



CALEDONIA
INVESTMENTS

Half-year report 2014

Six months ended 30 September 2014



Welcome to Caledonia

We are a self-managed investment trust company with net assets of £1.5bn. We aim to deliver growth in shareholder capital, measured over the long term, and in annual dividends. This is achieved by investing in well-managed businesses with good long term prospects and via funds, both listed and private, across a range of sectors and regions.

Our heritage can be traced back to the shipping empire established by Sir Charles Cayzer in 1878. We continue to enjoy the backing of the Cayzer family, which owns 48.5% of the share capital. The Cayzer family shareholding provides both support for our long term value investment horizon and a foundation to our culture of conservative generational wealth management.

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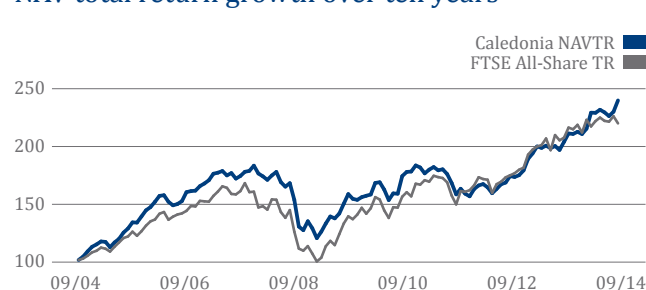
Company highlights

- Net asset value per share total return of 4.6%
- Interim dividend per share up 3.0% to 13.8p

Results summary

	30 Sep 2014	31 Mar 2014
Net asset value	£1,493m	£1,446m
NAV per share	2675p	2593p
Interim dividend per share	13.8p	13.4p

NAV total return growth over ten years



Performance

	6 months %	1 year %	5 years %	10 years %
NAV total return	4.6	17.7	51.7	141.4
Total shareholder return	14.0	23.4	46.2	145.2
Dividend growth	3.0	4.0	45.3	81.9

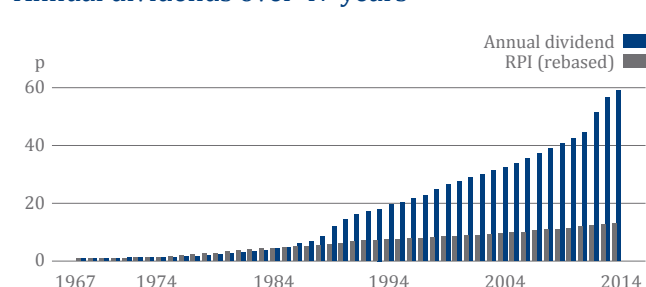
Annualised ten year rolling performance



Pools

	6 months 30 Sep 2014		Year 31 Mar 2014	
	Value £m	Return %	Value £m	Return %
Quoted	470.0	(2.5)	497.8	20.5
Unquoted	484.8	4.7	568.3	17.7
Funds	284.2	28.3	204.4	11.8
Income & Growth	188.9	2.9	189.6	0.1
Portfolio	1,427.9	5.5	1,460.1	15.4
Cash and other items	65.5		(14.5)	
Net assets	1,493.4	4.6	1,445.6	14.9

Annual dividends over 47 years



NAV per share was calculated on a diluted, cum income basis.

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Management report

Results

Caledonia has delivered another good overall performance. The net asset value total return per share ('NAVTR') was 4.6% for the six months to 30 September 2014, continuing the strong growth seen over the last financial year. For the 12 months to 30 September 2014, NAVTR was 17.7%, comfortably ahead of our shorter term objective of delivering average annual returns of between RPI +3% and RPI +6%, and the NAV per share of 2675p marks a new high point for the company. Our share price has increased by 20% over the same 12 months with a corresponding narrowing of the discount from 23% to 19%.

Investment performance

The board's measure of longer term performance is the comparison of NAVTR with the FTSE All-Share Total Return index over rolling ten year periods. On this basis, the annualised performance of Caledonia's NAVTR was 9.2% over ten years, representing an outperformance against the FTSE All-Share of 1.0%. A summary of Caledonia's NAVTR performance against both RPI and the FTSE All-Share is shown in the table below:

	6 months %	1 year %	3 years %	5 years %	10 years %
NAVTR	4.6	17.7	51.8	51.7	141.4
NAVTR annualised	4.6 ¹	17.7	14.9	8.7	9.2
RPI annualised	1.1 ¹	2.3	2.7	3.7	3.2
Caledonia RPI outperformance	3.5	15.4	12.2	5.0	6.0
FTSE All-Share TR annualised					8.2
Caledonia FTSE outperformance					1.0

1. NAVTR and RPI increases over the six month period.

During the six month period, growth has been driven in particular by the Funds pool, which achieved an overall return of 28.3%. This was principally due to a substantial increase in the value of its indirect holding in JD.com, following the company's May listing on NASDAQ, and strong performances from Caledonia's other Asia-centric funds.

The Income & Growth and Unquoted pools both made satisfactory positive returns over the half-year, of 2.9% and 4.7% respectively. The value of companies in the Unquoted pool benefited from some stronger trading, particularly in our industrial businesses. The Quoted pool had a negative return of 2.5% over the six months, although increased by 14.6% over the past year. Whilst global stock markets have been volatile this year, the Quoted pool has a strong portfolio of companies with good long term prospects, which we believe match Caledonia's objectives and strategy.

Portfolio income, a vital component of total return, totalled £22m for the first half of the year. This is a considerable increase over the £16m for the equivalent period last year, though this was mainly due to the timing of dividend receipts from unquoted companies within the portfolio.

Management expenses have increased over the comparative period due to increased costs in respect of future long term incentive payments, which reflects our improving recent performance. We expect our long term ongoing charges ratio to remain broadly comparable with prior years.

