-	6	-	6	116
M J Baynham	38	-	25	63	150
R J Pearson	8	-	-	8	8
	<u>46</u>	<u>6</u>	<u>25</u>	<u>77</u>	<u>274</u>

The Company does not operate a share option scheme or other long-term incentive plan.

Key management personnel are the directors, as listed above. The total remuneration of key management personnel, including social security cost, in the year was £85,010 (2019: £305,319).

	2020	2019
<i>Retirement benefits are accruing to the following number of directors under:</i>		
Money purchase schemes	<u>1</u>	<u>1</u>

Notes to the consolidated financial statements (continued)

7 Finance expenses

	2020	2019
	£000	£000
Finance expenses		
Interest payable:		
- Other loan interest	29	37
	<u>=====</u>	<u>=====</u>

8 Income tax

There was no current nor deferred tax charge in the current or preceding year.

Reconciliation of effective tax rate

	2020	2019
	£000	£000
Profit before tax	95	2,059
	<u>=====</u>	<u>=====</u>
Current tax at 19% (2019: 19%)	18	391
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(6)	13
Excess depreciation over capital allowances	(3)	-
Losses carried forward	38	47
Revaluation of property not taxable	(47)	(451)
Total tax charge	<u>=====</u> -	<u>=====</u> -

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 (see note 20).

Notes to the consolidated financial statements (continued)

9 Earnings per share

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

	2020 £000	2019 £000
Profit for financial period	95	2,059
	=====	=====
	No.	No.
Weighted average no. of shares: for basic earnings per share and for diluted earnings per share	11,783,577	11,783,577
	=====	=====
Basic earnings per share	0.81 p	17.47 p
Diluted earnings per share	0.81 p	17.47 p

The diluted figure per share is the same as the basic figure per share as there are no dilutive shares.

10 Investment properties

	2020 £000	2019 £000
Valuation		
At 1 July	17,470	15,095
Revaluation in year	250	2,375
	=====	=====
Valuation at 30 June	17,720	17,470
	=====	=====

The fair value of investment property at 30 June 2020 was determined by the directors based on their knowledge of the market and taking account of an independent valuation by Montagu Evans, Chartered Surveyors and for one property, by Rettie & Co, a firm of property specialists as at 30 June 2019. Both valuers have appropriate recognised professional qualifications and recent experience in the location and category of property being valued. Neither external valuers are connected with the Group.

All valuations were prepared in accordance with the RICS Valuation Global Standards July 2017, including the UK National Supplement 2018, often referred to as the "Red Book" which is consistent with the required IFRS 13 methodology. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market sector participants at the measurement date. The properties were valued individually and not as part of a portfolio.

The 2020 valuations reflect changes in lettings and progress on the potential sale of St Margaret's House, Edinburgh which is the subject of a conditional agreement for sale for £11.5 million entered into on 2 February 2018.

The 'review of activities' within the Chairman's statement provides the current status of the Group's property together with an analysis of the 'property prospects' for 2021 and beyond.

Notes to the consolidated financial statements (continued)

10 Investment properties (continued)

The historical cost of investment properties held at 30 June 2020 is £9,521,406 (2019: £9,521,406). The cumulative amount of interest capitalised and included within historical cost in respect of the Group's investment properties is £451,000 (2019: £451,000).

For most properties, valuation was based on vacant possession as the properties were vacant or on short term leases and one used a residual (development) appraisal rather than investment income in order to achieve the highest and best use value. To obtain the residual valuation the end development value is discounted by profit for a developer and cost to build to reach the base estimated market value of the investment. Only two properties were valued using an appropriate yield with allowance for letting voids, rent free periods and letting/holding costs for vacant accommodation and early lease expiries/break options, together with a deduction for purchaser's acquisition costs in accordance with market practice. The resulting net yields have also been assessed as a useful benchmark. Yields of 9.82% and 10% were applied respectively.

Assuming all else stayed the same, a decrease in net rental income or estimated future rent will result in a decrease in the fair value whereas a decrease in the yield will result in an increase in fair value. A decrease of 1% in the average yield would result in an increase in valuation of £160,000 (2019: £160,000). An increase of 1% in the yield would result in a corresponding decrease in the fair value.

All the investment properties have been categorised as Level 2 in both years as defined by IFRS 13 Fair Value Measurement. Level 2 means that the valuation is based on inputs other than quoted prices that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The amount of unrealised gains or losses on investment properties is charged to the income statement as the movement in fair value of investment property. For the year to 30 June 2020 this was a fair value profit of £250,000 (2019: profit £2,375,000). There were no realised gains or losses on the disposal of investment properties in either the year ended 30 June 2020 or 2019.

The Group does not expect that Covid-19 will have a significant impact on the value of its investment properties due to the nature of the properties and that demand will be maintained from tenants for small commercial properties and for quality housing.

Notes to the consolidated financial statements (continued)

11 Plant and equipment

	Motor Vehicles £000	Fixtures and fittings £000	Other equipment £000	Total £000
Cost				
At 30 June 2018	20	16	68	104
Additions in year	-	-	4	4
At 30 June 2019	20	16	72	108
Depreciation				
At 30 June 2018	19	15	63	97
Charge for year	-	1	4	5
At 30 June 2019	19	16	67	102
Net book value				
At 30 June 2019	1	-	5	6
	Motor Vehicles £000	Fixtures and fittings £000	Other equipment £000	Total £000
Cost				
At 30 June 2019	20	16	72	108
Disposals in year	(8)	-	-	(8)
Additions in year	9	-	-	9
At 30 June 2020	21	16	72	109
Depreciation				
At 30 June 2019	19	16	67	102
Disposals in year	(8)	-	-	(8)
Charge for year	3	-	2	5
At 30 June 2020	14	16	69	99
Net book value				
At 30 June 2020	7	-	3	10

Notes to the consolidated financial statements (continued)

12 Investments

	2020 £000	2019 £000
Listed investments	1	1

13 Trading properties

	2020 £000	2019 £000
At start of year	12,398	11,650
Additions	690	991
Sold in year	(82)	(243)
At end of year	13,006	12,398

Finance costs related to borrowings specifically for a development are included in the cost of developments. At 30 June 2020 the total finance costs included in stock and work in progress was £117,000 (2019: £58,000).

