



CALEDONIA
INVESTMENTS

Half-year report 2015

Six months ended 30 September 2015

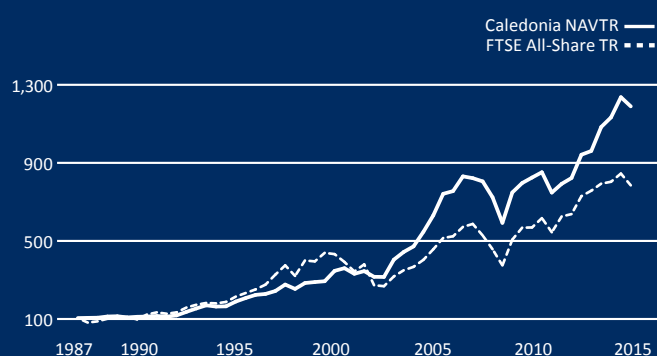


Welcome to Caledonia

Caledonia is a self-managed investment trust company with net assets of £1.6bn. Our aim is to grow net assets and dividends paid to shareholders over the long term without taking undue risks. We achieve this by investing in well-managed businesses that combine reasonable growth characteristics with an ability to deliver increasing levels of income. Our investments include listed and private companies, as well as funds, in a range of sectors and geographies.

The success of this strategy can be seen in the performance of Caledonia's NAV per share total return measured against the FTSE All-Share since 1987 and its track record of increasing its annual dividend every year since 1967.

NAV total return growth since 1987



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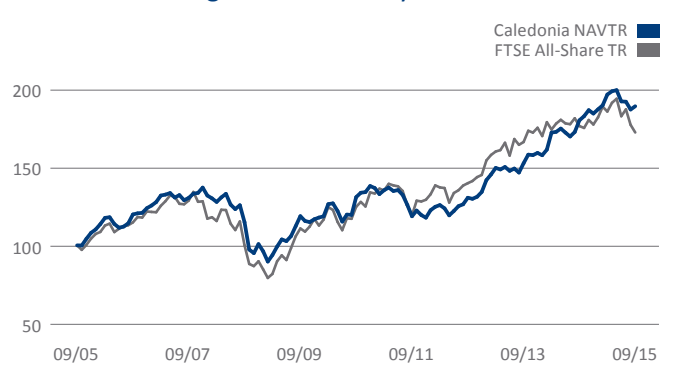
Company highlights

- Net asset value per share total return of -3.8%
- Interim dividend per share up 3.6% to 14.3p

Results summary

	30 September 2015	31 March 2015	Change %
Net asset value	£1,552m	£1,627m	-4.6
NAV per share	2759p	2906p	-5.1
Interim dividend per share	14.3p	13.8p	3.6

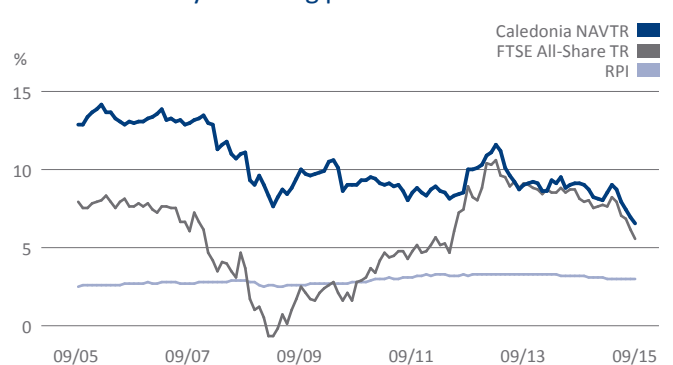
NAV total return growth over ten years



Performance

	6 months %	1 year %	5 years %	10 years %
NAV total return (annualised)		5.0	7.6	6.6
NAV total return	-3.8	5.0	44.5	89.1
Total shareholder return	-3.0	3.2	51.2	65.2
Dividend growth	3.6	3.1	43.3	79.4

Annualised ten year rolling performance

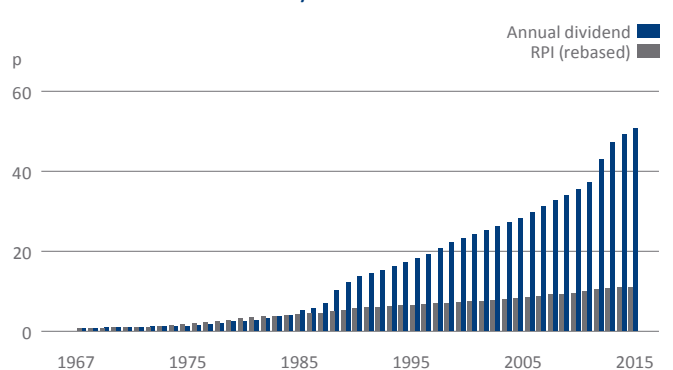


Pools

	Value £m	Return %
Quoted	475.5	-11.4
Unquoted	518.0	6.0
Funds	309.5	-2.5
Income & Growth	191.8	-6.8
Portfolio	1,494.8	-3.0
Cash and other items	57.0	
Net assets	1,551.8	-3.8