Investment activity

We invested £112m during the half-year, net of recycling of investments within the Income & Growth pool. We have taken advantage of reasonable valuations available in Asian listed markets to make three new public equity fund investments and have made two further commitments to our Asian private equity fund portfolio. This is in line with our strategy to gain exposure to companies outside the UK via both public and private equity funds. We have also added several new holdings to our Quoted pool.

Realisations during the six months amounted to £196m, net of recycling of investments within the Income & Growth pool. The Unquoted pool sold its holding in Oval for £70m. The Quoted pool took profits on part of its holding in Dewan Housing Finance, following a strong run, and sold down various other holdings, realising £61m in total. The Funds pool sold several positions across its portfolio, including some Indian and European fund investments, which, together with distributions, generated £36m in proceeds.

Balance sheet

Net cash at the period end totalled £49m, which, together with our undrawn committed bank facilities of £155m, gives us adequate liquidity to take advantage of opportunities as they are presented. Our strategic preference is to avoid taking long term borrowing directly onto Caledonia's balance sheet but instead utilise modest levels of gearing in our unquoted investments.

Investment portfolio – asset allocation

Pool	30 September 2014		31 March 2014		Strategic allocation %
	£m	%	£m	%	
Quoted	470.0	31.5	497.8	34.5	35-50
Unquoted	484.8	32.5	568.3	39.3	20-35
Funds	284.2	19.0	204.4	14.1	15-20
Income & Growth	188.9	12.6	189.6	13.1	15-20
Cash and other	65.5	4.4	(14.5)	(1.0)	(10)-10
Net assets	1,493.4	100.0	1,445.6	100.0	

Quoted pool (£470m, 32% of net assets)

Longer term investment in listed companies with established business models, strong balance sheets and good returns on capital.

The total return for the Quoted pool, which is managed in-house, was -2.5% over the period. We took advantage of a particularly strong share price performance from Dewan Housing Finance, which has benefited from the surge in optimism following Narendra Modi's election as Prime Minister of India, to lighten our holding, generating £18m. Offsetting this to some degree was a weak share price performance from Avanti Communications, despite the confidence shown in the company by debt investors who took up its \$150m bond issue to finance its fourth satellite. Following strong gains over the past two years, other UK holdings such as Polar Capital, Quintain Estates and Close Brothers were either flat or lost some value over the period, despite encouraging financial results.

We added two new investments, Microsoft and Oracle, to the pool, which we consider are good prospects to deliver reliable returns to investors over the long term. We sold our holdings in Petroceltic International and Urban & Civic, following their respective mergers. In total, we invested £51m via the Quoted pool and realised £61m from sales over the six months under review.

Unquoted pool (£485m, 32% of net assets)

Investment in unlisted businesses requiring capital and an investor with a balance sheet to support a long term perspective. We invest in both majority and minority positions.

The total return for the Unquoted pool, which is managed in-house, was 4.7% over the six months. The strengthening trading at our industrial businesses, which we have noted at various stages over the past 18 months, is now being reflected in increased valuations. TGE Marine, in particular, has seen an uptick in value of 15% following its year end results and the increase in its order book. Latschaw Group, a US based group of engineering businesses, also continued its impressive financial performance and we remain optimistic about its future prospects. The two most recent additions to the pool, Choice Care and Park Holidays, have made seamless transitions to our ownership and both are trading ahead of expectations. We took the opportunity to syndicate 7% of Park Holidays to F&C private equity funds during the period, realising £7m. We sold our holding in Oval to Arthur J Gallagher in April, for which we received cash proceeds of £70m.

Funds pool (£284m, 19% of net assets)

Investment in both private and public equity funds, with an emphasis on providing exposure to areas of the world where we are less willing to invest directly.

The total return for the Funds pool for the period was 28.3%, driven, as noted earlier, by the successful IPO of JD.com, a China based e-commerce retailer held within the Capital Today China Growth Fund, a private equity fund launched in 2006 in which Caledonia was a cornerstone investor. JD.com is the leader in China's online direct sales, with a market share of 46%, and is growing at a phenomenal rate. At 30 September, the company had a market capitalisation of \$36bn (£22bn), which was reflected in Caledonia's attributable look through value of £75m. If held directly, JD.com would be our third largest investment.

In addition, we have been active making investments in Asia via three new public equity funds, the New Silk Road Asia Landmark Fund, NTAsian Discovery Fund and Newton Asia Income fund. We believe that Asian listed markets are currently offering reasonable value and in these three funds we have found particularly good managers with first-rate track records. The private equity fund portfolio continues to expand as we make new commitments to both Asian and US funds. In total, we invested £60m and realised £36m from the Funds pool during the period.

Income & Growth pool (£189m, 13% of net assets)

Investment in a concentrated global equity portfolio that provides a reliable and increasing dividend stream.

The Income & Growth pool produced a creditable total return of 2.9% for the half-year. Since it was launched in March 2011, the pool has broadly tracked its target of achieving an annualised 10% total return, including an income yield of between 4.5% and 5.0%. The portfolio, which is managed in-house, comprises 38 large cap international companies that we expect will grow their annual dividends ahead of inflation. It provides Caledonia with exposure to high quality, relatively low risk, international companies to offset the potential volatility of some of our small and mid-sized investments in the quoted and unquoted worlds. It also acts as a source of liquidity if required.

Stephen Mitchell, who has run the pool since its inception, is leaving Caledonia at the end of this year in order to take up a new challenge. We are grateful for his contribution at Caledonia and wish him every success in his next role. We are well advanced with the process of recruiting his successor, details of which we will include within our monthly fact sheet once an appointment has been made.

Investment portfolio – pool performance

Pool	31 Mar 2014 £m	Investments £m	Disposals £m	Change in value £m	30 Sep 2014 £m	Income £m	Return %
Quoted	497.8	51.2	(61.3)	(17.7)	470.0	5.6	(2.5)
Unquoted	568.3	1.6	(98.5)	13.4	484.8	8.8	4.7
Funds	204.4	59.5	(36.2)	56.5	284.2	1.8	28.3
Income & Growth	189.6	25.2	(25.9)	-	188.9	5.5	2.9
Portfolio	1,460.1	137.5	(221.9)	52.2	1,427.9	21.7	5.5

Dividend

The directors have declared an interim dividend of 13.8p per share. This represents an increase of 3.0% over the equivalent dividend last year and will be paid on 8 January 2015.

