



CALEDONIA
INVESTMENTS

Performance driven

Half-year report 2007

Six months ended 30 September 2007

identify
invest
involve

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Caledonia is one of the UK's largest investment trusts and is self-managed. We aim to be a core investment for those seeking a store of increasing value, by investing for the longer term in a range of assets.

Our ability to identify opportunities through our extensive network, invest in significant stakes for the longer term and involve ourselves with the managements of investee companies underpins our investment approach, through which we seek to deliver shareholder value.

We are performance driven.

Financial highlights

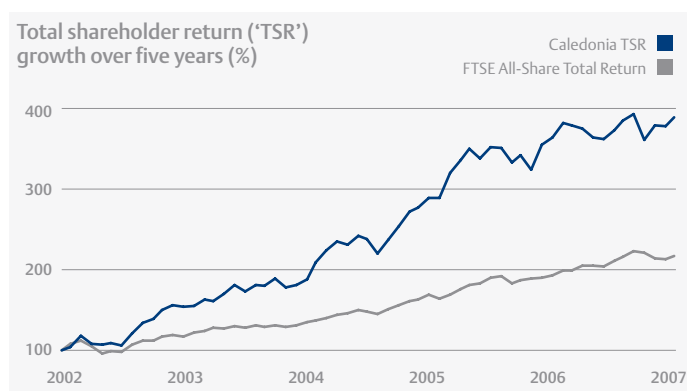
Results summary

	30 Sep 2007	31 Mar 2007	Change %
Total equity	£1,290m	£1,323m	-2.5
NAV per share (undiluted)	2237p	2283p	-2.0
NAV per share (diluted)	2212p	2258p	-2.0
Interim dividend per share	9.9p	9.5p	4.2
Share price	2135p	2066p	3.3
Discount	4.6%	9.5%	
FTSE All-Share index	3317	3283	1.0

The calculation of share price discount to net asset value ('NAV') per share is based on the undiluted NAV per share.

Total return performance

	5 year %	10 year %
Share price	289.1	357.0
FTSE All-Share index	117.0	80.6
Outperformance	172.1	276.4



References to NAV refer to the company balance sheet, rather than to the consolidated group balance sheet, as the directors consider this to be a more appropriate measure of performance. The calculation of NAV per share is consistent with the company's monthly unaudited NAV per share announcements.

Chairman's statement

Peter Buckley
Chairman



The first half of our financial year has seen considerable turbulence and volatility in markets, triggered by the USA sub-prime crisis, and our net asset value per share fell by 2.0%, compared with a 1.0% increase in the FTSE All-Share index.

Nonetheless, we take a long term view and our well established strategy of acquiring significant, usually minority, stakes in promising listed and unlisted companies and working with proven managements to add value over the longer term has enabled us to continue to record outperformance against our benchmark FTSE All-Share Total Return index over five and ten years of 172% and 276% respectively.

Dividend

The directors have declared an interim dividend of 9.9 pence per share, representing an increase of 4.2% over last year's interim dividend and maintaining our aim to make progressive annual dividend payments. This dividend will be paid on 8 January 2008.

Share price and discount

Despite a small reduction in our net asset value per share over the period, our share price rose by 3.3% to 2135 pence from 2066 pence, outperforming the 1.0% increase in the FTSE All-Share index, with a consequent narrowing of the discount of the market value of our shares to their underlying net asset value from 9.5% to 4.6%, although this discount can vary, particularly in volatile markets such as we are experiencing at present. It is important to bear in mind that the handsome outperformance in total shareholder return referred to above for the five and ten year periods stems substantially from the relatively large discounts, of over 30%, which attached to our share price at the outset of these periods. Whilst we have worked strenuously over the years to build an awareness of our investment approach and the performance which has derived from it, we hope that such wide discounts will not prevail going forward, albeit we do not, as I have mentioned before, control our share price. However, we remain mindful that the share price discount affects shareholder value and we will continue to use our authority to buy back our own shares, when we believe it is in the interest of our shareholders.

Portfolio

The level of investment activity during the period reflected our ability to access opportunities that are not always available to others and our continued investment in Asia. Further details are given in the Chief Executive's review.

Outlook

Markets have now been visited by the shockwaves of the sub-prime lending follies in the USA egged on by the greed of big investment banks. This has combined with the failure of the UK watchdogs to avert the Northern Rock crisis despite volumes of burdensome regulatory impositions on the financial sectors. It is a bit surprising that reality has been so slow to reflect in the markets and we have, even now, probably not felt the full impact. Whilst our long term approach does not always facilitate maximum liquidity for the perfect moment of timing, we believe that we have a sound portfolio and, with no borrowings on our balance sheet, are well placed to take advantage of the opportunities which these more constrained circumstances should present.

A handwritten signature in blue ink that reads "Peter Buckley". The signature is written in a cursive style with a horizontal line underneath the name.