Annual dividends over 48 years



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

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Management report

Results

Caledonia's net asset value per share total return was -3.8% for the six months to 30 September 2015. The period spanned a difficult time for equity markets, which fell markedly as investors sold shares in the face of growing concern about a number of issues affecting world economies. Weak commodity prices and sluggish growth in developed markets compounded this bearish sentiment. Our portfolio, which consists of a carefully constructed blend of listed equities, unquoted companies and funds, was not immune to this, though performed in a satisfactory manner. Income from our portfolio, which we regard as a vital element of investment performance, increased by 6.9% over the previous half-year to £23.3m.

Our share price fell 4.4% over the six months and, at the half-year end, the discount between our NAV per share and share price was 21.0%, slightly improved on the 21.5% at the beginning of the period. However, at these two reference points, the market was not informed of the results of the biannual revaluation of our unquoted investments, undertaken in March and September, which were reflected in the NAV per share announcements released a few days after the relevant month-end. It is therefore worth noting that our discount at the intervening month-ends reduced to a low of 14.6%, giving an average over the period of 17.6%.

The board has declared an interim dividend of 14.3p, a rise of 3.6%.

Investment performance

The board's aim is for our NAV total return to outperform the FTSE All-Share Total Return index over ten year rolling periods. This investment horizon provides the timeframe for our portfolio to accumulate value, whilst optimising risk/return characteristics. In the shorter term, we believe that targeting a performance range of long term RPI+3% to RPI+6% will lead to an outperformance over the FTSE. The table below shows our performance track record:

	6 months %	1 year %	3 years %	5 years %	10 years %
NAV total return	-3.8	5.0	44.9	44.5	89.1
<i>Annualised</i>					
NAV total return		5.0	13.2	7.6	6.6
Retail Prices Index		0.8	2.1	2.9	3.0
Performance against RPI		4.2	11.1	4.7	3.6
FTSE All-Share Total Return					5.6
Performance against FTSE					1.0

Management expenses at £11.2m were £3.0m higher this half-year than for the comparative period. This was mainly due to the expensing of as yet unvested long term incentive awards, resulting from a number of years of successful performance, as required by accounting standards. It also included expenses related to our temporary office relocation, while our headquarters are being refurbished.

Pool performance

Pool	31 Mar 2015 £m	Invest- ments £m	Disposals £m	Change in value £m	30 Sep 2015 £m	Income £m	Return %
Quoted	447.7	133.9	(44.7)	(61.4)	475.5	6.9	(11.4)
Unquoted	510.3	74.8	(87.6)	20.5	518.0	10.1	6.0
Funds	327.7	31.8	(41.2)	(8.8)	309.5	0.7	(2.5)
Income & Growth	202.1	81.5	(71.9)	(19.9)	191.8	5.6	(6.8)
Portfolio ¹	1,487.8	322.0	(245.4)	(69.6)	1,494.8	23.3	(3.0)
Cash and other items	139.1				57.0		
Net assets	1,626.9				1,551.8		(3.8)

1. Portfolio excluded £13.4m (31 March 2015 – £11.0m) of unallocated investments included in Cash and other items. Unallocated investments were increased over the period by £2.5m of net investment, offset by a net loss of £0.1m.

Quoted pool (£476m, 31% of net assets)

We look to invest in companies with established business models, strong balance sheets and good returns on capital with strong annual cash flows.

The Quoted pool return for the period was -11.4% having been particularly affected by the weakening sentiment in the oil and gas and industrials sectors, where we have large holdings. Our strategy is to back high quality, well-established businesses for the long term. Bristow Group and Close Brothers are good examples of where we have been closely associated with the companies for many years. Both are exposed to cyclical industries and we are quite prepared to reduce our holdings at the top of the cycle, then re-invest when valuations and sentiment make doing so attractive.

There was also some good news and positive investment performance, notably from Quintain Estates, which was the subject of a recommended takeover bid – completed after the half-year end.

We view periods of market weakness as potential buying opportunities should prices fall to acceptable levels and accordingly over the six months we were net investors. We took the opportunity where valuations were attractive to build some new holdings in companies we have been following and to add to existing positions.

The Quoted pool, at 31%, remained below its strategic allocation of 35-50% of NAV. This reflected the substantial selling activity over the past two years as we took profits into a strongly rising market. We remain cautious in our outlook as we still regard current valuations in quoted markets to be high despite the recent volatility.

Unquoted pool (£518m, 33% of net assets)

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

The Unquoted pool produced a good performance during the period, with a return of 6.0% helped by the disposal of TGE Marine at a valuation uplift of 30%. Our total return target for this pool is 14% per annum, 5% of which should be provided by income. A welcome 14.8% increase in income over the previous half-year to £10.1m is a good step towards the full year target. Park Holidays, the operator of caravan parks in the south of England, saw a further advance in profitability, driving its increased valuation. Cobehold, a Belgian investment company, produced a good NAV performance. These uplifts were partially offset by a fall in valuation of Sterling Industries, which derives much of its business from the steel and oil and gas markets.