14 Trade and other receivables

	2020 £000	2019 £000
<i>Amounts falling due within one year</i>		
Other debtors	89	124
Prepayments and accrued income	33	27
	122	151

The Group's exposure to credit risks and impairment losses relating to trade receivables is given in note 18.

15 Cash and cash equivalents

	2020 £000	2019 £000
Cash	72	131

Cash and cash equivalents comprise cash at bank and in hand. Cash deposits are held with UK banks. The carrying amount of cash equivalents approximates to their fair values. The Company's exposure to credit risk on cash and cash equivalents is regularly monitored (note 18).

Notes to the consolidated financial statements (continued)

16 Trade and other payables

	2020	2019
	£000	£000
Trade creditors	133	76
Other creditors including taxation	100	22
Accruals and deferred income	980	1,108
	<u>1,213</u>	<u>1,206</u>

The Group's exposure to currency and liquidity risk relating to trade payables is disclosed in note 18.

17 Other interest bearing loans and borrowings

The Group's interest bearing loans and borrowings are measured at amortised cost. More information about the Group's exposure to interest rate risk and liquidity risk is given in note 18.

Current liabilities

	2020	2019
	£000	£000
Unsecured loan	360	360
Secured development loan	1,143	521
	<u>1,503</u>	<u>881</u>

Non-current liabilities

Unsecured loans	<u>4,120</u>	<u>4,070</u>
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Net debt reconciliation

	2020	2019
	£000	£000
Cash and cash equivalent	72	131
Liquid investments	1	1
Borrowings – repayable with one year	(1,503)	(881)
Borrowings – repayable after one year	(4,120)	(4,070)
Net debt	<u>(5,550)</u>	<u>(4,819)</u>
Cash and liquid investments	73	132
Gross debt – variable interest rates	<u>(5,623)</u>	<u>(4,951)</u>
Net debt	<u>(5,550)</u>	<u>(4,819)</u>

Notes to the consolidated financial statements (continued)

17 Other interest bearing loans and borrowings (continued)

	Cash/bank overdraft	Liquid investments	Borrowing due within 1 year	Borrowing due after 1 year	Total
	£000	£000	£000	£000	£000
Net debt at 30 June 2018	451	1	(360)	(4,070)	(3,978)
Cashflows	(320)	-	(521)	-	(841)
Net debt at 30 June 2019	131	1	(881)	(4,070)	(4,819)
Cashflows	(59)	-	(622)	(50)	(731)
Net debt at 30 June 2020	72	1	(1,503)	(4,120)	(5,550)

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	2020 Fair value £000	2020 Carrying amount £000	2019 Fair value £000	2019 Carrying amount £000
Unsecured loan	GBP	Base +3%	4,020	4,020	3,970	3,970
Unsecured development loan	GBP	Base +0.5%	360	360	360	360
Unsecured loan	GBP	Base +3%	100	100	100	100
Secured bank loan	GBP	Base + 5.1%	1,143	1,143	521	521
			<u>5,623</u>	<u>5,623</u>	<u>4,951</u>	<u>4,951</u>

The unsecured loan of £4,020,000 is repayable in 12 months and one day after the giving of notice by the lender. Interest is charged at 3% over Bank of Scotland base rate but the lender waived its right to the margin over base rate until 30 June 2020. The margin will apply with effect from 1 July 2020.

The short-term unsecured development loan of £360,000 is repayable after the disposal of Phase 2 of the Brunstane development. Interest is charged at a margin of 0.5% over Bank of Scotland base rate.

Notes to the consolidated financial statements (continued)

17 Other interest bearing loans and borrowings (continued)

The unsecured loan of £99,999 is not repayable before 1 July 2021. Interest is charged at a margin of 3% over Bank of Scotland base rate.

The bank loan is secured by a standard security over one of a subsidiary's developments, by a floating charge over the assets of that subsidiary and by a limited guarantee by Caledonian Trust PLC. The loan is repayable from the proceeds of sale of completed dwellings at the same development and has a termination date of 28 February 2021. Interest is charged at 5.1% over Bank of Scotland base rate.

The weighted average interest rate of the floating rate borrowings was 3.9% (2019: 3.5%). As set out above, a lender varied its right to the margin of interest above base rate until 30 June 2020 and so the rate of interest charged in the year is 1.64% (2019: 0.92%).

18 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:

	2020		2019	
	Fair value	Carrying amount	Fair value	Carrying amount
	£000	£000	£000	£000
Trade and other receivables	89	89	124	124
Cash and cash equivalents	72	72	131	131
	161	161	255	255
Loans from related parties	4,480	4,480	4,430	4,430
Bank loan	1,143	1,143	521	521
Trade and other payables	1,196	1,196	1,188	1,188
	6,819	6,819	6,139	6,139

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 consolidated financial statements (continued)

18 Financial instruments (continued)

Overview of risks from its use of financial instruments

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and oversees compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Board's policy is to maintain a strong capital base so as to cover all liabilities and to maintain the business and to sustain its development.

The Board of Directors also monitors the level of dividends to ordinary shareholders.

For the purposes of the Group's capital management, capital includes issued share capital and share premium account and all other equity reserves attributable to the equity holders. There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group's principal financial instruments comprise cash and short term deposits. The main purpose of these financial instruments is to finance the Group's operations.

As the Group operates wholly within the United Kingdom, there is currently no exposure to currency risk.

