



## Caledonia Investments plc

Half-year results for the six months ended 30 September 2016

### Financial highlights

	6 months 30 Sep 2016	Year 31 Mar 2016	Change
Net asset value per share total return	+6.7%	+2.6%	
Net asset value per share	3083p	2890p	+6.7%
Net asset value	£1,726m	£1,644m	+5.0%
Interim dividend per share	14.9p	14.3p	+4.2%

### Highlights

- NAV per share total return of +6.7% for the six months to 30 September 2016; +13.8% for the twelve months to 30 September 2016
- Interim dividend up 4.2% to 14.9p
- £148m invested, including £71m in The Liberation Group
- £171m realised, including sale of Bowers & Wilkins for £24m
- Net cash of £29.4m at 30 September 2016

**Will Wyatt, Chief Executive**, commented:

***"Our investment portfolio has delivered a 6.7% NAV total return in the six months, with positive contributions from all investment pools. This is a good performance during a period of significant economic and political uncertainty. Our strategy of maintaining a globally diversified investment portfolio has provided an effective hedge to market uncertainties. We have maintained a robust flow of income, which totalled £20.3m for the six months and has supported a 4.2% increase in our interim dividend."***

***"While we expect to see continued volatility in financial markets, we remain active in our search to find potential new investments, but remain wary of current price expectations. We believe our diversified and long term portfolio remains well positioned to attain the target returns that we aim to deliver for our shareholders despite the less than ideal backdrop."***

**24 November 2016**

### Enquiries

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## Management report

### Results

Caledonia's net asset value per share total return ('NAVTR') was 6.7% over the six months to 30 September 2016, a period which included the momentous vote by the British public to leave the European Union and the subsequent abrupt change of Prime Minister. The strategy of maintaining a balanced investment portfolio of UK and overseas businesses and funds has proved to be a useful hedge through this period of uncertainty, as we have benefited from holding dollar and euro denominated investments following the devaluation of sterling. The majority of our portfolio continued to perform satisfactorily and we have maintained a steady flow of income, which totalled £20.3m for the half year. This is slightly lower than the comparable period in 2015, which included a one-off special dividend received on the sale of our holding in TGE Marine. As at 30 September 2016, cash, net of debt, on the balance sheet stood at £29.4m.

Our share price rose in line with our net asset value per share over the six months and consequently the discount remained the same at the start and end of this period, at around 21%, although in the interim it traded in a range of 14-23%. The average for the period was 19%.

The board has declared an interim dividend of 14.9p, a rise of 4.2%. This will be paid to shareholders on 5 January 2017.

### Investment performance

The board's preferred measure of longer term performance is a comparison of Caledonia's NAVTR to the FTSE All-Share Total Return over rolling ten year periods and we are pleased to report that we continue to perform ahead of this benchmark. Over shorter periods, the board looks at our NAVTR performance against inflation (RPI) on the basis that a return in the range of RPI+3% to RPI+6% should, over longer periods, be consistent with an outperformance of the FTSE All-Share. With inflation subdued for the time being, outperformance of this measure has been particularly strong. This is, however, unlikely to continue as asset prices and other market indicators point towards reduced levels of investment returns in the future and, following sterling's recent depreciation, the UK is due a bout of inflation in 2017.

	6 mths %	1 year %	3 years %	5 years %	10 years %
NAV total return	6.7	13.8	41.0	81.5	79.7
<i>Annualised</i>					
NAV total return		13.8	12.1	12.7	6.0
Retail Prices Index		2.0	1.7	2.2	2.8
<b>Performance vs RPI</b>		<b>11.8</b>	<b>10.4</b>	<b>10.5</b>	<b>3.2</b>
FTSE All-Share Total Return					5.8
<b>Performance vs FTSE</b>					0.2

Total management expenses were £13.2m, compared with £11.4m in the equivalent period last year. The increase was due principally to increased staff costs and share-based payment expenses. Both the current and previous periods included costs associated with temporary accommodation whilst our headquarters building is being refurbished.