We made one new investment in the half-year, purchasing 93.6% of the equity of Seven Investment Management for £74m, in a deal that valued the company at £100m. Seven is a well-established investment business managing money on behalf of private individuals using institutional techniques with transparent charges. The company looks after over £9bn of funds and has some 200 employees. The combination of innovative management and a tried and trusted format gives us great confidence for the future and we were delighted to have had the opportunity to back the impressive management team.

We sold our holding in TGE Marine during the period for €115m (£84m), including a pre-transaction dividend of €8m (£5m) to Mitsui Engineering & Shipbuilding. This was the culmination of a nine year partnership with management from a buy-out from Suez Group in 2006 and over the period we made over 3.5x our investment, an IRR of 39%. We believe that Mitsui is well placed to help TGE fulfil its global ambitions in LNG markets.

Post the half-year end, we announced that we had agreed terms to acquire 99.5% of the equity of Gala Bingo from Gala Coral Group for £98m, in a deal which valued the company at £241m. The business made EBITDA of £53m for its year ended 30 September 2015 and fits well with our investment criteria for the Unquoted pool.

Funds pool (£309m, 20% of net assets)

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

The Funds pool returned -2.5% for the period, with a strong performance from the private equity portfolio being offset, in particular, by the Asian funds, which were hit hard by negative investor sentiment toward the region. Our largest holding, Capital Today China, holds a stake in JD.com, the US listed Chinese internet trading company, whose value at the beginning and end of the half-year was largely unchanged, although this masked considerable volatility in its share price in the intervening months.

A timely redemption of half of our holding in the Perlus Microcap fund, which has performed strongly for the past five years, and distributions from Capital Today China and the Close Brothers Private Equity funds have provided a healthy level of cash for reinvestment. We have made both new and follow-on commitments to various private equity funds during the period and we continue to monitor closely the performance of a number of US and Asian quoted market funds on our shortlist.

Income & Growth pool (£192m, 12% of net assets)

A portfolio of global equities that produces a reliable and increasing income stream.

The Income & Growth pool, which comprises a portfolio of large cap stocks with a target yield of 4.5%, returned -6.8% during the reporting period, which was broadly in line with global markets. The new manager, Jonathan Greig, is in the process of restructuring this pool to increase yield and reduce volatility. He has cut the number of holdings from 40 to 30 and has increased the weighting of businesses domiciled in the UK although, on a look through revenue basis, the portfolio remains well balanced geographically. The effect of these changes has been to increase the running yield to slightly over the 4.5% strategic target. Portfolio size at just under £200m is below the lower end of our strategic target, though, post the period end, further cash has been invested into the pool, which has reduced this gap.

Investment portfolio – asset allocation

Pool	30 September 2015		31 March 2015		Strategic allocation %
	£m	%	£m	%	
Quoted	475.5	30.6	447.7	27.5	35-50
Unquoted	518.0	33.4	510.3	31.4	20-35
Funds	309.5	19.9	327.7	20.1	15-20
Income & Growth	191.8	12.4	202.1	12.4	15-20
Cash and other items	57.0	3.7	139.1	8.6	(10)-10
Net assets	1,551.8	100.0	1,626.9	100.0	

Management report continued

Balance sheet

At the end of the period, net debt on the balance sheet totalled £48m (including £60m of borrowings), compared with £131m of net cash at 31 March 2015. We had a further £115m of undrawn committed bank facilities, which ensures sufficient liquidity to take advantage of opportunities as they arise, especially with regard to lumpy Unquoted pool cash flows, in order that we might take advantage of any situation that we wish to pursue. It is however board policy to use modest levels of gearing in our majority held investments, rather than gear Caledonia's own balance sheet. Following the period end, the proceeds from the sale of TGE Marine and Quintain Estates have returned the balance sheet to a net cash position.

Dividend

The directors have declared an interim dividend of 14.3p per share. This represents an increase of 3.6% over the equivalent dividend last year and will be paid on 7 January 2016.

Outlook

The prolonged period of highly accommodating monetary policy has been extended with the European Central Bank following the Federal Reserve and Bank of England in providing artificially low interest rates and liquidity created by printing money. Whilst there are signs that interest rates might have reached their lows and policy is now to increase rates toward more normal levels, this may take years to happen. Markets have been driven to new highs on the back of this policy, but more recently have seen sharp pull backs on fears of slowing GDP and the interest rate cycle reversing. This volatility is set to continue.

Investors must weigh the risk of investing at steep valuations against the paucity of returns from cash and fixed income markets. We have seen increased activity in our unquoted portfolio, where quality earning streams have been available for purchase at reasonable prices. We have also deployed capital into the quoted markets, where we have identified value in more defensive sectors, such as consumer staples. We expect this pattern to continue alongside our programme to deploy capital into private equity funds.