Outlook

Markets have returned to a more febrile state, having digested the news that Europe is exhibiting little to no growth, and expectations for the future are no better. The US and UK economies seem to be in better shape and Asia, in particular China, continues to grow, albeit at a slightly lower rate than we have been accustomed to in the recent past. Companies trade at prices on listed markets in the US and UK that leave little room for disappointment, as evidenced by the sharp negative reaction to some of the recently announced profit warnings. The prices being paid for unquoted companies are underpinned by the availability of cheap credit and the volume of equity that has been raised by funds, which are now finding it difficult to deploy under their time constrained models. We will retain our pricing discipline and seek to stick to our objective of buying businesses that are best suited to our shareholders' capital and investment timeframe.

We have set out a clear strategy. The current allocation between the four pools of capital reflects our view of listed market valuations at this time and our deliberate, steady deployment of capital into funds in Asia and, to a lesser extent, the US private equity markets. We believe our current portfolio, combined with our ongoing search for suitable companies and funds, will continue to offer shareholders attractive returns.

Portfolio summary

Holdings of 1% or more of net assets at 30 September 2014 were as follows:

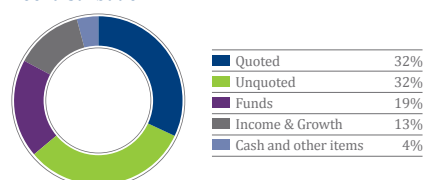
Name	Pool	Geography ¹	Business	Value £m	Net assets %
Cobehold	Unquoted	Belgium	Investment company	96.2	6.4
Capital Today China	Funds	China	Private equity fund	92.3	6.2
Park Holidays	Unquoted	UK	Caravan parks operator	81.1	5.4
Bristow Group	Quoted	US	Helicopter services	68.3	4.6
Close Brothers	Quoted	UK	Financial services	65.5	4.4
AG Barr	Quoted	UK	Soft drinks	58.4	3.9
Choice Care Group	Unquoted	UK	Care homes provider	50.2	3.4
The Sloane Club	Unquoted	UK	Residential club	45.7	3.1
TGE Marine	Unquoted	Germany	LNG engineering	45.3	3.0
Sterling Industries	Unquoted	UK	Engineering	39.2	2.6
Latshaw Group	Unquoted	US	Manufacturing	37.2	2.5
Polar Capital	Quoted	UK	Fund manager	33.2	2.2
Quintain Estates	Quoted	UK	Property services	29.3	2.0
Dewan Housing Finance	Quoted	India	Housing finance	28.1	1.9
Perlus Microcap	Funds	US	Public equity fund	25.2	1.7
Bowers & Wilkins	Unquoted	UK	Audio equipment	24.0	1.6
Avanti Communications	Quoted	UK	Satellite communications	23.8	1.6
Rolls-Royce Holdings	Quoted	UK	Power systems	21.8	1.5
Satellite Information Services	Unquoted	UK	Broadcasting services	20.6	1.4
LondonMetric Property	Quoted	UK	Property investment	19.8	1.3
Spirax-Sarco	Quoted	UK	Steam engineering	17.6	1.2
Brookshire Capital	Unquoted	UK	Property investment	16.7	1.1
Microsoft	Quoted	US	Infrastructure technology	16.4	1.1
New Silk Road Asia Landmark	Funds	Asia	Public equity fund	15.8	1.1
Jardine Matheson	Quoted	Singapore	Industrial engineering	15.7	1.0
Nova Springboard	Funds	UK	Private equity fund	15.6	1.0
Other investments ²				424.9	28.4
Investment portfolio ³				1,427.9	95.6
Cash and other items				65.5	4.4
Net assets				1,493.4	100.0

1. Geography is based on the country of listing, country of domicile for unlisted investments and underlying regional analysis for funds.

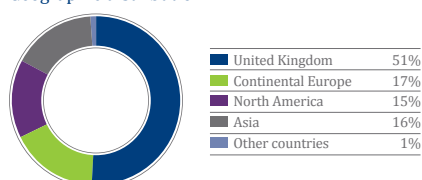
2. Includes an investment of £10.2m in Polar Capital Global Financials Trust, a UK investment trust.

3. Excludes £13.5m of unallocated investments.

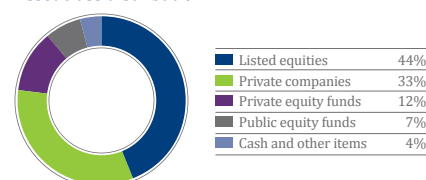
Pool distribution



Geographic distribution



Asset class distribution



Risks and uncertainties

Going concern

Caledonia has a risk management framework that provides a structured process for identifying, assessing and managing risks associated with the company's business objectives and strategy.

The principal risks and uncertainties faced by the company are set out in the strategic report section of Caledonia's annual report 2014. External risks arise from political, legal, regulatory and economic changes. Strategic risks arise from the conception, design and implementation of the company's business model. Investment risks occur in relation to specific investment decisions, subsequent performance or concentration of exposure. Treasury and funding risks arise from counterparties, uncertainty in market prices and rates and liquidity availability. Operational risks arise from potentially inadequate or failed controls, processes, people or systems.

The principal risks and uncertainties identified in the annual report 2014 remain unchanged and each of them has the potential to affect the company's results during the remainder of the year ending 31 March 2015.

Caledonia actively monitors key risk factors, including portfolio concentration, liquidity and volatility, and aims to manage risk by:

- diversifying the portfolio by sector and geography
- ensuring access to relevant information from investee companies, particularly, in the case of unquoted investments, through board representation
- managing cash and borrowings to ensure that liquidity is available to meet investment and operating needs
- reducing counterparty risk by limiting maximum aggregate exposures.