The main risks arising from the Group's financial instruments are interest rate risks and liquidity risks. The board reviews and agrees policies for managing each of these risks, which are summarised below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers, cash held at banks and its investments.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The majority of rental payments are received in advance which reduces the Group's exposure to credit risk on trade receivables.

Other receivables

Other receivables consist of amounts due from tenants and purchasers of investment property along with a balance due from a company in which the Group holds a minority investment.

Notes to the consolidated financial statements (continued)

18 Financial instruments (continued)

Credit risk (continued)

Investments

The Group does not actively trade in equity investments.

Bank facilities

One subsidiary has a bank facility to fund a specific development. The facility amounts to £1,415,000 of which £1,143,000 had been drawn down at 30 June 2020 (2019: £521,000).

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying value	
	2020	2019
	£000	£000
Investments	1	1
Other receivables	89	124
Cash and cash equivalents	72	131
	162	256

The Group made an allowance for impairment on trade receivables of £11,000 (2019: £10,000). As at 30 June 2020, trade receivables of £52,000 (2019: £33,000) were past due but not impaired. These are long standing tenants of the Group and the indications are that they will meet their payment obligations for trade receivables which are recognised in the balance sheet that are past due and unprovided. The ageing analysis of these trade receivables is as follows:

	2020	2019
Number of days past due date	£000	£000
Less than 30 days	18	15
Between 30 and 60 days	17	4
Between 60 and 90 days	2	-
Over 90 days	15	14
	52	33

Credit risk for trade receivables at the reporting date was all in relation to property tenants in United Kingdom. The Group's exposure is spread across a number of customers and sums past due relate to 9 tenants (2019: 9 tenants). One tenant accounts for 54% (2019: 53%) of the trade receivables past due by more than 90 days.

Notes to the consolidated financial statements (continued)

18 Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Group's reputation. Whilst the directors cannot envisage all possible circumstances, the directors believe that, taking account of reasonably foreseeable adverse movements in rental income, interest or property values, the Group has sufficient resources available to enable it to do so.

The Group's exposure to liquidity risk is given below

30 June 2020 £'000	Carrying amount	Contractual cash flows	6 months or less	6-12 months	2-5 years
Unsecured loan	4,020	4,177	95	62	4,020
Unsecured development loan	360	375	-	375	-
Unsecured loan	100	124	20	2	102
Secured bank loan	1,143	1,295	934	361	-
Trade and other payables	1,196	1,196	1,196	-	-

30 June 2019 £'000	Carrying amount	Contractual cash flows	6 months or less	6-12 months	2-5 years
Unsecured loan	3,970	4,058	73	15	3,970
Unsecured development loan	360	373	-	373	-
Unsecured loan	100	121	17	2	102
Secured bank loan	521	551	15	536	-
Trade and other payables	1,190	1,190	1,190	-	-

Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Notes to the consolidated financial statements (continued)

18 Financial instruments (continued)

Interest rate risk

The Group borrowings are at floating rates of interest based on Bank of Scotland base rate.

The interest rate profile of the Group's borrowings as at the year-end was as follows:

	2020 £000	2019 £000
Unsecured loan – see note 17	4,020	3,970
Unsecured loan – Base +0.5%	360	360
Unsecured loan – Base +3%	100	100
Secured loan – Base +5.1%	1,143	521
	<u> </u>	<u> </u>

A 1% movement in interest rates would be expected to change the Group's annual net interest charge by £56,230 (2019: £49,150).

19 Operating leases

Leases as lessors

The Group leases out its investment properties under operating leases. Operating leases are those in which substantially all the risks and rewards of ownership are retained by the lessor. Payments, including prepayments made under operating leases (net of any incentives such as rent free periods) are charged to the income statement on a straight line basis over the period of the lease. The future minimum receipts under non-cancellable operating leases are as follows:

	2020 £000	2019 £000
Less than one year	204	257
Between one and five years	199	145
Greater than five years	137	147
	<u> </u>	<u> </u>
	540	549
	<u> </u>	<u> </u>

The amounts recognised in income and costs for operating leases are shown on the face of the income statement. Leases are generally repairing leases.

20 Deferred tax

At 30 June 2020, the Group has a potential deferred tax asset of £1,174,000 (2019: £1,017,000) of which £84,000 (2019: £75,000) relates to differences between the carrying value of investment properties and the tax base. In addition, the Group has tax losses which would result in a deferred tax asset of £1,090,000 (2019: £942,000). This has not been recognised due to the uncertainty over the timing of future taxable profits.

Notes to the consolidated financial statements (continued)

20 Deferred tax (continued)

Movement in unrecognised deferred tax asset

	Balance 1 July 18 at 17% £000	Additions/ (reductions) £000	Balance 30 June 19 at 17% £000	Additions/ (reductions) £000	Balance 30 June 20 at 19% £000
Investment properties	34	41	75	9	84
Tax losses	909	33	942	148	1,090
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	943	74	1,017	157	1,174
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

21 Issued share capital

	30 June 2020		30 June 2019	
	No	£000	No.	£000
Authorised share capital				
Ordinary shares of 20p each	20,000,000	4,000	20,000,000	4,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Issued and fully paid				
Ordinary shares of 20p each	11,783,577	2,357	11,783,577	2,357
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Holders of ordinary shares are entitled to dividends declared from time to time, to one vote per ordinary share and a share of any distribution of the Company's assets.

22 Capital and reserves

The capital redemption reserve arose in prior years on redemption of share capital. The reserve is not distributable.

The share premium account is used to record the issue of share capital above par value. This reserve is not distributable.

23 Ultimate controlling party

The ultimate controlling party is Mr I D Lowe.

24 Related parties

Transactions with key management personnel

Transactions with key management personnel consist of compensation for services provided to the Company. Details are given in note 6.