The portfolio is composed of high quality businesses that are, in the main, major constituents in their respective markets. These investments provide a strong flow of income, which we are able to pay to our shareholders as dividends. We expect the portfolio to continue to provide shareholders with attractive returns over the long term, though we expect that we will see continued volatility in financial and commodity markets for the foreseeable future.

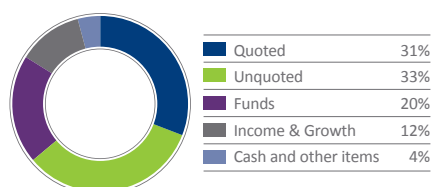
Portfolio summary

Holdings of 1% or more of net assets at 30 September 2015 were as follows:

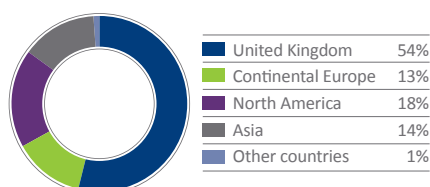
Name	Pool	Geography	Business	Value £m	Net assets %
Park Holidays	Unquoted	UK	Caravan parks operator	113.4	7.3
Cobehold	Unquoted	Belgium	Investment company	96.9	6.2
Capital Today China	Funds	China	Private equity fund	90.7	5.8
Seven Investment Management	Unquoted	UK	Investment management	73.6	4.7
The Sloane Club	Unquoted	UK	Residential club	59.4	3.8
Choice Care Group	Unquoted	UK	Care homes provider	52.6	3.4
AG Barr	Quoted	UK	Soft drinks	49.6	3.2
Close Brothers	Quoted	UK	Financial services	47.0	3.0
Quintain Estates	Quoted	UK	Property services	34.0	2.2
British American Tobacco	Quoted/I&G	UK	Tobacco	33.4	2.2
Bristow Group	Quoted	US	Helicopter services	29.3	1.9
Polar Capital	Quoted	UK	Fund manager	29.3	1.9
Latshaw Group	Unquoted	US	Manufacturing	29.2	1.9
Flowserve	Quoted	US	Industrial engineering	26.4	1.7
Bowers & Wilkins	Unquoted	UK	Audio equipment	24.0	1.6
Sterling Industries	Unquoted	UK	Engineering	23.9	1.5
Oracle	Quoted	US	Infrastructure technology	20.6	1.3
Macquarie Asia New Stars	Funds	Asia	Quoted market fund	20.3	1.3
Satellite Information Services	Unquoted	UK	Broadcasting services	20.0	1.3
Arlington Ranger fund	Funds	US	Quoted market fund	20.0	1.3
Microsoft	Quoted	US	Infrastructure technology	19.6	1.3
Jardine Matheson	Quoted	Singapore	Industrial engineering	19.6	1.3
LondonMetric Property	Quoted	UK	Property investment	19.6	1.3
Aberdeen (ex FLAG) funds	Funds	US	Funds of funds	18.7	1.2
NTAsian funds	Funds	Asia	Quoted market funds	17.7	1.1
Spirax-Sarco	Quoted	UK	Steam engineering	17.6	1.1
Nestlé	Quoted/I&G	Switzerland	Packaged foods	16.7	1.1
Rolls-Royce	Quoted	UK	Power systems	16.4	1.1
Union Pacific	Quoted	US	Railroad operator	16.0	1.0
Other investments				439.3	28.3
Investment portfolio				1,494.8	96.3
Cash and other items				57.0	3.7
Net assets				1,551.8	100.0

1. Geography is based on the country of listing, country of domicile for unlisted investments and underlying regional analysis for funds.
2. Unallocated investments totalling £13.4m were included in Cash and other items.

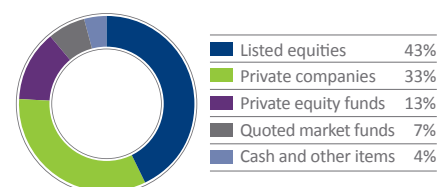
Pool distribution



Geographic distribution



Asset class distribution



Other information

Risks and uncertainties

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 2015. 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 2015 remain unchanged and each of them has the potential to affect the company's results during the remainder of the year ending 31 March 2016.

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.