Peter Buckley
Chairman

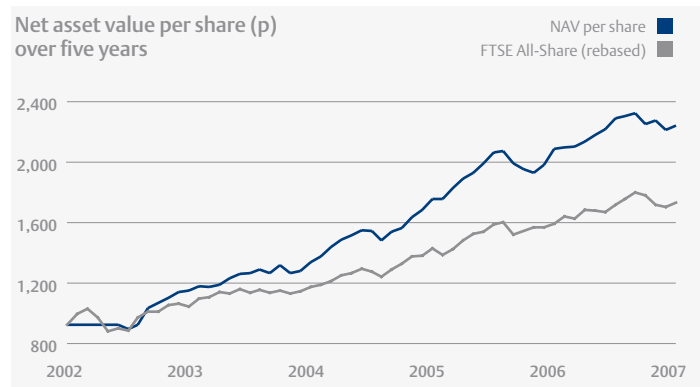


Performance summary

Our aim continues to be to provide consistently over five and ten year periods total shareholder returns ('TSR') which outperform the FTSE All-Share Total Return index and to provide positive total returns over rolling five year periods.

The Chairman has referred in his statement to these returns, which have been significantly enhanced by the narrowing of the discount between our share price and net asset value ('NAV') per share. It is our wish for this discount to remain in future within modest limits or, at the higher end of our expectations, to reach a premium. As we cannot control our own share price, our performance focus is on growing our NAV per share.

We can now measure, on a consistent basis, our NAV per share for the five year period to 30 September 2007, as shown in the graph below. We can therefore report that, over this five year period, NAV per share increased by 137%, which reflects an outperformance of 53% over the FTSE All-Share index.



The first six months of our financial year has seen significant turbulence in the markets initiated by the sub-prime mortgage crisis in the USA. The ensuing drying up in the credit markets has led to emergency funding from central banks in the USA, Europe and the UK and a 0.5% cut in dollar interest rates by the Federal Reserve Bank in September (and a further 0.25% cut in October). Slightly surprisingly, but perhaps as a result of the huge quantities of funding put into the markets by government bodies, the FTSE All-Share index ended 1.0% up over the period, with the FTSE 100 up 2.5%.

Our company NAV per share, on an undiluted basis, was 2237p at 30 September 2007, compared with 2283p at 31 March 2007. The principal components of this 2% decline were a total return loss of 24p and dividends paid of 22p. Total return was mainly impacted by the decreasing valuations of some of our larger quoted holdings, notably Close Brothers, Quintain Estates and Melrose Resources, partially offset by a strong performance in aggregate from our Indian investments and gains in the share price of Bristow Group. Investment income and expenses were at a similar level to the same period last year.

We have continued to maintain our prudent approach and have remained ungeared throughout the period with £36m of cash at the end of September.

Chief Executive's review

Investment activity

In the first six months of our financial year we made around £113m of new and follow-on investments. Most (approximately £86m) of this was for follow-on investments and in many cases we have taken advantage of some low share prices during the period to add to our existing stakes in businesses that we know well. Major new and follow-on investments included:

Name	Resulting equity holding %	Category	Country of domicile	Business	Cost £m
New investments					
Retif	15.4	Equity/loans	France	Shop fittings supplier	12.9
Hedging subsidiary ¹	100	Loans	UK	FTSE 250 put options	8.0
Vietnamese portfolio		Equity	Vietnam		3.1
Celona ²		Loans	UK	Telecoms	3.0
					27.0
Follow-on investments					
Quintain Estates	9.6	Equity	UK	Property invest/develop	24.7
Incisive Media		Capital	UK	Business publisher	15.5
Eddington Capital fund		Shares	Cayman	Hedge fund	10.0
Avanti Communications	19.9	Loans	UK	Satellite comms services	7.0
Polar Capital funds		Shares	Cayman	Hedge fund	5.0
Pragma		Shares	France	Private equity fund	3.5
Other investments					20.4
					86.1
Total					113.1

1. Subsidiary company used to purchase FTSE 250 put options.

2. The company also holds warrants to subscribe for shares representing up to 49.9% of the equity.

During the six months, we realised a total of £40m. Significant realisations included:

Name	Nature of realisation	Proceeds £m	Realised gain £m
Polar Capital funds	Redemption	11.1	0.2
CF AVI Global fund	Redemption	9.3	2.3
Pragma fund	Distributions	5.7	4.1
Savills	Sale of remaining holding	2.9	2.5
Other realisations		11.0	4.5
		40.0	13.6

In view of the general uncertainties in economic outlook, we felt it prudent to protect in part the considerable value gains we have achieved in the portfolio by hedging against possible significant falls in equity values. Accordingly, during the period we invested a total of £8m in purchasing one-year put options on the FTSE 250 index through a subsidiary (included in new investments above), which provides some downside protection on approximately £85m of our portfolio.