Notes to the consolidated financial statements (continued)

24 Related parties (continued)

Lowe Dalkeith Farm, a business wholly owned by I D Lowe, used land at one of the Group's investment properties as grazings for its farming operation. Rent has been agreed and paid at £1,575 per annum (2019 : £1,575).

Other related party transactions

The parent company has a related party relationship with its subsidiaries.

The Group and Company has an unsecured loan due to Leafrealm Limited, a company of which I D Lowe is the controlling shareholder. The balance due to this party at 30 June 2020 was £4,020,000 (2019: £3,970,000) with interest payable at 3% over Bank of Scotland base rate per annum. Leafrealm Limited varied its right to the margin of interest over base rate until 30 June 2020. The margin will apply with effect from 1 July 2020. Interest charged in the year amounted to £22,069 (2019: £28,905).

The Group and Company also have an unsecured development loan due to Leafrealm Limited, a company of which I D Lowe is the controlling shareholder. The balance due to this party at 30 June 2020 was £360,000 (2019: £360,000) with interest payable at a margin of 0.5% over base rate. Interest charged in the year amounted to £3,806 (2019: £4,421).

The Group and Company has an unsecured loan from Mrs V Baynham, the wife of a director. This is on normal commercial terms. The balance due to this party at 30 June 2020 was £99,999 (2019: £99,999) with interest payable at 3% over Bank of Scotland base rate per annum. Interest charged in the year amounted to £3,564 (2019: £3,719). The loan is not due to be repaid before 1 July 2021.

Contracting work on certain of the Group's development and investment property sites has been undertaken by Leafrealm Land Limited, a company under the control of I D Lowe. The value of the work done by Leafrealm Land Limited charged in the accounts for the year to 30 June 2020 amounts to £2,333 (2019: £26,875) at rates which do not exceed normal commercial rates. The balance payable to Leafrealm Land Limited in respect of invoices for this work at 30 June 2020 was £91,638 (2019: £59,488).

For a full listing of investments and subsidiary undertakings please see note 7 of the parent Company financial statements.

25 Post balance sheet event

On 15 December 2020, the Company entered into an agreement to sell the entire Ardpatrik Estate for cash consideration of £2.70 million. The carrying value of the property at 30 June 2020 is £2.99 million attributable partly to investment property and partly to trading properties. The sale price reflects the decision to sell the properties comprising the Estate as a single asset. The transaction is expected to complete on 24 March 2021.

Company balance sheet at 30 June 2020

	Note	2020 £000	2019 £000
Non-current assets			
Investment properties	5	3,020	3,020
Plant and equipment	6	9	5
Investments	7	1	1
Total non-current assets		3,030	3,026
Current assets			
Trading properties	8	3,049	3,049
Trade and other receivables	9	114	187
Amounts due by subsidiaries	9	19,193	19,272
Cash and cash equivalents	10	63	125
Total current assets		22,419	22,633
Total assets		25,449	25,659
Current liabilities			
Trade and other payables	11	(2,529)	(2,413)
Interest bearing loans and borrowings	12	(360)	(360)
Total current liabilities		(2,889)	(2,773)
Non-current liabilities			
Interest bearing loans and borrowings	12	(4,120)	(4,070)
Total liabilities		(7,009)	(6,843)
Net assets		18,440	18,816
Equity			
Issued share capital	15	2,357	2,357
Capital redemption reserve	16	175	175
Share premium account	16	2,745	2,745
Retained earnings		13,163	13,539
Total equity attributable to equity holders		18,440	18,816

The parent Company's loss for the financial period after taxation was £376,055 (2019: *profit* £1,526,817).

The financial statements were approved by the board of directors on 22 December 2020 and signed on its behalf by:


I D Lowe
 Director

The notes on pages 70 - 86 form an integral part of these financial statements.

Company statement of changes in equity as at 30 June 2020

	Issued share capital £000	Capital redemption reserve £000	Share premium account £000	Retained earnings £000	Total £000
At 1 July 2018	2,357	175	2,745	12,012	17,289
Profit and total comprehensive income for the year	-	-	-	1,527	1,527
At 30 June 2019	2,357	175	2,745	13,539	18,816
(Loss) and total comprehensive income for the year	-	-	-	(376)	(376)
At 30 June 2020	2,357	175	2,745	13,163	18,440

Company cash flow statement for the year ended 30 June 2020

	2020	2019
	£000	£000
Cash flows from operating activities		
(Loss)/profit for the year	(376)	1,527
Adjustments for:		
Loss on fair value adjustment of investment property	-	310
Depreciation	5	4
Net finance expense	29	37
Operating cash flows before movements in working capital	(342)	1,878
(Increase) in trading properties	-	(6)
Decrease/(increase) in trade and other receivables	152	(2,306)
Increase in trade and other payables	87	107
Cash (absorbed by) operations	(103)	(327)
Investing activities		
Acquisition of property, plant and equipment	(9)	(4)
Cash flows (used by) investing activities	(9)	(4)
Financing activities		
Increase in borrowings	50	-
Cash flows generated from financing activities	50	-
Net (decrease) in cash and cash equivalents	(62)	(331)
Cash and cash equivalents at beginning of year	125	456
Cash and cash equivalents at end of year	63	125

Notes to the parent Company financial statements

1 Reporting entity

Caledonian Trust PLC is a public limited company incorporated in England and domiciled in the United Kingdom. The Company's principal activities are the holding of property for both investment and development purposes. The registered office is St Ann's Wharf, 112 Quayside, Newcastle upon Tyne, NE99 1SB and the principal place of business is 61a North Castle Street, Edinburgh, EH2 3LJ.

2 Statement of Compliance

The parent Company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards and its interpretation as adopted by the EU ("Adopted IFRSs"), applied in accordance with the provisions of the Companies Act 2006.

3 Basis of preparation

The financial statements are prepared on the historical cost basis except for equity investments and investment properties which are measured at their fair value.