The factors likely to affect the company's ability to continue as a going concern were set out in the annual report 2014. As at 30 September 2014, there have been no significant changes to these factors. Having reviewed the company's forecasts and other relevant evidence, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half-year condensed financial statements.

Directors' responsibility statement

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* as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - DTR 4.2.7R of the *Disclosure 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 financial year;

- DTR 4.2.8R of the *Disclosure 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 performance of the entity during that period and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the board

Will Wyatt
Chief Executive
25 November 2014

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 2014 which comprises the condensed group statement of comprehensive income, the condensed group and company statements of financial position, the condensed group and company statements of changes in equity, the condensed group and company statements of cash flows and the related explanatory notes on a group and company 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 the terms of our engagement to assist the company in meeting the requirements of the *Disclosure and Transparency Rules* ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA'). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 reached.

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 DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the group and company are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

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 UK. A review of interim financial information consists of making enquiries, 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 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Jonathan Mills

for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London E14 5GL
25 November 2014

Condensed group statement of comprehensive income

for the six months ended 30 September 2014

	Six months 30 September 2014			Restated ¹ Six months 30 September 2013			Year 31 March 2014		
	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m
<i>Revenue</i>									
Investment income	22.1	-	22.1	15.9	-	15.9	41.7	-	41.7
Gains and losses on fair value investments	-	54.4	54.4	-	9.4	9.4	-	151.4	151.4
Total revenue	22.1	54.4	76.5	15.9	9.4	25.3	41.7	151.4	193.1
Management expenses	(8.2)	(0.2)	(8.4)	(5.2)	(0.3)	(5.5)	(13.6)	(0.5)	(14.1)
Other expenses (non-recurring)	(1.8)	-	(1.8)	-	-	-	-	-	-
Performance fees	-	(0.6)	(0.6)	-	-	-	-	-	-
Guarantee obligation provided	-	-	-	-	-	-	-	(0.8)	(0.8)
Warranty provision released	-	-	-	-	3.5	3.5	-	3.5	3.5
Profit before finance costs	12.1	53.6	65.7	10.7	12.6	23.3	28.1	153.6	181.7
Treasury interest receivable	0.1	-	0.1	1.1	-	1.1	1.1	-	1.1
Finance costs	(0.9)	-	(0.9)	(0.6)	-	(0.6)	(1.7)	-	(1.7)
Exchange movements	(0.3)	-	(0.3)	(0.3)	-	(0.3)	(0.3)	-	(0.3)
Profit before tax	11.0	53.6	64.6	10.9	12.6	23.5	27.2	153.6	180.8
Taxation	2.0	-	2.0	0.4	0.8	1.2	1.5	0.8	2.3
Profit for the period	13.0	53.6	66.6	11.3	13.4	24.7	28.7	154.4	183.1
<i>Other comprehensive income items never to be reclassified to profit or loss</i>									
Actuarial gain on defined benefit pension schemes	-	-	-	-	-	-	1.4	-	1.4
Tax on other comprehensive income	0.2	-	0.2	0.1	-	0.1	(0.3)	-	(0.3)
Total comprehensive income	13.2	53.6	66.8	11.4	13.4	24.8	29.8	154.4	184.2
Basic earnings per share	23.6p	97.3p	120.9p	20.4p	24.1p	44.5p	51.9p	279.2p	331.1p
Diluted earnings per share	23.3p	96.0p	119.3p	20.1p	23.9p	44.0p	51.3p	276.1p	327.4p

1. Restated for the adoption of IFRS 10 *Consolidated Financial Statements*.

The total column of the above statement represents the group's statement of comprehensive income, prepared in accordance with IFRSs as adopted by the European Union.

The revenue and capital columns are supplementary to the group's statement of comprehensive income and are prepared under guidance published by the Association of Investment Companies.

The profit for the period and total comprehensive income for the period is attributable to equity holders of the parent.

Condensed statement of financial position

at 30 September 2014

	Group			Company		
	30 Sep 2014 £m	Restated ¹ 30 Sep 2013 £m	31 Mar 2014 £m	30 Sep 2014 £m	30 Sep 2013 £m	31 Mar 2014 £m
<i>Non-current assets</i>						
Investments held at fair value through profit or loss	1,441.4	1,249.4	1,451.9	1,424.9	1,235.8	1,435.9
Investments in subsidiaries held at cost	-	-	-	0.8	0.8	0.8
Property held at fair value	18.5	18.5	18.5	-	-	-
Plant and equipment held at cost	0.1	0.1	0.1	-	-	-
Deferred tax assets	1.4	1.1	1.0	-	-	-
Employee benefits	3.3	2.7	3.2	-	-	-
Non-current assets	1,464.7	1,271.8	1,474.7	1,425.7	1,236.6	1,436.7
<i>Current assets</i>						
Trade and other receivables	6.9	6.1	7.3	5.2	4.5	5.6
Current tax assets	0.8	1.8	-	1.6	2.1	0.1
Cash, cash equivalents and restricted cash	70.2	57.8	35.5	70.2	56.6	35.5
Current assets	77.9	65.7	42.8	77.0	63.2	41.2
Total assets	1,542.6	1,337.5	1,517.5	1,502.7	1,299.8	1,477.9
<i>Current liabilities</i>						
Bank overdrafts	(1.1)	-	(2.6)	-	-	-
Interest-bearing loans and borrowings	(20.0)	-	(20.0)	-	-	-
Trade and other payables	(14.3)	(12.7)	(15.0)	(3.4)	(1.7)	(6.8)
Employee benefits	(0.4)	(0.3)	(2.1)	-	-	-
Current tax liabilities	-	-	(0.2)	-	-	-
Provisions	(9.4)	(7.5)	(8.3)	(12.1)	(10.0)	(10.9)
Current liabilities	(45.2)	(20.5)	(48.2)	(15.5)	(11.7)	(17.7)
<i>Non-current liabilities</i>						
Interest-bearing loans and borrowings	-	(19.9)	(20.0)	-	-	(20.0)
Employee benefits	(3.8)	(4.6)	(3.4)	-	-	-
Deferred tax liabilities	(0.2)	(0.2)	(0.3)	-	-	-
Non-current liabilities	(4.0)	(24.7)	(23.7)	-	-	(20.0)
Total liabilities	(49.2)	(45.2)	(71.9)	(15.5)	(11.7)	(37.7)
Net assets	1,493.4	1,292.3	1,445.6	1,487.2	1,288.1	1,440.2
<i>Equity</i>						
Share capital	3.2	3.2	3.2	3.2	3.2	3.2
Share premium	1.3	1.3	1.3	1.3	1.3	1.3
Capital redemption reserve	1.3	1.3	1.3	1.3	1.3	1.3
Capital reserve	1,204.5	1,010.5	1,151.5	1,207.6	1,013.8	1,154.5
Retained earnings	300.6	293.2	305.5	291.3	285.7	297.1
Own shares	(17.5)	(17.2)	(17.2)	(17.5)	(17.2)	(17.2)
Total equity	1,493.4	1,292.3	1,445.6	1,487.2	1,288.1	1,440.2
Undiluted net asset value per share	2711p	2346p	2624p			
Diluted net asset value per share	2675p	2319p	2593p			