Net liquidity at 30 September of £36m has reduced from £109m at the last year end. Whilst we have increased our level of investment over the period, we have continued to maintain our prudent approach and have remained ungeared.

Outlook

The market turbulence resulting from the USA sub-prime mortgage crisis is likely to continue into the second half of the year and equity markets will face uncertainty as credit spreads widen, confidence is tested and volumes are low. Nevertheless, we are continuing to see a healthy flow of opportunities and are willing to make further investments, but we remain cautious in these uncertain times. We expect to remain ungeared for the rest of the year, but, at some time in the future, conditions could bring opportunities which may justify a moderate amount of borrowing.

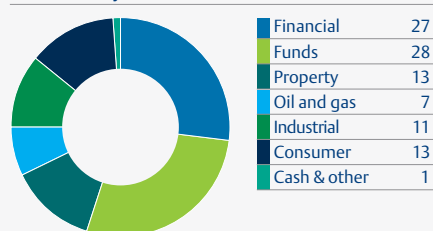
Over the longer term, we believe that our strategy will continue to deliver enhanced performance.



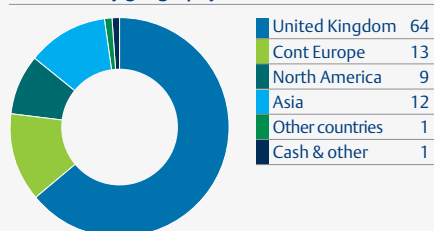
Tim Ingram
Chief Executive

Our portfolio

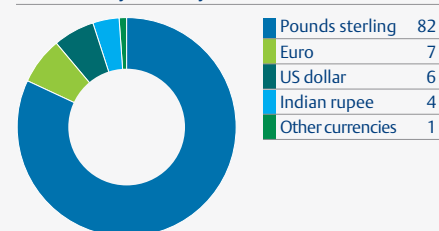
Net assets by business sector



Net assets by geography



Net assets by currency



Significant holdings

Name	Equity holding %	Country of domicile	Business sector	Nature of business	Total £m	Net assets %
Close Brothers ^{1,2}	12.2	UK	Financial	Merchant banking	146.3	11.4
British Empire Securities ^{1,2}	18.3	UK	Funds	Investment trust	140.9	10.9
Quintain Estates ¹	9.6	UK	Property	Property investment and development	92.1	7.1
Rathbone Brothers ^{1,2}	10.7	UK	Financial	Funds management	55.9	4.3
Bristow Group ^{1,2}	6.9	USA/UK	Oil and gas	Helicopter services	44.5	3.5
Polar Capital funds ²		Ireland/Cayman	Funds	Hedge funds	42.4	3.3
Cobepa ²	9.9	Belgium	Funds	Investment company	41.7	3.2
Oval ²	27.4	UK	Financial	Insurance broking	34.4	2.7
Incisive Media ²		UK	Consumer	Business publisher	32.1	2.5
Melrose Resources ^{1,2}	9.4	UK	Oil and gas	Oil and gas exploration	31.1	2.4
Satellite Information Services ²	22.5	UK	Consumer	Betting information distribution	25.9	2.0
Eddington Triple Alpha Fund ²		Cayman	Funds	Fund of hedge funds	25.4	2.0
India Capital Growth Fund ^{1,2}	26.3	Guernsey	Funds	Investment company	24.5	1.9
Sterling Industries ²	100.0	UK	Industrial	Engineering	22.3	1.7
Alok Industries ^{1,2}	14.8	India	Consumer	Textiles manufacturer	22.2	1.7
A G Barr ¹	9.4	UK	Consumer	Soft drinks	21.9	1.7
Polar Capital ^{1,2}	15.9	UK	Financial	Funds management	21.7	1.7
Ermitage ²	60.0	Jersey	Financial	Hedge funds management	20.7	1.6
Novae Group ^{1,2}	6.1	UK	Financial	Insurance services	20.3	1.6
TGE Gas Engineering ²	49.9	Germany	Industrial	Gas engineering	19.5	1.5
Avanti Communications ^{1,2}	19.9	UK	Consumer	Satellite communications services	17.2	1.3
Nova Springboard fund		Guernsey	Funds	Investment fund	16.0	1.2
Terrace Hill ^{1,2}	8.3	UK	Property	Property development	15.1	1.2
Serica Energy ¹	10.2	UK	Oil and gas	Oil and gas exploration	15.1	1.2
Marketform ²	26.8	UK	Financial	Insurance services	14.4	1.1
Begbies Traynor ^{1,2}	10.9	UK	Industrial	Corporate recovery services	13.8	1.1
Edinmore ²	100.0	UK	Property	Property trading	13.7	1.1
The Sloane Club ²	100.0	UK	Consumer	Residential club owner and operator	13.5	1.0
Varun Shipping ^{1,2}	11.7	India	Industrial	Shipping services	13.3	1.0
Retif ²	15.4	France	Industrial	Shop fittings supplier	12.9	1.0
Buckingham Gate ²	100.0	UK	Property	Property investment	12.9	1.0
Other investments					228.5	17.7
Total investments					1,272.2	98.6
Cash and other net assets					18.0	1.4
Net assets					1,290.2	100.0