Going concern

The factors likely to affect the company's ability to continue as a going concern were set out in the annual report 2015. As at 30 September 2015, 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

19 November 2015

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 2015 which comprises the 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. 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 2015 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

19 November 2015

Condensed group statement of comprehensive income

for the six months ended 30 September 2015

	Six months 30 Sep 2015			Six months 30 Sep 2014			Year 31 Mar 2015		
	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m
<i>Revenue</i>									
Investment income	23.3	–	23.3	21.8	–	21.8	47.2	–	47.2
Other income	0.1	–	0.1	0.3	–	0.3	0.5	–	0.5
Gains and losses on fair value investments	–	(69.7)	(69.7)	–	54.4	54.4	–	179.9	179.9
Gains on fair value property	–	0.1	0.1	–	–	–	–	0.3	0.3
Total revenue	23.4	(69.6)	(46.2)	22.1	54.4	76.5	47.7	180.2	227.9
Management expenses	(11.2)	(0.2)	(11.4)	(8.2)	(0.2)	(8.4)	(18.3)	(0.6)	(18.9)
Other non-recurring expenses	–	–	–	(1.8)	–	(1.8)	(2.6)	–	(2.6)
Performance fees	–	–	–	–	(0.6)	(0.6)	–	(1.1)	(1.1)
Guarantee obligation provided	–	–	–	–	–	–	–	(0.7)	(0.7)
Profit/(loss) before finance costs	12.2	(69.8)	(57.6)	12.1	53.6	65.7	26.8	177.8	204.6
Treasury interest receivable	0.1	–	0.1	0.1	–	0.1	0.3	–	0.3
Finance costs	(0.9)	–	(0.9)	(0.9)	–	(0.9)	(1.6)	–	(1.6)
Exchange movements	0.3	–	0.3	(0.3)	–	(0.3)	1.2	–	1.2
Profit/(loss) before tax	11.7	(69.8)	(58.1)	11.0	53.6	64.6	26.7	177.8	204.5
Taxation	2.3	0.3	2.6	2.0	–	2.0	2.9	0.3	3.2
Profit/(loss) for the period	14.0	(69.5)	(55.5)	13.0	53.6	66.6	29.6	178.1	207.7
<i>Other comprehensive income items never to be reclassified to profit or loss</i>									
Actuarial loss on defined benefit pension schemes	–	–	–	–	–	–	–	(2.7)	(2.7)
Tax on other comprehensive income	–	(0.2)	(0.2)	–	0.2	0.2	–	0.9	0.9
Total comprehensive income	14.0	(69.7)	(55.7)	13.0	53.8	66.8	29.6	176.3	205.9
Basic earnings per share	25.4p	-126.1p	-100.7p	23.6p	97.3p	120.9p	53.7p	323.3p	377.0p
Diluted earnings per share	24.9p	-126.1p	-100.7p	23.3p	96.0p	119.3p	52.9p	318.2p	371.1p

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

Condensed statements of financial position

at 30 September 2015

	Group			Company		
	30 Sep 2015 £m	30 Sep 2014 £m	31 Mar 2015 £m	30 Sep 2015 £m	30 Sep 2014 £m	31 Mar 2015 £m
<i>Non-current assets</i>						
Investments held at fair value through profit or loss	1,508.2	1,441.4	1,498.8	1,506.4	1,424.9	1,496.2
Investments in subsidiaries held at cost	–	–	–	0.8	0.8	0.8
Property, plant and equipment	24.0	18.6	19.1	–	–	–
Deferred tax assets	2.4	1.4	2.4	–	–	–
Employee benefits	1.9	3.3	1.9	–	–	–
Non-current assets	1,536.5	1,464.7	1,522.2	1,507.2	1,425.7	1,497.0
<i>Current assets</i>						
Trade and other receivables	94.1	6.9	7.3	103.1	5.2	5.5
Current tax assets	1.3	0.8	0.4	2.1	1.6	1.2
Cash and cash equivalents	11.7	70.2	140.0	8.3	70.2	138.7
Current assets	107.1	77.9	147.7	113.5	77.0	145.4
Total assets	1,643.6	1,542.6	1,669.9	1,620.7	1,502.7	1,642.4
<i>Current liabilities</i>						
Bank overdrafts	–	(1.1)	–	–	–	–
Interest-bearing loans and borrowings	–	(20.0)	–	(40.0)	–	–
Trade and other payables	(16.0)	(14.3)	(16.0)	(14.8)	(3.4)	(11.7)
Employee benefits	(0.9)	(0.4)	(2.4)	–	–	–
Provisions	(9.7)	(9.4)	(10.4)	(9.0)	(12.1)	(9.0)
Current liabilities	(26.6)	(45.2)	(28.8)	(63.8)	(15.5)	(20.7)
<i>Non-current liabilities</i>						
Interest-bearing loans and borrowings	(60.0)	–	(9.0)	(10.0)	–	–
Employee benefits	(5.0)	(3.8)	(5.0)	–	–	–
Deferred tax liabilities	(0.2)	(0.2)	(0.2)	–	–	–
Non-current liabilities	(65.2)	(4.0)	(14.2)	(10.0)	–	–
Total liabilities	(91.8)	(49.2)	(43.0)	(73.8)	(15.5)	(20.7)
Net assets	1,551.8	1,493.4	1,626.9	1,546.9	1,487.2	1,621.7
<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	1,258.6	1,205.8	1,328.3	1,261.8	1,207.6	1,331.8
Retained earnings	306.3	299.3	310.0	298.2	291.3	301.3
Own shares	(18.9)	(17.5)	(17.2)	(18.9)	(17.5)	(17.2)
Total equity	1,551.8	1,493.4	1,626.9	1,546.9	1,487.2	1,621.7
Undiluted net asset value per share	2812p	2711p	2952p			
Diluted net asset value per share	2759p	2675p	2906p			