1. Restated for the adoption of IFRS 10 Consolidated Financial Statements.

Condensed group statement of changes in equity

for the six months ended 30 September 2014

	Share capital £m	Share premium £m	Capital redemption reserve £m	Capital reserve £m	Retained earnings £m	Own shares £m	Total equity £m
Six months ended 30 September 2014							
Balance at 1 April 2014	3.2	1.3	1.3	1,151.5	305.5	(17.2)	1,445.6
<i>Total comprehensive income for the period</i>							
Profit for the period	-	-	-	53.6	13.0	-	66.6
Other comprehensive income	-	-	-	-	0.2	-	0.2
Total comprehensive income	-	-	-	53.6	13.2	-	66.8
Transactions with owners of the company							
<i>Contributions by and distributions to owners</i>							
Exercise of options	-	-	-	-	-	0.4	0.4
Share-based payments	-	-	-	-	1.6	-	1.6
Own shares purchased	-	-	-	-	-	(0.7)	(0.7)
Own shares cancelled	-	-	-	(0.6)	-	-	(0.6)
Dividends paid	-	-	-	-	(19.7)	-	(19.7)
Total transactions with owners	-	-	-	(0.6)	(18.1)	(0.3)	(19.0)
Balance at 30 September 2014	3.2	1.3	1.3	1,204.5	300.6	(17.5)	1,493.4
Restated¹ six months ended 30 September 2013							
Balance at 1 April 2013	3.2	1.3	1.3	1,012.1	301.5	(17.0)	1,302.4
<i>Total comprehensive income for the period</i>							
Profit for the period	-	-	-	13.4	11.3	-	24.7
Other comprehensive income	-	-	-	-	0.1	-	0.1
Total comprehensive income	-	-	-	13.4	11.4	-	24.8
Transactions with owners of the company							
<i>Contributions by and distributions to owners</i>							
Exercise of options	-	-	-	-	-	1.1	1.1
Share-based payments	-	-	-	-	(0.6)	-	(0.6)
Own shares purchased	-	-	-	-	-	(1.3)	(1.3)
Own shares cancelled	-	-	-	(15.0)	-	-	(15.0)
Dividends paid	-	-	-	-	(19.1)	-	(19.1)
Total transactions with owners	-	-	-	(15.0)	(19.7)	(0.2)	(34.9)
Balance at 30 September 2013	3.2	1.3	1.3	1,010.5	293.2	(17.2)	1,292.3
Year ended 31 March 2014							
Balance at 1 April 2013	3.2	1.3	1.3	1,012.1	301.5	(17.0)	1,302.4
<i>Total comprehensive income for the year</i>							
Profit for the year	-	-	-	154.4	28.7	-	183.1
Other comprehensive income	-	-	-	-	1.1	-	1.1
Total comprehensive income	-	-	-	154.4	29.8	-	184.2
Transactions with owners of the company							
<i>Contributions by and distributions to owners</i>							
Exercise of options	-	-	-	-	-	1.7	1.7
Share-based payments	-	-	-	-	0.7	-	0.7
Own shares purchased	-	-	-	-	-	(1.9)	(1.9)
Own shares cancelled	-	-	-	(15.0)	-	-	(15.0)
Dividends paid	-	-	-	-	(26.5)	-	(26.5)
Total transactions with owners	-	-	-	(15.0)	(25.8)	(0.2)	(41.0)
Balance at 31 March 2014	3.2	1.3	1.3	1,151.5	305.5	(17.2)	1,445.6