1. Equity securities listed on UK or overseas stock exchanges.

2. Board or equivalent representation.

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting'; and
- the interim management report includes a fair review of the information required by:
 1. DTR 4.2.7 of the 'Disclosure Rules and Transparency Rules', being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the year; and

2. DTR 4.2.8 of the 'Disclosure Rules and Transparency Rules', being related parties transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the enterprise during that period and any changes in the related parties transactions described in the last annual report that could have a material effect on the financial position or performance of the enterprise in the first six months of the current financial year.

Signed on behalf of the Board

Tim Ingram
Chief Executive

Jonathan Cartwright
Finance Director

Independent review report to Caledonia Investments plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 which comprises the income statement, the statement of recognised income and expense, the balance sheet, the cash flow statement and related notes 1 to 9 on a company and group basis. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditor
London, UK
27 November 2007

Condensed income statement

for the six months ended 30 September 2007

	6 mths 30 Sep 2007 £m	Company 6 mths 30 Sep 2006 £m	Year 31 Mar 2007 £m	6 mths 30 Sep 2007 £m	Group 6 mths 30 Sep 2006 £m	Year 31 Mar 2007 £m
Gains and losses on investments held at fair value through profit or loss	(35.2)	2.3	96.5	(39.2)	(15.2)	66.0
Gains and losses on derivatives used to hedge the fair value of investments	0.3	5.9	5.6	1.4	6.1	5.9
Provisions	-	-	-	-	(3.1)	(3.1)
Investment income	16.8	13.1	40.1	15.1	10.7	25.5
Gross portfolio return	(18.1)	21.3	142.2	(22.7)	(1.5)	94.3
Management expenses	(5.2)	(5.3)	(11.0)	(5.2)	(5.3)	(11.0)
Other expenses	(0.2)	(0.8)	(1.1)	(0.2)	(0.8)	(1.1)
Net portfolio return	(23.5)	15.2	130.1	(28.1)	(7.6)	82.2
Revenue from sales of goods and services	-	-	-	57.1	64.4	135.0
Operating expenses	-	-	-	(53.4)	(55.2)	(120.0)
Gain on disposal of operations	-	-	-	-	-	4.4
Gain on investment property	-	-	-	2.9	-	-
Share of results of joint ventures	-	-	-	1.8	1.7	6.1
Profit/(loss) before finance costs	(23.5)	15.2	130.1	(19.7)	3.3	107.7
Gains on money market funds held at fair value through profit or loss	-	1.0	1.0	-	1.0	1.0
Treasury interest receivable	3.0	0.9	3.5	3.6	1.6	4.3
Exchange movements	(0.2)	(0.5)	(0.7)	(0.2)	(0.5)	(0.7)
Finance costs	-	(0.6)	(0.3)	(2.1)	(2.1)	(4.1)
Profit/(loss) before tax	(20.7)	16.0	133.6	(18.4)	3.3	108.2
Taxation	6.5	1.2	2.5	5.0	(0.7)	(0.3)
Profit/(loss) for the period	(14.2)	17.2	136.1	(13.4)	2.6	107.9
Attributable to						
Equity holders of the parent	(14.2)	17.2	136.1	(13.4)	1.6	106.1
Minority interest	-	-	-	-	1.0	1.8
	(14.2)	17.2	136.1	(13.4)	2.6	107.9
Basic earnings per ordinary share	-24.5p	28.2p	228.6p	-23.1p	2.6p	178.3p
Diluted earnings per ordinary share	-24.5p	28.0p	226.9p	-23.1p	2.6p	176.9p

Condensed statement of recognised income and expense

for the six months ended 30 September 2007

	6 mths 30 Sep 2007 £m	Company 6 mths 30 Sep 2006 £m	Year 31 Mar 2007 £m	6 mths 30 Sep 2007 £m	Group 6 mths 30 Sep 2006 £m	Year 31 Mar 2007 £m
Exchange differences on translation of foreign operations	-	-	-	0.1	(0.7)	(1.2)
Actuarial gains and losses on defined benefit pension schemes	-	-	(0.3)	-	2.5	0.2
Tax on items recognised directly in equity	(0.2)	-	1.9	(0.2)	-	1.7
Net income/(expense) recognised directly in equity	(0.2)	-	1.6	(0.1)	1.8	0.7
Profit/(loss) for the period	(14.2)	17.2	136.1	(13.4)	2.6	107.9
Total recognised income and expense	(14.4)	17.2	137.7	(13.5)	4.4	108.6
Attributable to						
Equity holders of the parent	(14.4)	17.2	137.7	(13.5)	3.4	106.8
Minority interest	-	-	-	-	1.0	1.8
	(14.4)	17.2	137.7	(13.5)	4.4	108.6