Condensed group statement of changes in equity

for the six months ended 30 September 2015

	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 2015							
Balance at 1 April 2015	3.2	1.3	1.3	1,328.3	310.0	(17.2)	1,626.9
<i>Total comprehensive income for the period</i>							
Loss for the period	–	–	–	(69.5)	14.0	–	(55.5)
Other comprehensive income	–	–	–	(0.2)	–	–	(0.2)
Total comprehensive income	–	–	–	(69.7)	14.0	–	(55.7)
<i>Transactions with owners of the company</i>							
<i>Contributions by and distributions to owners</i>							
Exercise of options	–	–	–	–	–	0.2	0.2
Share-based payments	–	–	–	–	2.6	–	2.6
Own shares purchased	–	–	–	–	–	(1.9)	(1.9)
Dividends paid	–	–	–	–	(20.3)	–	(20.3)
Total transactions with owners	–	–	–	–	(17.7)	(1.7)	(19.4)
Balance at 30 September 2015	3.2	1.3	1.3	1,258.6	306.3	(18.9)	1,551.8
Six months ended 30 September 2014							
Balance at 1 April 2014	3.2	1.3	1.3	1,152.6	304.4	(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	–	–	–	53.8	13.0	–	66.8
<i>Transactions with owners of the company</i>							
<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	1,205.8	299.3	(17.5)	1,493.4
Year ended 31 March 2015							
Balance at 1 April 2014	3.2	1.3	1.3	1,152.6	304.4	(17.2)	1,445.6
<i>Total comprehensive income for the year</i>							
Profit for the year	–	–	–	178.1	29.6	–	207.7
Other comprehensive income	–	–	–	(1.8)	–	–	(1.8)
Total comprehensive income	–	–	–	176.3	29.6	–	205.9
<i>Transactions with owners of the company</i>							
<i>Contributions by and distributions to owners</i>							
Exercise of options	–	–	–	–	–	1.2	1.2
Share-based payments	–	–	–	–	3.3	–	3.3
Own shares purchased	–	–	–	–	–	(1.2)	(1.2)
Own shares cancelled	–	–	–	(0.6)	–	–	(0.6)
Dividends paid	–	–	–	–	(27.3)	–	(27.3)
Total transactions with owners	–	–	–	(0.6)	(24.0)	–	(24.6)
Balance at 31 March 2015	3.2	1.3	1.3	1,328.3	310.0	(17.2)	1,626.9

Condensed company statement of changes in equity

for the six months ended 30 September 2015

	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 2015							
Balance at 1 April 2015	3.2	1.3	1.3	1,331.8	301.3	(17.2)	1,621.7
Loss and total comprehensive income for the period	–	–	–	(70.0)	14.6	–	(55.4)
<i>Transactions with owners of the company</i>							
<i>Contributions by and distributions to owners</i>							
Exercise of options	–	–	–	–	–	0.2	0.2
Share-based payments	–	–	–	–	2.6	–	2.6
Own shares purchased	–	–	–	–	–	(1.9)	(1.9)
Dividends paid	–	–	–	–	(20.3)	–	(20.3)
Total transactions with owners	–	–	–	–	(17.7)	(1.7)	(19.4)
Balance at 30 September 2015	3.2	1.3	1.3	1,261.8	298.2	(18.9)	1,546.9
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
<i>Transactions with owners of the company</i>							
<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
Year ended 31 March 2015							
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 year	–	–	–	177.9	28.2	–	206.1
<i>Transactions with owners of the company</i>							
<i>Contributions by and distributions to owners</i>							
Exercise of options	–	–	–	–	–	1.2	1.2
Share-based payments	–	–	–	–	3.3	–	3.3
Own shares purchased	–	–	–	–	–	(1.2)	(1.2)
Own shares cancelled	–	–	–	(0.6)	–	–	(0.6)
Dividends paid	–	–	–	–	(27.3)	–	(27.3)
Total transactions with owners	–	–	–	(0.6)	(24.0)	–	(24.6)
Balance at 31 March 2015	3.2	1.3	1.3	1,331.8	301.3	(17.2)	1,621.7