The preparation of the 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 expenses. The estimates and associated assumptions 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 the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These financial statements have been presented in pounds sterling which is the functional currency of all companies within the Group. All financial information has been rounded to the nearest pounds thousand.

Going concern

As set out in the Group consolidated financial statements, the Group and parent Company finance their day to day working capital requirements through related party loans and their development projects with the bank borrowing. The related party lender has indicated its willingness to continue to provide financial support and not to demand repayment of its principal loan during 2021.

The Directors have prepared projected cash flow information for the period ending twelve months from the date of their approval of these financial statements. These forecasts include the directors' assessment of the impact of the Covid-19 pandemic and assume the parent Company and Group will make property sales in the normal course of business to provide sufficient cash inflows to allow the Group to continue to trade.

Should these sales not complete as planned, the directors are confident that they would be able to sell sufficient other properties within a short timescale to generate the income necessary to meet the Group's liabilities to third party creditors as they fall due.

For these reasons they continue to adopt the going concern basis in preparing the financial statements.

Notes to the parent Company financial statements (continued)

3 Basis of preparation (continued)

Areas of estimation uncertainty and critical judgements

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is contained in the following notes:

Estimates

- *Valuation of investment properties (note 5)*

The fair value has been assessed by the directors at 30 June 2020 taking account of third-party valuations provided by external independent valuers as at 30 June 2019. The independent valuations were based upon assumptions including future rental income, anticipated void cost and the appropriate discount rate or yield. The directors and independent valuers also take into consideration market evidence for comparable properties in respect of both transaction prices and rental agreements. It is not expected that Covid-19 will have a material effect on the carrying values of investment properties.

- *Valuation of trading properties (note 8)*

Trading properties are carried at the lower of cost and net realisable value. The net realisable value of such properties is based on the amount the Company is likely to achieve in a sale to a third party. This is then dependent on availability of planning consent and demand for sites which is influenced by the housing and property markets.

Judgements

- *Deferred Tax (note 14)*

The Company's deferred tax asset relates to tax losses being carried forward and to differences between the carrying value of investment properties and their original tax base. A decision has been taken not to recognise the asset on the basis of the uncertainty of the timing of future taxable profits.

4 Accounting policies

The accounting policies below have been applied consistently to all periods presented in these financial statements.

Turnover

Turnover is the amount derived from ordinary activities, stated after any discounts, other sales taxes and net of VAT.

Revenue

Revenue from the sale of investment and trading properties is recognised in the income statement on legal completion, being the date on which control passes to the buyer.

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. Costs of obtaining a lease and lease incentives granted are recognised as an integral part of total rental income and spread over the period from commencement of the lease to the earliest termination date on a straight-line basis.

Notes to the parent Company financial statements (continued)

4 Accounting policies (continued)

Other income

Other income comprises income from agricultural land and other miscellaneous income recognised on receipt.

Finance income and expenses

Finance income and expenses comprise interest payable on bank loans and other borrowings. All borrowing costs are recognised in the income statement using the effective interest rate method. Interest income represents income on bank deposits using the effective interest rate method.

Taxation

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 the charge / credit is recognised in equity. Current tax is the expected tax recoverable as group relief on tax losses 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. As the carrying value of the Company's investment properties is expected to be recovered through eventual sale rather than rentals, the tax base is calculated as the cost of the asset plus indexation. Indexation is taken into account to reduce any liability but does not create a deferred tax asset. 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.

Investment properties

Investment properties are properties owned by the Company which are held either for long term rental growth or for capital appreciation or both. Properties transferred from trading properties to investment properties are revalued to fair value at the date on which the properties are transferred. When the Company begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured based on the fair value model, and is not reclassified.

The cost of investment property is recognised on legal completion and includes the initial purchase price plus associated professional fees. In previous periods, borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalised during the period of construction. Subsequent expenditure on investment properties is only capitalised to the extent that future economic benefits will be realised.

Investment property is measured at fair value at each balance sheet date. External 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.

Any gain or loss arising from a change in fair value is recognised in the income statement.

Notes to the parent Company financial statements (continued)

4 Accounting policies (continued)

Tangible assets

Tangible assets are stated at cost, less accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible assets 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:

Fixtures and fittings	-	33.3 per cent
Motor vehicles	-	33.3 per cent
Other equipment	-	20.0 per cent

Trading properties

Trading properties held for short term sale or with a view to subsequent disposal are stated at the lower of cost or net realisable value. Cost is calculated by reference to invoice price plus directly attributable professional fees. Net realisable value is based on estimated selling price less estimated cost of disposal.

Financial instruments

The Company had no hedge relationships at 1 July 2018, 30 June 2019 or 30 June 2020.

Financial assets

Investments

The Company's investments in equity instruments are measured initially at fair value which is normally transaction price. Subsequent to initial recognition investments which can be measured reliably are measured at fair value with changes recognised in the profit or loss. Other investments are measured at cost less impairment in profit or loss. Dividend income is recognised when the Company has the right to receive dividends either when the share becomes ex dividend or the dividend has received shareholder approval.

Current receivables

Trade and other receivables with no stated interest rate and receivable within one year are recorded at transaction price including transaction costs. Assessments for impairment are performed at each reporting date and any losses are recognised in the statement of comprehensive income. Impairment reviews take into account changes in behaviours and the patterns of receipts from tenants on a case by case basis.

Cash and cash equivalents

Cash includes cash in hand, deposits held at call (or with a maturity of less than 3 months) with banks, and bank overdrafts. Bank overdrafts that are repayable on demand and which form an integral part of the Company's cash management are shown within current liabilities on the balance sheet and included with cash and cash equivalents for the purpose of the statement of cash flows.

Notes to the parent Company financial statements (continued)

4 Accounting policies (continued)

Financial liabilities

Current payables

Trade payables are non-interest-bearing and are initially measured at fair value and thereafter at amortised cost.