### Pool performance

Pool	31 Mar 2016 £m	Invest- ments £m	Disposals £m	Change in value £m	30 Sep 2016 £m	Income £m	Return %
Quoted	449.3	6.5	(62.7)	32.0	425.1	5.7	9.3
Income & Growth	194.1	3.5	(5.5)	10.3	202.4	6.0	8.6
Unquoted	646.3	81.8	(67.0)	19.4	680.5	7.4	4.4
Funds	308.4	56.0	(36.1)	43.3	371.6	1.2	13.9
Portfolio	1,598.1	147.8	(171.3)	105.0	1,679.6	20.3	8.2
Cash and other	46.2				46.3		
Net assets	1,644.3				1,725.9		6.7

1. Unallocated investments with a value of £36.5m (31 March 2016 – £11.1m) were included in 'Other items'. Gains of £0.3m were attributed to unallocated investments.

**Quoted pool (£425m, 25% of net assets)**

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

The total return for the Quoted pool was 9.3% over the period driven by several of the large dollar denominated international holdings, but also notably good performances by companies such as Hill & Smith and Spirax Sarco, both UK based engineering businesses. Weakness in the oil and gas markets continued to impact negatively on Bristow Group, the US helicopter services group, and we took the opportunity to sell our holding in Union Pacific, the US railroad operator, in light of difficult trading conditions. We also sold our holding in Real Estate Investors, the Birmingham based property company, and reduced our holding in Close Brothers, following another good set of results. The pool continues to be at the bottom of its asset allocation range reflecting the current paucity of attractive valuations and our decision to take profits as markets have risen. We will await opportunities to deploy capital at better rates of return than are currently available.

**Income & Growth pool (£202m, 12% of net assets)**

*We invest in a portfolio of liquid global equities that produces a reliable and increasing income stream.*

The total return for the Income & Growth pool for the period was 8.6% and since inception five years ago 8.5% annualised. The pool produced £6.0m of income during the period and is currently running at a yield of 4.3%. This reflects the manager's careful portfolio construction, aimed at striking the right balance between income and capital growth from this global portfolio. The lack of interest available from bank deposits and low bond yields has seen investors target high yielding equities to the extent that valuations of income stocks have been pushed to new highs. We remain cautious and aware of maintaining our investing discipline in a market that now offers much less attractive pricing than hitherto available.

**Unquoted pool (£681m, 39% of net assets)**

*We invest in unlisted businesses that require capital and an investor with a balance sheet able to provide a long term perspective. We mainly invest in majority positions.*

The total return for the Unquoted pool was 4.4% over the six months. This was underpinned by continued strong performances from Park Holidays and Cobehold, the latter being a euro denominated investment. During the period, we invested £71m in The Liberation Group, a brewery, restaurant and pub company based in the Channel Islands and South West England. The strategy is to expand the group by reinvesting profits into acquisitions of further sites on the UK mainland whilst continuing to support a strong dividend flow to Caledonia. The valuation of Sterling Industries was cut by half to £5m, as the oil and gas and steel industries, in which the majority of its businesses operate, continued to struggle. Seven Investment Management has seen assets under management grow to over £11bn (from £9.4bn on acquisition in 2015) and its profits have grown strongly during the first year of our ownership.

During the half-year, we sold our holding in Bowers & Wilkins ('B&W') for £24.0m, Park Holidays paid a special dividend of £26.7m following a refinancing earlier in the year and we received a distribution of £10.6m from Latshaw Group in the US, following the sale of one of its divisions. B&W was sold to a US technology provider as it continued to grapple with the challenge of allying its speaker technology to the rapidly changing consumer markets and music delivery methods. The investment made a small but positive IRR over the four year period that we were minority owners. More positively, the Latshaw Group, in which we invested £27.2m in 2012, has already returned £34.5m in cash with the remaining business valued at £15.6m, an IRR of 22.1% to date.

**Funds pool (£372m, 21% 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 delivered a 13.9% return for the six month period, particularly benefiting from currency tailwinds, as it is predominantly invested in the US and Asia. However, this should not disguise a strong underlying performance from our investments in quoted market funds in Asia which, taken together, returned 24.3%. The private equity fund investment strategy continues to be implemented, with £235m of undrawn commitments at the end of the period. Liquidity has been largely generated within the pool,

especially from returns of capital by the China Capital Today Growth fund, which has made such a huge success of its investment in JD.com. This individual fund is showing a net return of 11.3x invested capital and an IRR of 46% to date.