Condensed statements of cash flows

for the six months ended 30 September 2015

	Group			Company		
	6 mths 30 Sep 2015 £m	6 mths 30 Sep 2014 £m	Year 31 Mar 2015 £m	6 mths 30 Sep 2015 £m	6 mths 30 Sep 2014 £m	Year 31 Mar 2015 £m
<i>Operating activities</i>						
Dividends received	24.3	21.4	45.0	24.2	21.4	45.0
Interest received	0.5	3.0	3.6	0.1	2.4	2.6
Cash received from customers	0.1	0.7	0.5	–	–	–
Cash paid to suppliers and employees	(8.4)	(10.1)	(18.8)	(17.6)	(10.8)	(18.2)
Taxes received	0.2	–	0.3	0.2	–	0.3
Taxes paid	(0.2)	–	–	(0.2)	–	–
Group tax relief received	1.4	0.6	1.7	1.4	0.6	2.0
Net cash flow from operating activities	17.9	15.6	32.3	8.1	13.6	31.7
<i>Investing activities</i>						
Purchases of investments	(321.8)	(139.7)	(240.4)	(321.8)	(138.6)	(239.2)
Proceeds from disposal of investments	154.4	200.0	372.7	155.8	201.1	358.7
Purchases of property, plant and equipment	(4.8)	–	(0.5)	–	–	–
Net cash flow from/(used in) investing activities	(172.2)	60.3	131.8	(166.0)	62.5	119.5
<i>Financing activities</i>						
Interest paid	(0.8)	(1.0)	(1.6)	(0.5)	(0.8)	(1.2)
Dividends paid to owners of the company	(20.3)	(19.7)	(27.3)	(20.3)	(19.7)	(27.3)
Proceeds from borrowings	71.0	–	20.0	30.0	–	–
Repayment of borrowings	(20.0)	(20.0)	(51.0)	(20.0)	(20.0)	(20.0)
Proceeds from group company loans	1.0	2.0	15.1	40.0	–	9.0
Repayment of group company loans	(3.2)	(0.1)	(11.6)	–	–	(7.9)
Exercise of share options	0.2	0.4	1.2	0.2	0.4	1.2
Purchases of own shares	(1.9)	(1.3)	(1.8)	(1.9)	(1.3)	(1.8)
Net cash flow from/(used in) financing activities	26.0	(39.7)	(57.0)	27.5	(41.4)	(48.0)
Net increase/(decrease) in cash and cash equivalents	(128.3)	36.2	107.1	(130.4)	34.7	103.2
Cash and cash equivalents at period start	140.0	32.9	32.9	138.7	35.5	35.5
Cash and cash equivalents at period end	11.7	69.1	140.0	8.3	70.2	138.7

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 2nd Floor Stratton House, 5 Stratton Street, London W1J 8LA. 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 19 November 2015 and is unaudited.

The information for the period ended 30 September 2015 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 2015 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 annual financial statements for the year ended 31 March 2015, 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 this 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 2015.

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 for the year ended 31 March 2015.

3. Dividends

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

	6 mths 30 Sep 2015 £m	6 mths 30 Sep 2014 £m	Year 31 Mar 2015 £m
Final dividend for the year ended 31 March 2015 of 36.8p per share (2014 – 35.7p per share)	20.3	19.7	19.7
Interim dividend for the year ended 31 March 2015 of 13.8p per share	–	–	7.6
	20.3	19.7	27.3

The directors have declared an interim dividend for the year ending 31 March 2016 of 14.3p per share, totalling £7.9m, which has not been included as a liability in this condensed set of financial statements. This dividend will be payable on 7 January 2016 to holders of shares on the register on 4 December 2015. The ex-dividend date will be 3 December 2015.

4. Provisions

During the period, the group utilised £0.7m of a provision for expected legal costs.

During the six months ended 30 September 2014, the group and company recognised a provision for expected legal costs of £1.1m. The company also recognised £0.1m related to bank guarantees.

During the year ended 31 March 2015, the group and company recognised a solvency guarantee provision of £0.7m. In addition, the group recognised a provision for expected legal costs of £1.4m and the company released a provision related to bank guarantees of £2.6m.

5. Share capital

During the period, the company's Employee Share Trust sold 146,235 shares for £0.2m and purchased 76,270 shares for £1.9m in connection with the exercise of share options and calling of performance and deferred bonus awards.

In the six months ended 30 September 2014, 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 year ended 31 March 2015, the company purchased for cancellation 30,000 of its own shares for £0.6m and its Employee Share Trust sold 100,401 shares for £1.2m and purchased 53,328 shares for £1.2m in connection with the exercise of share options and calling of deferred bonus awards.

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 and cash equivalents, 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/(loss) before tax			Total assets		
	6 mths 30 Sep 2015 £m	6 mths 30 Sep 2014 £m	Year 31 Mar 2015 £m	30 Sep 2015 £m	30 Sep 2014 £m	31 Mar 2015 £m
<i>Pool</i>						
Quoted	(54.5)	(12.1)	16.9	475.5	470.0	447.7
Unquoted	30.6	22.5	87.8	518.0	484.8	510.3
Funds	(8.1)	60.5	100.1	309.5	284.2	327.7
Income & Growth Portfolio	(14.3)	5.5	21.5	191.8	188.9	202.1
Other investments	0.1	0.1	1.6	13.4	13.5	11.0
Total revenue/ investments	(46.2)	76.5	227.9	1,508.2	1,441.4	1,498.8
Cash and equivalents	0.1	0.1	0.3	11.7	69.1	140.0
Other items	(12.0)	(12.0)	(23.7)	123.7	32.1	31.1
Reportable total	(58.1)	64.6	204.5	1,643.6	1,542.6	1,669.9

8. Related parties

The nature of related party transactions has not changed significantly from those described in the company's annual report for the year ended 31 March 2015. There were no transactions with related parties during the six months ended 30 September 2015 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, £9.6m was charged to the company (30 September 2014 – £8.4m and 31 March 2015 – £19.9m).