1. Restated for the adoption of IFRS 10 Consolidated Financial Statements.

Condensed company statement of changes in equity

for the six months ended 30 September 2014

	Share capital £m	Share premium £m	Capital redemption reserve £m	Capital reserve £m	Retained earnings £m	Own shares £m	Total equity £m
Six months ended 30 September 2014							
Balance at 1 April 2014	3.2	1.3	1.3	1,154.5	297.1	(17.2)	1,440.2
Profit and total comprehensive income for the period	-	-	-	53.7	12.3	-	66.0
Transactions with owners of the company							
<i>Contributions by and distributions to owners</i>							
Exercise of options	-	-	-	-	-	0.4	0.4
Share-based payments	-	-	-	-	1.6	-	1.6
Own shares purchased	-	-	-	-	-	(0.7)	(0.7)
Own shares cancelled	-	-	-	(0.6)	-	-	(0.6)
Dividends paid	-	-	-	-	(19.7)	-	(19.7)
Total transactions with owners	-	-	-	(0.6)	(18.1)	(0.3)	(19.0)
Balance at 30 September 2014	3.2	1.3	1.3	1,207.6	291.3	(17.5)	1,487.2
Six months ended 30 September 2013							
Balance at 1 April 2013	3.2	1.3	1.3	1,015.1	294.9	(17.0)	1,298.8
Profit and total comprehensive income for the period	-	-	-	13.7	10.5	-	24.2
Transactions with owners of the company							
<i>Contributions by and distributions to owners</i>							
Exercise of options	-	-	-	-	-	1.1	1.1
Share-based payments	-	-	-	-	(0.6)	-	(0.6)
Own shares purchased	-	-	-	-	-	(1.3)	(1.3)
Own shares cancelled	-	-	-	(15.0)	-	-	(15.0)
Dividends paid	-	-	-	-	(19.1)	-	(19.1)
Total transactions with owners	-	-	-	(15.0)	(19.7)	(0.2)	(34.9)
Balance at 30 September 2013	3.2	1.3	1.3	1,013.8	285.7	(17.2)	1,288.1
Year ended 31 March 2014							
Balance at 1 April 2013	3.2	1.3	1.3	1,015.1	294.9	(17.0)	1,298.8
Profit and total comprehensive income for the year	-	-	-	154.4	28.0	-	182.4
Transactions with owners of the company							
<i>Contributions by and distributions to owners</i>							
Exercise of options	-	-	-	-	-	1.7	1.7
Share-based payments	-	-	-	-	0.7	-	0.7
Own shares purchased	-	-	-	-	-	(1.9)	(1.9)
Own shares cancelled	-	-	-	(15.0)	-	-	(15.0)
Dividends paid	-	-	-	-	(26.5)	-	(26.5)
Total transactions with owners	-	-	-	(15.0)	(25.8)	(0.2)	(41.0)
Balance at 31 March 2014	3.2	1.3	1.3	1,154.5	297.1	(17.2)	1,440.2

Condensed statement of cash flows

for the six months ended 30 September 2014

	Group			Company		
	6 months 30 Sep 2014 £m	Restated ¹ 6 months 30 Sep 2013 £m	Year 31 Mar 2014 £m	6 months 30 Sep 2014 £m	6 months 30 Sep 2013 £m	Year 31 Mar 2014 £m
<i>Operating activities</i>						
Dividends received	21.4	15.4	38.7	21.4	15.4	39.7
Interest received	3.0	4.6	5.9	2.4	3.9	4.4
Cash received from customers	0.7	0.4	1.5	-	-	-
Cash paid to suppliers and employees	(10.1)	(8.9)	(15.5)	(10.8)	(8.3)	(13.9)
Taxes received	-	1.2	1.3	-	1.2	1.3
Group tax relief received	0.6	0.4	3.1	0.6	0.4	3.4
Net cash flow from operating activities	15.6	13.1	35.0	13.6	12.6	34.9
<i>Investing activities</i>						
Purchases of investments	(139.7)	(167.8)	(327.1)	(138.6)	(166.9)	(318.7)
Sales of investments	200.0	154.3	255.7	201.1	149.8	246.6
Purchases of plant and equipment	-	-	(0.1)	-	-	-
Sales of plant and equipment	-	-	0.3	-	-	-
Net cash flow from/(used in) investing activities	60.3	(13.5)	(71.2)	62.5	(17.1)	(72.1)
<i>Financing activities</i>						
Interest paid	(1.0)	(1.2)	(2.5)	(0.8)	(1.0)	(2.0)
Dividends paid to owners of the company	(19.7)	(19.1)	(26.5)	(19.7)	(19.1)	(26.5)
Proceeds from new borrowings	-	-	35.0	-	-	35.0
Repayment of borrowings	(20.0)	-	(15.0)	(20.0)	-	(15.0)
Proceeds from group company loans	2.0	-	-	-	-	-
Repayment of group company loans	(0.1)	-	(0.4)	-	-	-
Exercise of options	0.4	1.1	1.7	0.4	1.1	1.7
Purchase of own shares	(1.3)	(16.4)	(17.0)	(1.3)	(16.4)	(17.0)
Net cash flow used in financing activities	(39.7)	(35.6)	(24.7)	(41.4)	(35.4)	(23.8)
Net increase/(decrease) in cash and cash equivalents	36.2	(36.0)	(60.9)	34.7	(39.9)	(61.0)
Cash and cash equivalents at period start	32.9	93.8	93.8	35.5	96.5	96.5
Cash and cash equivalents at period end	69.1	57.8	32.9	70.2	56.6	35.5

1. Restated for the adoption of IFRS 10 Consolidated Financial Statements.

Notes to the condensed financial statements

1. General information

Caledonia Investments plc is an investment trust company domiciled in the United Kingdom. The address of its registered office is Cayzer House, 30 Buckingham Gate, London SW1E 6NN. The ordinary shares of the company are premium listed on the London Stock Exchange.

This condensed set of financial statements was approved for issue on 25 November 2014 and is unaudited.

The information for the period ended 30 September 2014 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 March 2014 has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not draw attention to any matters by way of emphasis of matter and did not contain a statement under section 498(2) and (3) of the Companies Act 2006.

2. Accounting policies

Basis of accounting

This condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the financial statements for the year ended 31 March 2014, which were prepared in accordance with IFRSs as adopted by the European Union.

This condensed set of financial statements has been prepared in accordance with the recommendations of the SORP issued by the Association of Investment Companies.

Going concern

The directors have assessed the risks facing the group and consider that it has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half-year condensed set of financial statements.

Changes in accounting policies

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, this condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 March 2014.

Judgements and estimates

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affected the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

The significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 March 2014.