Condensed balance sheet

as at 30 September 2007

	30 Sep 2007 £m	Company 30 Sep 2006 £m	31 Mar 2007 £m	30 Sep 2007 £m	Group 30 Sep 2006 £m	31 Mar 2007 £m
Non-current assets						
Investments held at fair value through profit or loss	1,271.4	1,142.9	1,228.1	1,157.2	1,031.7	1,125.9
Investments in subsidiaries held at cost	0.8	2.8	0.8	–	–	–
Available for sale investments	–	–	–	0.5	0.5	0.5
Intangible assets	–	–	–	40.6	40.6	40.7
Property, plant and equipment	–	–	–	76.9	75.1	78.6
Investment property	–	–	–	4.3	5.8	5.8
Interests in joint ventures	–	–	–	9.7	11.0	11.6
Deferred tax assets	6.9	2.3	5.8	8.9	4.2	8.0
Non-current assets	1,279.1	1,148.0	1,234.7	1,298.1	1,168.9	1,271.1
Current assets						
Inventories	–	–	–	16.8	29.5	19.5
Trade and other receivables	2.6	4.3	6.5	34.6	28.4	29.0
Current tax assets	–	–	–	–	0.6	0.2
Money market funds held at fair value through profit or loss	–	–	–	0.3	0.3	0.3
Cash and cash equivalents	36.1	84.1	108.6	52.7	115.0	123.2
Current assets	38.7	88.4	115.1	104.4	173.8	172.2
Total assets	1,317.8	1,236.4	1,349.8	1,402.5	1,342.7	1,443.3
Current liabilities						
Bank overdrafts	–	–	–	(0.4)	(1.7)	(1.5)
Interest-bearing loans and borrowings	–	–	–	(1.3)	(1.0)	(1.3)
Trade and other payables	(8.9)	(5.6)	(4.8)	(31.2)	(23.7)	(27.1)
Employee benefits	–	–	–	(1.3)	(1.4)	(3.1)
Current tax liabilities	(1.0)	(7.6)	(5.2)	(2.8)	(9.8)	(6.6)
Provisions	(13.5)	(13.5)	(13.5)	(14.0)	(14.7)	(14.1)
Current liabilities	(23.4)	(26.7)	(23.5)	(51.0)	(52.3)	(53.7)
Non-current liabilities						
Interest-bearing loans and borrowings	–	–	–	(58.0)	(63.4)	(64.7)
Employee benefits	(1.0)	(1.7)	(0.9)	(5.4)	(4.9)	(5.4)
Deferred tax liabilities	(3.2)	–	(2.2)	(4.4)	(1.1)	(3.6)
Provisions	–	–	–	–	(4.0)	–
Non-current liabilities	(4.2)	(1.7)	(3.1)	(67.8)	(73.4)	(73.7)
Total liabilities	(27.6)	(28.4)	(26.6)	(118.8)	(125.7)	(127.4)
Net assets	1,290.2	1,208.0	1,323.2	1,283.7	1,217.0	1,315.9
Equity						
Share capital	3.3	3.3	3.3	3.3	3.3	3.3
Share premium	1.3	1.3	1.3	1.3	1.3	1.3
Capital redemption reserve	1.2	1.2	1.2	1.2	1.2	1.2
Capital reserve	1,011.7	935.6	1,048.6	–	–	–
Retained earnings	272.7	266.6	268.8	1,273.7	1,207.4	1,305.9
Foreign exchange translation reserve	–	–	–	(0.6)	(0.2)	(0.7)
Equity attributable to owners of the parent	1,290.2	1,208.0	1,323.2	1,278.9	1,213.0	1,311.0
Minority interest	–	–	–	4.8	4.0	4.9
Total equity	1,290.2	1,208.0	1,323.2	1,283.7	1,217.0	1,315.9
Net asset value per ordinary share (undiluted)	2237p	2083p	2283p			
Net asset value per ordinary share (diluted)	2212p	2061p	2258p			