Interest bearing loans and borrowings

Interest-bearing loans and bank overdrafts are initially carried at fair value less allowable transactions costs and then at amortised cost.

Changes in accounting policies

IFRS 16 "Leases" replaced IAS 17 and is effective for the Group from 1 July 2019. It establishes principles for the recognition, measurement and disclosure of leases. One impact is the requirement for lessees to recognise "right of use assets" and corresponding lease liabilities. The Company has no relationships where it is lessee and so there was no impact as lessee from the adoption of IFRS 16. IFRS 16 may also affect lessors whose tenants are affected by its adoption.

Notes to the parent Company financial statements (continued)

5 Investment properties	2020	2019
	£000	£000
<i>Valuation</i>		
At start of year	3,020	3,330
Revaluation (loss)/surplus in year	<u>-</u>	<u>(310)</u>
Valuation at 30 June 2020	<u>3,020</u>	<u>3,020</u>

The fair value of investment property at 30 June 2020 was determined by the directors based on their knowledge of the market and taking account of an independent valuation by Montagu Evans, Chartered Surveyors and for one property, by Rettie & Co, a firm of property specialists as at 30 June 2019. Both valuers have appropriate recognised professional qualifications and recent experience in the location and category of property being valued. Neither external valuers are connected with the Company.

The valuations were prepared in accordance with the RICS Valuation Global Standards July 2017, including the UK National Supplement 2018, often referred to as the "Red Book" which is consistent with the required IFRS 13 methodology. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market sector participants at the measurement date. The properties were valued individually and not as part of a portfolio.

The historical cost of investment properties held at 30 June 2020 is £1,791,000 (2019: £1,791,000). The cumulative amount of interest capitalised and included within historical cost in respect of the Group's investment properties is £133,000 (2019: £133,000).

For most properties, valuation was based on vacant possession as the properties were vacant or on short term leases and one was valued using an appropriate yield with allowance for letting voids, rent free periods and letting/holding costs for vacant accommodation and early lease expiries/break options, together with a deduction for purchaser's acquisition costs in accordance with market practice. The resulting net yield has also been assessed as a useful benchmark. A yield of 10% was applied.

Assuming all else stayed the same, a decrease in net rental income or estimated future rent will result in a decrease in the fair value whereas a decrease in the yield will result in an increase in fair value. A decrease of 1% in the average yield would result in an increase in valuation of £70,000 (2019: £70,000). An increase of 1% in the yield would result in a corresponding decrease in the fair value.

All the investment properties have been categorised as Level 2 in both years as defined by IFRS 13 Fair Value Measurement. Level 2 means that the valuation is based on inputs other than quoted prices that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The amount of unrealised gains or losses on investment properties is charged to the income statement as the movement in fair value of investment property. For the year to 30 June 2020 this was a fair value profit of £Nil (2019: loss £40,000). There were no realised gains or losses on the disposal of investment properties in either the year ended 30 June 2020 or 2019.

The Company does not expect that Covid-19 will have a significant impact on the value of its investment properties due to the nature of the properties and that demand will be maintained from tenants for small commercial properties and for quality housing.

Notes to the parent Company financial statements (continued)

6 Plant and equipment

	Motor vehicles £000	Fixtures & fittings £000	Other equipment £000	Total £000
Cost				
At 30 June 2018	20	16	53	89
Additions in year	-	-	4	4
At 30 June 2019	20	16	57	93
Depreciation				
At 30 June 2018	19	15	50	84
Charged in year	-	1	3	4
At 30 June 2019	19	17	53	88
Net book value At 30 June 2019	1	-	4	5

	Motor vehicles £000	Fixtures & fittings £000	Other equipment £000	Total £000
Cost				
At 30 June 2019	20	16	57	93
Disposal in year	(8)	-	-	(8)
Additions in year	9	-	-	9
At 30 June 2020	21	16	57	94
Depreciation				
At 30 June 2019	19	16	53	88
Disposal in year	(8)	-	-	(8)
Charged in year	3	-	2	5
At 30 June 2020	14	16	55	85
Net book value At 30 June 2020	7	-	2	9

Notes to the parent Company financial statements (continued)

7 Investments

	Shares in subsidiary investments £000	Listed investments £000	Total £000
Cost and net book value			
At 30 June 2018, 2019 and 2020	-	1	1
	=====	=====	=====

Subsidiary undertaking	% of ordinary shares held	Activity
Principal subsidiaries		
Muirfield Homes Ltd	100%	Property Investment and Development
South Castle Properties Ltd	100%	Property Investment and Development
West Castle Properties Ltd	100%	Property Investment
Dormant subsidiaries		
Caledonian City Developments Ltd	100%	Dormant
Caledonian Farms Ltd	100%	Dormant
Brunstane Road South Ltd	100%	Dormant
The Bank of Edinburgh Group Ltd	100%	Dormant
The Bank of Edinburgh Ltd	100%	Dormant
B of E Properties Ltd	100%	Dormant
B of E Finance Ltd	100%	Dormant
Gartshore Village Limited	100%	Dormant

All the principal subsidiary undertakings are included in the consolidated group accounts. All subsidiaries are registered in Scotland except Caledonian City Developments Limited and Caledonian Farms Limited, which are registered in England and Wales.

Notes to the parent Company financial statements (continued)

8 Trading properties

	2020	2019
	£000	£000
Properties held for resale or development	3,049	3,049

9 Trade and other receivables

	2020	2019
	£000	£000
<i>Amounts falling due within one year</i>		
Other debtors	37	86
Prepayments and accrued income	25	20
Group relief receivable	52	81
Amounts owed by subsidiary undertakings	19,193	19,272
	<u>19,307</u>	<u>19,459</u>

The Company's exposure to credit risks and impairment losses relating to trade receivables is given in note 13.