3. Dividends

Amounts recognised as distributions to owners of the company in the period were as follows:

	6 months 30 Sep 2014 £m	6 months 30 Sep 2013 £m	Year 31 Mar 2014 £m
Final dividend for the year ended 31 March 2014 of 35.7p per share (2013 – 34.3p per share)	19.7	19.1	19.1
Interim dividend for the year ended 31 March 2014 of 13.4p per share	–	–	7.4
	19.7	19.1	26.5

The directors have declared an interim dividend for the year ending 31 March 2015 of 13.8p per share, totalling £7.6m, which has not been included as a liability in this condensed set of financial statements. This dividend will be payable on 8 January 2015 to holders of shares on the register on 12 December 2014. The ex-dividend date will be 11 December 2014.

4. Provisions

During the period, the group and company recognised a provision for expected legal costs of £1.1m, included in 'Other expenses (non-recurring)' in the Statement of Comprehensive Income. The company also recognised £0.1m relating to bank guarantees.

During the prior period, the group and company released a warranty provision of £3.5m relating to an investment disposal in 2006. During the year ended 31 March 2014, the group and company recognised a £0.8m investment provision relating to a solvency guarantee (30 September 2013 – £nil).

5. Share capital

During the period, the company purchased for cancellation 30,000 of its own shares for £0.6m and its Employee Share Trust sold 51,900 shares for £0.4m and purchased 31,407 shares for £0.7m in connection with the exercise of share options and calling of deferred bonus awards.

In the six months ended 30 September 2013, the company purchased for cancellation 811,011 of its own shares for £15.0m and its Employee Share Trust sold 90,503 shares for £1.1m and purchased 69,533 shares for £1.3m.

In the year ended 31 March 2014, the company purchased for cancellation 811,011 of its own shares for £15.0m and its Employee Share Trust sold 120,707 shares for £1.7m and purchased 99,237 shares for £1.9m.

Notes to the condensed financial statements continued

6. Net asset value per share

The group's undiluted net asset value per share is based on the net assets of the group at the period end and on the number of shares in issue at the period end less shares held by the Caledonia Investments plc Employee Share Trust. The group's diluted net asset value per share assumes the exercise of all outstanding in-the-money share options and the calling of performance share and deferred bonus awards at the closing mid-market price on the reporting date.

7. Operating segments

The chief operating decision maker has been identified as the Executive Committee, which reviews the company's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The performance of operating segments is assessed on a measure of group total revenue, principally comprising gains and losses on investments and investment income. Reportable profit or loss is after 'Treasury income' and 'Other items', which comprise management and other expenses and provisions. Reportable assets equate to the group's total assets. Cash, cash equivalents and restricted cash, net of bank overdrafts, and other items are not identifiable operating segments.

'Other investments' comprise subsidiaries not managed as part of the investment portfolio.

	Profit before tax			Total assets		
	6 months 30 Sep 2014 £m	Restated 6 months 30 Sep 2013 £m	Year 31 Mar 2014 £m	30 Sep 2014 £m	Restated 30 Sep 2013 £m	31 Mar 2014 £m
<i>Pools</i>						
Quoted	(12.1)	13.2	92.1	470.0	442.8	497.8
Unquoted	22.5	24.8	80.1	484.8	451.9	568.3
Funds	60.5	(3.9)	21.3	284.2	182.6	204.4
Income & Growth	5.5	(8.4)	0.2	188.9	180.2	189.6
Portfolio	76.4	25.7	193.7	1,427.9	1,257.5	1,460.1
Other investments	0.1	(0.4)	(0.6)	13.5	10.4	10.3
Total revenue/ investments	76.5	25.3	193.1	1,441.4	1,267.9	1,470.4
Cash and equivalents	0.1	1.1	1.1	69.1	57.8	32.9
Other items	(12.0)	(2.9)	(13.4)	32.1	11.8	14.2
Reportable total	64.6	23.5	180.8	1,542.6	1,337.5	1,517.5

8. Related parties

The nature of related party transactions has not changed significantly from those described in the company's report for the year ended 31 March 2014. There were no transactions with related parties during the six months ended 30 September 2014 which had a material effect on the results or the financial position of the company or of the group.

Caledonia Group Services Ltd, a wholly-owned subsidiary of the company, provides management services to the company. During the period, £8.4m was charged to the company (30 September 2013 – £5.5m and 31 March 2014 – £13.8m).

9. Capital commitments

At 30 September 2014, the company had undrawn fund and other commitments totalling £125.5m (30 September 2013 – £104.0m and 31 March 2014 – £107.5m).

10. Fair value hierarchy

The table below analyses financial instruments held at fair value according to the subjectivity of the valuation method, using the following hierarchy:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets.
- Level 2 Inputs other than quoted prices included within Level 1 that are directly or indirectly observable.
- Level 3 Inputs for the asset that are not based on observable market data.

	Group			Company		
	30 Sep 2014 £m	Restated 30 Sep 2013 £m	31 Mar 2014 £m	30 Sep 2014 £m	30 Sep 2013 £m	31 Mar 2014 £m
<i>Investments held at fair value</i>						
Level 1	666.5	644.5	703.2	666.5	644.5	703.2
Level 2	84.0	35.1	39.4	73.7	35.1	39.4
Level 3	690.9	569.8	709.3	684.7	556.2	693.3
	1,441.4	1,249.4	1,451.9	1,424.9	1,235.8	1,435.9

Movement in Level 3 financial instruments was as follows:

	6 months 30 Sep 2014 £m	Restated 6 months 30 Sep 2013 £m	Year 31 Mar 2014 £m
Group			
Balance at the period start	709.3	494.7	494.7
Transfers to Level 3	4.4	-	-
Purchases	18.8	73.5	186.8
Disposal proceeds	(105.9)	(11.8)	(45.2)
Realised gains/(losses) on sales	25.6	(0.5)	7.5
Gains through profit or loss	38.7	13.9	65.5
Balance at the period end	690.9	569.8	709.3
Company			
Balance at the period start	693.3	476.6	476.6
Transfers to Level 3	14.6	-	-
Purchases	17.7	72.6	183.4
Disposal proceeds	(105.3)	(7.3)	(40.5)
Realised gains/(losses) on sales	25.6	(0.5)	7.5
Gains through profit or loss	38.8	14.8	66.3
Balance at the period end	684.7	556.2	693.3

During the period, the group and company transferred £4.4m and £14.6m respectively from Level 2 to Level 3 in respect of property investments.