Condensed cash flow statement

for the six months ended 30 September 2007

	6 mths 30 Sep 2007 £m	Company 6 mths 30 Sep 2006 £m	Year 31 Mar 2007 £m	6 mths 30 Sep 2007 £m	Group 6 mths 30 Sep 2006 £m	Year 31 Mar 2007 £m
Operating activities						
Dividends received	12.3	9.8	29.7	12.8	8.7	12.8
Interest received	4.7	2.9	7.9	4.6	3.2	7.2
Cash received from customers	–	–	–	61.2	69.0	144.8
Cash paid to suppliers	(6.5)	(6.9)	(10.1)	(58.5)	(75.0)	(130.5)
Taxes received/(paid)	2.1	–	–	0.9	(3.3)	(4.5)
Group relief received	0.1	0.6	0.4	–	–	–
Net cash from operating activities	12.7	6.4	27.9	21.0	2.6	29.8
Investing activities						
Purchases of property, plant and equipment	–	–	–	(2.1)	(12.1)	(18.9)
Proceeds from disposal of property, plant and equipment	–	–	–	–	–	0.7
Purchases of investments held at fair value through profit or loss	(112.6)	(168.4)	(290.4)	(105.0)	(138.7)	(253.3)
Purchases of money market funds held at fair value through profit or loss	–	–	–	–	(0.3)	–
Proceeds on disposal of investments held at fair value through profit or loss	40.9	176.3	309.5	43.5	145.5	255.0
Proceeds on disposal of money market funds held at fair value through profit or loss	–	76.8	76.8	–	76.8	76.8
Proceeds on disposal of investment property	–	–	–	4.5	–	–
Net receipts/(payments) from derivatives	0.3	5.3	4.4	(7.4)	6.0	5.1
Purchase of subsidiary net of cash acquired	–	–	–	(0.7)	(17.1)	(17.1)
Proceeds on disposal of subsidiaries net of cash disposed	–	–	–	–	0.9	3.0
Taxes received	–	–	–	–	0.9	–
Net cash from/(used in) investing activities	(71.4)	90.0	100.3	(67.2)	61.9	51.3
Financing activities						
Interest paid	–	(0.3)	(0.3)	(2.0)	(1.5)	(2.7)
Distributions paid to holders of equity shares	(12.5)	(13.0)	(18.5)	(12.5)	(13.0)	(18.5)
Dividends paid to minority interests	–	–	–	(0.1)	(0.4)	(0.4)
Elective special dividend paid	–	(102.9)	(102.9)	–	(102.0)	(102.0)
Proceeds from new borrowings	–	38.0	43.0	1.3	51.2	83.8
Repayment of borrowings	–	(38.0)	(43.0)	(8.6)	(41.8)	(73.9)
Net purchase of own shares	(1.3)	0.1	(1.7)	(1.3)	0.1	(1.7)
Net cash used in financing activities	(13.8)	(116.1)	(123.4)	(23.2)	(107.4)	(115.4)
Net increase/(decrease) in cash and cash equivalents	(72.5)	(19.7)	4.8	(69.4)	(42.9)	(34.3)
Cash and cash equivalents at period start	108.6	103.8	103.8	121.7	156.5	156.5
Exchange gains/(losses) on cash and cash equivalents	–	–	–	–	(0.3)	(0.5)
Cash and cash equivalents at period end	36.1	84.1	108.6	52.3	113.3	121.7

Notes to the condensed set of financial statements

1. General information

Caledonia Investments plc is an investment trust company domiciled in the United Kingdom and incorporated in England, under the Companies Acts 1908 to 1917. The address of its registered office is Cayzer House, 30 Buckingham Gate, London SW1E 6NN. The ordinary shares of the company are listed on the London Stock Exchange and the New Zealand Exchange.

The information for the period ended 30 September 2007 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for the year ended 31 March 2007 has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

The half-year results are unaudited. They should not be taken as a guide to the full year and do not constitute the statutory accounts.

2. Accounting policies

This condensed set of financial statements has been prepared using accounting policies consistent with International Financial Reporting Standards ('IFRS') as adopted by the European Union and in accordance with International Accounting Standard 34 'Interim Financial Reporting'. The half-yearly condensed set of financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2007, which were prepared in accordance with IFRS as adopted by the European Union.

The same accounting policies, presentations and methods of computation are followed in this condensed set of financial statements as were applied in the company's latest audited annual financial statements.

3. Dividends

	6 mths 30 Sep 2007 £m	6 mths 30 Sep 2006 £m	Year 31 Mar 2007 £m
Amounts recognised as distributions to equity holders in the period			
Final dividend for the year ended 31 March 2007 of 21.6p per share (2006 – 20.5p)	12.5	13.0	13.0
Interim dividend for the year ended 31 March 2007 of 9.5p per share	–	–	5.5
Elective special dividend paid on 13 July 2006 of 1902.17p per share elected	–	102.9	102.9
	12.5	115.9	121.4

The directors have proposed an interim dividend for the year ending 31 March 2008 of 9.9p per share, totalling £5.7m, which has not been included as a liability in this condensed set of financial statements. This dividend will be payable on 8 January 2008 to holders of shares on the register on 7 December 2007. The ex-dividend date will be 5 December 2007.

4. Earnings and net asset values per share

Basic and diluted earnings per share

The calculation of basic earnings per share of the company and of the group at 30 September 2007 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the six months ended 30 September 2007.