9. Capital commitments

At 30 September 2015, the company had undrawn fund and other commitments totalling £190.7m (30 September 2014 – £125.5m and 31 March 2015 – £158.6m).

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 2015 £m	30 Sep 2014 £m	31 Mar 2015 £m	30 Sep 2015 £m	30 Sep 2014 £m	31 Mar 2015 £m
<i>Investments held at fair value</i>						
Level 1	666.0	666.5	648.6	666.0	666.5	648.6
Level 2	122.3	84.0	99.2	119.7	73.7	111.3
Level 3	719.9	690.9	751.0	720.7	684.7	736.3
	1,508.2	1,441.4	1,498.8	1,506.4	1,424.9	1,496.2

Movement in Level 3 financial instruments was as follows:

	6 mths 30 Sep 2015 £m	6 mths 30 Sep 2014 £m	Year 31 Mar 2015 £m
Group			
Balance at the period start	751.0	709.3	709.3
Reclassifications	(45.3)	4.4	9.3
Purchases	93.8	18.8	40.1
Disposal proceeds	(107.8)	(105.9)	(158.5)
Realised gains on sales	67.5	25.6	32.6
Gains/(losses) through profit or loss	(39.3)	38.7	118.2
Balance at the period end	719.9	690.9	751.0
Company			
Balance at the period start	736.3	693.3	693.3
Reclassifications	(30.7)	14.6	3.8
Purchases	93.8	17.7	40.1
Disposal proceeds	(106.5)	(105.3)	(149.0)
Realised gains on sales	67.5	25.6	32.5
Gains/(losses) through profit or loss	(39.7)	38.8	115.6
Balance at the period end	720.7	684.7	736.3

During the period, the group and company transferred £45.3m from Level 3 to Level 2 in respect of quoted market funds and the company transferred £14.6m from Level 2 to Level 3 in respect of a property company investment.

The methods used to determine fair value investments are unchanged from those described in the annual report 2015. 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 investment, 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 a current deferred bonus plan. Full details of these schemes were disclosed in the annual report 2015 and the basis of measuring fair value was consistent with those disclosures.

During the six months ended 30 September 2015, 214,152 awards were issued under the performance share scheme (30 September 2014 – nil and 31 March 2015 – 205,516 awards). Compulsory and voluntary deferred bonus awards over 49,223 and 2,105 shares respectively were granted (30 September 2014 and 31 March 2015 – 60,052 and 549 shares respectively). Matching awards were also granted over 51,328 shares (30 September 2014 and 31 March 2015 – 60,601 shares).

Expenses in respect of share-based payments in the period were £2.6m (30 September 2014 – £1.6m and 31 March 2015 – £3.3m).

12. Subsequent events

On 26 October 2015, the company announced that it had agreed terms to acquire Gala Bingo Holdings, the UK's largest retail bingo operator, in a transaction valuing the business at £241m. On completion, which is subject to a change of control approval of the Gambling Commission and finalisation of a £155m senior debt facility, Caledonia will invest £97.8m to acquire 99.5% of the equity.

Subsequent to the half-year end and before the date of this report, the company and an investment subsidiary had entered into three US and Asian fund commitments totalling \$110m (£72.6m).

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 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 www.capitashareportal.com (by clicking on 'your dividend options' and following the on-screen instructions) or an application pack can be requested by telephone on 0871 664 0385. (Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9am and 5.30pm, Monday to Friday excluding public holidays in England and Wales.)

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 0371 664 0445. (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 8am and 4.30pm, Monday to Friday excluding public holidays in England and Wales.)

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. You can elect for the dividend reinvestment plan online at www.capitashareportal.com, where you can view the terms of service, or you can request an application form by telephone on 0371 664 0381. (Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9am and 5.30pm, Monday to Friday excluding public holidays in England and Wales.) 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 £15,240 for the tax year ending 5 April 2016. 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

Harold Y H Boël^{1,2}

Stuart J Bridges^{1,2,4}

The Hon Charles W Cayzer²

Charles H Gregson (Senior Independent)^{2,3,4}

Shonaid C R Jemmett-Page^{2,3,4}

David C Stewart^{1,2,3}

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

Secretary

Graeme P Denison

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5 Stratton Street

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Registered number

Registered in England no 235481

Auditor

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