The methods used to determine fair value investments are unchanged from those described in the annual report 2014. Listed investments are valued at bid price or the most recent transaction price. Unlisted companies are valued according to the International Private Equity and Venture Capital Valuation Guidelines (December 2012), using one of the following methods: price of a recent transaction, multiples or net assets. The valuation of fund interests is based on the latest fund managers' NAVs and other investments are valued using appropriate techniques.

11. Share-based payments

The company operates a current performance share scheme and a legacy executive share option scheme, as well as current and historic deferred bonus plans. Full details of these schemes were disclosed in the annual report 2014 and the basis of measuring fair value was consistent with those disclosures.

In the six months ended 30 September 2014, no awards were issued under the performance share scheme (30 September 2013 and 31 March 2014 – 206,761 awards). Compulsory and voluntary deferred bonus awards over 60,052 and 549 shares respectively were granted (30 September 2013 and 31 March 2014 – 51,510 and nil awards respectively). Matching awards were also granted over 60,601 shares (30 September 2013 and 31 March 2014 – 51,150 shares).

Expenses in respect of share-based payments in the period were £1.6m (30 September 2013 – £0.6m credit and 31 March 2014 – £0.7m).

12. Prior period restatement

The group adopted IFRS 10 *Consolidated Financial Statements* and IFRS 12 *Disclosures of Interest in Other Entities* in the financial year ended 31 March 2014. This resulted in prior period adjustments for the period ended 30 September 2013. The impact of the adoption of the standards to the prior period opening statement of financial position at 31 March 2013 was disclosed in the notes to the financial statements for the year ended 31 March 2014.

Information for investors

Dividends, change of address and other shareholder services

Shareholders who wish to have dividends paid directly into a UK bank account, rather than by cheque to their registered address, can complete a mandate form for this purpose. Mandates may be obtained from Capita Asset Services. Where dividends are paid directly into shareholders' bank accounts, dividend tax vouchers are sent directly to shareholders' registered addresses.

Capita Asset Services also offer an international payment service whereby overseas shareholders may convert their dividend payments into a chosen currency and receive payment either in the form of a currency draft or by a direct payment into an overseas bank account. Details of the currencies available under the service and how to apply, including the terms and conditions, are available online at international.capitaregistrars.com or an application pack can be requested by telephone on +44 20 8639 3405 (from outside the UK) or 0871 664 0385 (from within the UK, calls cost 10p per minute including VAT plus network extras) between 9.00am and 5.30pm, UK time.

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 should notify Capita Asset Services, under the signature of the registered holder, or where there is more than one registered holder, under the signature of the first named holder.

Post and telephone contact details for Capita Asset Services are shown on the opposite page. Capita Asset Services also provide an online facility to enable shareholders to manage securely their shareholdings via the internet. By registering to use the facility, shareholders can access a range of online services, including viewing shareholding details, transaction and dividend histories, change of address and bank mandate and use of the online proxy voting service. The online facility is available at www.capitashareportal.com.

Capita Asset Services also offer a share dealing service and dividend reinvestment plan for existing shareholders. The share dealing service is available online at www.capitadeal.com or by telephone on 0871 664 0384 (calls cost 10p per minute including VAT plus network extras), with lines open Monday to Friday 8.00am to 4.30pm.

The dividend reinvestment plan provides a convenient way for shareholders to build up their shareholdings by using cash dividends to buy more shares in the company. An application form for the dividend reinvestment plan is available online at www.capitashareportal.com or by telephone from Capita IRG Trustees Ltd on 0871 664 0381 (calls cost 10p per minute including VAT, plus network extras), or +44 20 8639 3402 if calling from overseas. In each case, lines are open from Monday to Friday 8.30am to 5.30pm. Alternatively, an application form can be requested by email from shares@capita.com.

Caledonia Investments ISA

The Caledonia Investments Individual Savings Account ('ISA') is a tax efficient savings account that allows participants to invest up to an annual amount of £15,000 for the tax year ending 5 April 2015. Lump sum payments or regular monthly deposits can be made into the ISA. Details of the ISA are available on Caledonia's website or by request from the company.

Caledonia Investments Share Savings Scheme

The Caledonia Investments Share 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 into the Share Savings Scheme. Details of the Share Savings Scheme are available on Caledonia's website or by request from the company.

PEPs and ISAs

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

Share prices

The company's ordinary shares are premium 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 and can also be viewed on the company's website at www.caledonia.com.

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

Monthly net asset value

The company releases a net asset value announcement and publishes a fact sheet shortly after each month end. These can be found on the company's website at www.caledonia.com.

Directors and advisers

Chairman

Roderick D Kent²

Executive directors

William P Wyatt (Chief Executive)²
 Stephen A King (Finance Director)
 Jamie M B Cayzer-Colvin

Non-executive directors

Charles M Allen-Jones (Senior Independent)^{1,2,3,4}
 Harold Y H Boël^{1,2}
 Stuart J Bridges^{1,2}
 The Hon Charles W Cayzer²
 Charles H Gregson^{1,2,3,4}
 Robert B Woods CBE^{2,3,4}

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

Stuart A Cox
 Graeme P Denison
 Charles H Edwards
 Sally D Flanagan
 Eloise J M Fox
 Jonathan R Hale
 Duncan E Johnson
 Timothy R G Lewis
 Mathew S D Masters
 Sheena D McNeill
 Stephen J Mitchell
 Paul M Whiteley

Secretary

Graeme P Denison

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Registered number

Registered in England no 235481

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The Association of
 Investment Companies

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