The calculation of diluted earnings per share takes account of the share options and deferred bonus plan awards with dilutive potential. The weighted average number of ordinary shares takes account of the number of dilutive potential ordinary shares that could be issued as a result of the exercise of share options and the vesting of shares under the deferred bonus plan.

	Company			Group		
	6 mths 30 Sep 2007 £m	6 mths 30 Sep 2006 £m	Year 31 Mar 2007 £m	6 mths 30 Sep 2007 £m	6 mths 30 Sep 2006 £m	Year 31 Mar 2007 £m
Earnings (basic and diluted)	(14.2)	17.2	136.1	(13.4)	1.6	106.1
	000's	000's	000's	000's	000's	000's
Weighted average shares (basic)	57,924	61,081	59,537	57,921	61,051	59,520
Effect of share options and deferred bonus awards	–	389	455	–	389	455
Weighted average shares (diluted)	57,924	61,470	59,992	57,921	61,440	59,975

Undiluted and diluted net asset values per share

The company's undiluted net asset value per ordinary share is based on the net assets of the company at the period end and on the number of ordinary shares in issue at the period end less shares held by the Caledonia Investments plc Employee Share Trust and shares held in treasury or by a subsidiary.

The company's diluted net asset value per ordinary share assumes the exercise of all outstanding, in-the-money share options, the calling of shares in the deferred bonus plan and the reissue of shares held in treasury at the mid-market price at the balance sheet date.

	30 Sep 2007	30 Sep 2006	31 Mar 2007
Undiluted			
Net assets (£m)	1,290.2	1,208.0	1,323.2
Number of shares (000's)	57,673	57,988	57,952
Net asset value per share (p)	2237	2083	2283
Diluted			
Net assets (£m)	1,311.5	1,221.2	1,336.1
Number of shares (000's)	59,302	59,243	59,169
Net asset value per share (p)	2212	2061	2258

5. Related parties

Caledonia Group Services Ltd, a wholly-owned subsidiary of the company, provides management services to the company. During the period, £5.0m was charged to the company (30 September 2006 – £5.0m and 31 March 2007 – £11.3m).

6. Segment reporting

The following is an analysis of the revenue and results for the period analysed by business segment, the group's primary basis of segmentation:

	Investing £m	Financial services £m	Industrial/ consumer £m	Property £m	Total £m
6 mths 30 Sep 2007					
Gross portfolio return	(20.7)	–	–	–	(20.7)
Trading revenue	–	7.4	44.3	5.7	57.4
Inter-segment sales	(2.0)	–	–	(0.3)	(2.3)
	(22.7)	7.4	44.3	5.4	34.4
Segment result	(28.0)	2.0	2.8	1.7	(21.5)
Unallocated net income					8.1
Loss for the period					(13.4)
6 mths 30 Sep 2006					
Gross portfolio return	4.5	–	–	–	4.5
Trading revenue	–	6.9	48.1	9.9	64.9
Inter-segment sales	(2.9)	–	–	(0.5)	(3.4)
	1.6	6.9	48.1	9.4	66.0
Segment result	(6.5)	2.5	5.0	0.6	1.6
Unallocated net income					1.0
Profit for the period					2.6
Year 31 Mar 2007					
Gross portfolio return	113.2	–	–	–	113.2
Trading revenue	–	14.3	99.0	22.4	135.7
Inter-segment sales	(15.8)	–	–	(0.7)	(16.5)
	97.4	14.3	99.0	21.7	232.4
Segment result	86.3	4.6	5.9	4.8	101.6
Unallocated net income					6.3
Profit for the year					107.9

7. Impairment of assets

There was no group impairment loss for the period (30 September 2006 – £nil and 31 March 2007 – £0.6m).

8. Capital commitments

On 30 September 2007, the company had undrawn fund and other commitments totalling £63.3m (30 September 2006 – £50.1m and 31 March 2007 – £73.9m).

9. Share based payments

The company operates two types of share based payment plans. The executive share option scheme is a discretionary plan for directors and senior management, entitling participants to purchase shares in the company at the market price at the date of grant, subject to service and company performance criteria, between three and ten years after the date of grant. The company also has a deferred bonus plan under which senior employees compulsorily defer part of their annual bonus, being any bonus in excess of 50% of their basic salary for the bonus year, into shares and may voluntarily defer up to 50% of their remaining cash bonus into shares. The company will match the number of shares comprised in the voluntary deferral, subject to service and company performance criteria.

In the period to 30 September 2007, participating employees in the executive share option scheme were awarded options over 172,930 shares at a price of 2158p per share (30 September 2006 and 31 March 2007 – 172,690 shares at 1878p per share). The weighted average fair value of these shares at the date of grant, using a binomial valuation model, was estimated at 588p per share (30 September 2006 and 31 March 2007 – 496p per share).