10 Cash and cash equivalents

	2020	2019
	£000	£000
Cash	63	125

Cash and cash equivalents comprise cash at bank and in hand. Cash deposits are held with UK banks. The carrying amount of cash equivalents approximates to their fair values. The Company's exposure to credit risk on cash and cash equivalents is regularly monitored (note 13).

11 Trade and other payables

	2020	2019
	£000	£000
Trade creditors	40	38
Amounts owed to subsidiary undertakings	1,470	1,470
Other creditors including taxation	23	15
Accruals and deferred income	996	890
	<u>2,529</u>	<u>2,413</u>

The Company's exposure to currency and liquidity risk relating to trade payables is disclosed in note 13.

Notes to the parent Company financial statements (continued)

12 Other interest bearing loans and borrowings

The Company's interest bearing loans and borrowings are measured at amortised cost. More information about the Company's exposure to interest rate risk and liquidity risk is given in note 13.

Current liabilities

	2020 £000	2019 £000
Unsecured development loan	360	360

Non-current liabilities

Unsecured loans	4,120	4,070
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Net debt reconciliation

	2020 £000	2019 £000
Cash and cash equivalent	63	125
Liquid investments	1	1
Borrowings – repayable with one year	(360)	(360)
Borrowings – repayable after one year	(4,120)	(4,070)
Net debt	(4,416)	(4,304)
Cash and liquid investments	64	126
Gross debt – variable interest rates	(4,480)	(4,430)
Net debt	(4,416)	(4,304)

	Cash/bank overdraft £000	Liquid investments £000	Borrowing due within 1 year £000	Borrowing due after 1 year £000	Total £000
Net debt at 30 June 2018	456	1	(360)	(4,070)	(3,973)
Cashflows	(331)	-	-	-	(331)
Net debt at 30 June 2019	125	1	(360)	(4,070)	(4,304)
Cashflows	(62)	-	-	(50)	(112)
Net debt at 30 June 2020	63	1	(360)	(4,120)	(4,416)

Notes to the parent Company financial statements (continued)

12 Other interest bearing loans and borrowings (continued)

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	2020		2019	
			Fair value £000	Carrying amount £000	Fair value £000	Carrying amount £000
Unsecured loan	GBP	Base +3%	4,020	4,020	3,970	3,970
Unsecured development loan	GBP	Base +0.5%	360	360	360	360
Unsecured loan	GBP	Base +3%	100	100	100	100
			4,480	4,480	4,430	4,430

The unsecured loan of £4,020,000 is repayable in 12 months and one day after the giving of notice by the lender. Interest is charged at 3% over Bank of Scotland base rate but the lender waived its right to the margin over base rate until 30 June 2020. The margin will apply with effect from 1 July 2020.

The short-term development loan of £360,000 is repayable after the disposal of Phase 2 of the Brunstane Development. Interest is charged at a margin of 0.5% over Bank of Scotland base rate.

The unsecured loan of £99,999 is not repayable before 1 July 2021. Interest is charged at a margin of 3% over Bank of Scotland base rate.

The weighted average interest rate of the floating rate borrowings was 3.35% (2019: 3.5%). A lender waived its right to the margin of interest above base rate until 30 June 2020 and so the rate of interest charged in the year was 0.66% (2019: 0.84%).

Notes to the parent Company financial statements (continued)

13 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:

	2020		2019	
	Fair value	Carrying amount	Fair value	Carrying amount
	£000	£000	£000	£000
Trade and other receivables	19,282	19,282	19,439	19,439
Cash and cash equivalents	63	63	125	125
	<u>19,345</u>	<u>19,345</u>	<u>19,564</u>	<u>19,564</u>
Loans from related parties	4,480	4,480	4,430	4,430
Trade and other payables	2,511	2,511	2,397	2,397
	<u>6,991</u>	<u>6,991</u>	<u>6,827</u>	<u>6,827</u>

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.

Overview of risks from its use of financial instruments

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Notes to the parent Company financial statements (continued)

13 Financial instruments (continued)

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework and oversees compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework.

The Board's policy is to maintain a strong capital base so as to cover all liabilities and to maintain the business and to sustain its development.

The Board of Directors also monitors the level of dividends to ordinary shareholders.

For the purposes of the Company's capital management, capital includes issued share capital and share premium account and all other equity reserves attributable to the equity holders. There were no changes in the Company's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Company's principal financial instruments comprise cash and short term deposits. The main purpose of these financial instruments is to finance operations.

As the Company operates wholly within the United Kingdom, there is currently no exposure to currency risk.

The main risks arising from the Company's financial instruments are interest rate risks and liquidity risks. The Board reviews and agrees policies for managing each of these risks, which are summarised below:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers, cash held at banks and its investments.

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The majority of rental payments are received in advance which reduces the Company's exposure to credit risk on trade receivables.

Other receivables

Other receivables consist of amounts due from a company in which the Group holds a minority investment.

Investments

The Company does not actively trade in equity investments.

Bank facilities

At the year end the Company had no bank loan facilities available (2019: Nil).

Notes to the parent Company financial statements (continued)

13 Financial instruments (continued)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying value	
	2020	2019
	£000	£000
Investments	1	1
Other receivables	37	86
Amounts owed by subsidiary undertakings	19,193	19,272
Cash and cash equivalents	63	125
	<u>19,294</u>	<u>19,484</u>

The Company made an allowance for impairment on trade receivables of £18,000 (2019: £10,000). As at 30 June 2020, trade receivables of £16,000 (2019: £3,000) were past due but not impaired. These are long standing tenants of the Company and the indications are that they will meet their payment obligations for trade receivables which are recognised in the balance sheet that are past due and unprovided. The ageing analysis of these trade receivables is as follows:

	2020	2019
Number of days past due date	£000	£000
Less than 30 days	6	2
Between 30 and 60 days	5	-
Between 60 and 90 days	2	-
Over 90 days	3	1
	<u>16</u>	<u>3</u>

Credit risk for trade receivables at the reporting date was all in relation to property tenants in United Kingdom. The Company's exposure is spread across a number of customers and sums past due relate to 5 tenants (2019: 5 tenants). One tenant accounts for 41% (2019: 100%) of the trade receivables past due by more than 90 days.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Company's reputation. Whilst the directors cannot envisage all possible circumstances, the directors believe that, taking account of reasonably foreseeable adverse movements in rental income, interest or property values, the Company has sufficient resources available to enable it to do so.