Also in the period to 30 September 2007, participating employees in the deferred bonus plan applied a proportion of their annual bonuses to purchase 40,561 shares at a price of 2158p per share (30 September 2006 and 31 March 2007 – 65,347 shares at 1878p per share). Matching awards of 16,733 shares were granted (30 September 2006 and 31 March 2007 – 20,859 shares), which depend on company performance. The fair value of the bonus deferral shares was measured directly as the bonus foregone. The fair value of the matching shares was also 2158p per share, on a market neutral valuation basis (30 September 2006 and 31 March 2007 – 1878p per share).

The IFRS 2 expense charged to the income statement for the period was £0.7m (30 September 2006 – £0.3m and 31 March 2007 – £1.6m).

Information for shareholders

Dividends

Shareholders on the UK register who wish to have dividends paid directly into a bank account, rather than by cheque to their registered address, can complete a mandate form for this purpose. Mandates may be obtained from Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Where dividends are paid directly into shareholders' bank accounts, dividend tax vouchers are sent directly to shareholders' registered addresses.

Shareholders on the New Zealand register may arrange to receive their dividends by direct credit to a specified New Zealand bank account. New Zealand registered shareholders should contact Computershare Investor Services Ltd, Private Bag 92119, Auckland 1142, New Zealand if they wish to set up such an arrangement.

Share prices

The company's ordinary shares are listed on the London Stock Exchange under the SEDOL code of 0163992 or TIDM code of CLDN. Prices are published daily in the Financial Times under the 'Investment Companies' heading and in other leading newspapers.

The company's ordinary shares are also listed on the New Zealand Exchange under the security code of CDN. Shareholders in New Zealand are able to trade their shares locally and receive dividends in New Zealand dollars.

The ISIN code for Caledonia's ordinary shares is GB0001639920.

Change of address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment, shareholders on the UK register should notify Capita Registrars at the address given above, under the signature of the registered holder or, where there is more than one registered holder, under the signature of the first named holder.

Shareholders on the New Zealand register should similarly notify Computershare Investor Services Ltd at the address given above, but, where there is more than one registered holder, all holders should sign.

Monthly net asset value

The company publishes a net asset value announcement and a monthly fact sheet shortly after the month end, which include its undiluted and diluted net asset values per share. These can be found on the company's website at www.caledonia.com.

Financial calendar

Provisional dates for the company's financial events over the coming year are as follows:

Half-year results announced	27 November 2007
Half-year report published	10 December 2007
Interim dividend paid	8 January 2008
Annual results announced	30 May 2008
Annual report published	18 June 2008
Annual general meeting	29 July 2008
Final dividend paid	14 August 2008

Caledonia Investments ISA

The Caledonia Investments Individual Savings Account ('ISA') is a tax efficient savings account that allows participants to invest up to £7,000 (£7,200 from 6 April 2008) each tax year. Lump sum payments or regular monthly deposits can be made to the ISA.

The plan manager of the ISA is Capita Financial Nominees Ltd, 2 The Boulevard, City West One Office Park, Gelderd Road, Leeds LS12 6NT. The administrator of the ISA is Capita IRG Trustees Ltd, which can be contacted at Regulated Business, 34 Beckenham Road, Beckenham, Kent BR3 4TU or telephoned on 0871 664 0335 (calls cost 10p per minute including VAT, plus network extras).

Documentation for the ISA is also available on Caledonia's website.

Caledonia Investments Savings Scheme

The Caledonia Investments Savings Scheme is a plan that aims to provide a simple and flexible way for investors to purchase shares in Caledonia. Lump sum payments or regular monthly deposits can be made to the Savings Scheme.

The Savings Scheme is provided by Capita IRG Trustees Ltd, which can be contacted at Regulated Business, 34 Beckenham Road, Beckenham, Kent BR3 4TU or telephoned on 0871 664 0335 (calls cost 10p per minute including VAT, plus network extras).

Documentation for the Savings Scheme is also available on Caledonia's website.

PEPs and ISAs

Caledonia's shares can be treated as qualifying investments for the purposes of the PEP and ISA rules.

Executive directors

Peter N Buckley (Chairman)²
Timothy C W Ingram (Chief Executive)
Jonathan H Cartwright (Finance Director)
James M B Cayzer-Colvin
The Hon Charles W Cayzer
John M May
William P Wyatt

Non-executive directors

James R H Loudon (Deputy Chairman)^{1,2,3}
Charles M Allen-Jones (Senior Independent)^{1,2,3,4}
Mark E T Davies^{2,3,4}
Richard Goblet d'Alviella
David G F Thompson^{1,2,4}

1. Member of the Audit Committee
2. Member of the Nomination Committee
3. Member of the Remuneration Committee
4. Member of the Governance Committee

Associate directors

Graeme P Denison
Jonathan R Hale
Anthony E G Hambro
Sheena D McNeill
Paul M Whiteley

Secretary

Graeme P Denison

Registered office

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Registered number

Registered in England no 235481

Auditors

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Registrars

Capita Registrars
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