Notes to the parent Company financial statements (continued)

13 Financial instruments (continued)

The Company's exposure to liquidity risk is given below

30 June 2020 £'000	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	2 - 5 years
Unsecured loan	4,020	4,177	95	62	4,020
Unsecured development loan	360	375	-	375	-
Unsecured loan	100	124	20	2	102
Trade and other payables	2,529	2,529	2,529	-	-

30 June 2019 £'000	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	2 - 5 years
Unsecured loan	3,970	4,058	73	15	3,970
Unsecured development loan	360	373	-	373	-
Unsecured loan	100	121	17	2	102
Trade and other payables	2,413	2,413	2,413	-	-

Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Company's borrowings are at floating rates of interest based on Bank of Scotland base rate.

The interest rate profile of the Company's borrowings as at the year-end was as follows:

	2020 £000	2019 £000
Unsecured loan - see note 13	4,020	3,970
Unsecured development loan – Base +0.5%	360	360
Unsecured loan - Base +3%	100	100

Notes to the parent Company financial statements (continued)

13 Financial instruments (continued)

A 1% movement in interest rates would be expected to change the Company's annual net interest charge by £44,800 (2019: £44,300).

14 Deferred tax

At 30 June 2020, the Company has a potential deferred tax asset of £1,035,000 (2019: £893,000) net of potential liabilities of £55,000 (2019: £49,000) which relate to differences between the carrying value of investment properties and the tax base. The Company has tax losses which would result in a deferred tax asset of £1,090,000 (2019: £942,000). The net deferred tax asset has not been recognised due to the uncertainty over the availability of future taxable profits.

Movement in unrecognised deferred tax asset

	Balance 1 July 18 at 17% £000	Additions/ (reductions) £000	Balance 30 June 19 at 17% £000	Additions/ (reductions) £000	Balance 30 June 20 at 19% £000
Investment Properties	(80)	31	(49)	(6)	(55)
Tax losses	909	33	942	148	1,090
Total	829	64	893	142	1,035

15 Issued share capital

	2020		2019	
	No.	£000	No.	£000
Authorised share capital				
Ordinary shares of 20p each	20,000,000	4,000	20,000,000	4,000
Issued and fully paid				
Ordinary shares of 20p each	11,783,577	2,357	11,783,577	2,357

Holders of ordinary shares are entitled to dividends declared from time to time, to one vote per ordinary share and a share of any distribution of the Company's assets.

16 Capital and reserves

The capital redemption reserve arose in prior years on redemption of share capital. The reserve is not distributable.

The share premium account is used to record the issue of share capital above par value. This reserve is not distributable.

Notes to the parent Company financial statements (continued)

17 Ultimate controlling party

The ultimate controlling party is Mr I D Lowe.

18 Related party transactions

Transactions with key management personnel

Lowe Dalkeith Farm, a business wholly owned by I D Lowe, used land at one of the Company's investment properties as grazings for its farming operation. Rent has been agreed and paid at £1,575 per annum (2019: £1,575).

Other related party transactions

Transactions with subsidiary undertakings have not been disclosed as the Company has taken advantage of the exemption contained within IAS 24.

The Company has an unsecured loan due to Leafrealm Limited, a company of which I D Lowe is the controlling shareholder. The balance due to this party at 30 June 2020 was £4,020,000 (2019: £3,970,000) with interest payable at 3% over Bank of Scotland base rate per annum. Leafrealm Limited varied its right to the margin of interest over base rate until 30 June 2020. The margin will apply with effect from 1 July 2020. Interest charged in the year amounted to £22,069 (2019: £28,905).

The Company also has an unsecured development loan due to Leafrealm Limited, a company of which I D Lowe is a controlling shareholder. This loan has been drawn down in full. The balance due to this party at 30 June 2020 was £360,000 (2019: £360,000) with interest payable at a margin of 0.5% over Bank of Scotland base rate. Interest charged in the year amounted to £3,806 (2019: £4,421).

The Company has an unsecured loan from Mrs V Baynham, the wife of a director. This is on normal commercial terms. The balance due to this party at 30 June 2020 was £99,999 (2019: £99,999) with interest payable at 3% over Bank of Scotland base rate per annum. Interest charged in the year amounted to £3,564 (2019: £3,719). The loan is not due to be repaid before 1 July 2021.

Contracting work on certain of the Company's investment and development property was undertaken by Leafrealm Land Limited, a company under the control of I D Lowe. The value of the work done charged in the accounts for the year to 30 June 2020 amounted to £644 (2019: £5,561) at rates which do not exceed normal commercial rates.

19 Contingent liability

The Company acts as guarantor for a bank loan advanced to one of its subsidiaries, South Castle Properties Limited. The bank also has a standard security over the development in question and a floating charge over the assets of the subsidiary. The loan drawn down at 30 June 2020 was £1,143,000 (2019: £521,000) and the Company's guarantee is limited to £145,000.

20 Post balance sheet event

On 15 December 2020, the Company entered into an agreement to sell the entire Ardpatrik Estate for cash consideration of £2.70 million. The carrying value of the property at 30 June 2020 is £2.99 million attributable partly to investment property and partly to trading properties. The sale price reflects the decision to sell the properties comprising the Estate as a single asset. The transaction is expected to complete on 24 March 2021.