### Investment portfolio - asset allocation

Pool	30 September 2016		31 March 2016		Strategic allocation
	£m	%	£m	%	%
Quoted	425.1	25	449.3	27	25-40
Income & Growth	202.4	12	194.1	12	15-20
Unquoted	680.5	39	646.3	39	35-45
Funds	371.6	21	308.4	19	15-20
Cash and other	46.3	3	46.2	3	+/-10
Net assets	1,725.9	100	1,644.3	100	

### Dividend

The directors have declared an interim dividend of 14.9p per share. This represents an increase of 4.2% over the equivalent dividend last year and will be paid on 5 January 2017.

### Outlook

The decision to leave the European Union has unsurprisingly caused a great deal of uncertainty, which will remain until there is a clear view of how an exit is to be achieved and its effects on the UK economy. Even after new trading relationships are established there will be much refinement required, such that it is difficult to foresee stable conditions for some considerable time. The Bank of England has lowered the base rate to 0.25% and provided yet more liquidity to the system with another round of quantitative easing. The devaluation of sterling will import inflation over the next year but should aid the balance of payments deficit. The Government has much to do and it should be remembered that the UK is still running a substantial budget deficit and is continuing to increase the vast UK national debt, which remains the long-lasting legacy of the disastrous Labour administration of the Blair/Brown era. Likewise, it is uncertain as to what effect on the world economy the new Republican Administration in the US will bring to bear when Mr Trump takes office as President in early 2017.

This is far from the ideal background for investment and it is somewhat counter-intuitive that many stock markets are trading at near all-time highs with asset prices also continuing to be strong, propped up by loose monetary policy. Caledonia's portfolio of asset-backed, cash producing unlisted businesses, high margin, market leading quoted companies and private equity funds stand us in good stead to be able to weather future economic difficulties as they may arise. We remain active in our search to find potential new investments for our portfolio, but remain wary of current price expectations. Meanwhile, we maintain a reliable stream of income which underpins our dividend strategy. We believe the portfolio is well positioned to attain the target returns that we aim to deliver for our shareholders despite the less than ideal backdrop.

## Portfolio summary

Holdings of 1% or more of net assets at 30 September 2016 were as follows:

Name	Pool	Geography	Business	Value £m	Net assets %
Park Holidays	Unquoted	UK	Caravan parks operator	134.2	7.8
Cobehold	Unquoted	Belgium	Investment company	122.9	7.1
Gala Bingo	Unquoted	UK	Bingo operator	92.3	5.4
Seven Investment Management	Unquoted	UK	Investment management	76.7	4.4
The Liberation Group	Unquoted	Jersey	Restaurants and bars	71.0	4.1
The Sloane Club	Unquoted	UK	Residential club	58.5	3.4
Choice Care Group	Unquoted	UK	Care homes provider	54.6	3.2
British American Tobacco	Quoted/I&G	UK	Tobacco	44.1	2.6
AG Barr	Quoted	UK	Soft drinks	41.8	2.4
NTAsian funds	Funds	Asia	Quoted market funds	39.7	2.3
Macquarie Asia New Stars fund	Funds	Asia	Quoted market fund	38.8	2.2
Flowserve	Quoted	US	Industrial engineering	36.1	2.1
Capital Today China Growth fund	Funds	China	Private equity fund	35.9	2.1
Arlington AVM Ranger fund	Funds	US	Quoted market fund	34.7	2.0
Bristow Group	Quoted	US	Helicopter services	31.9	1.9
Aberdeen US PE funds	Funds	US	Funds of funds	31.6	1.8
Microsoft	Quoted	US	Infrastructure technology	29.8	1.7
Jardine Matheson	Quoted	Singapore	Industrial engineering	29.5	1.7
Spirax Sarco	Quoted	UK	Steam engineering	28.3	1.6
PVAM Perlus Microcap fund	Funds	US	Quoted market fund	26.6	1.5
Oracle	Quoted	US	Infrastructure technology	26.1	1.5
Polar Capital	Quoted	UK	Fund manager	23.7	1.4
Hill & Smith	Quoted	UK	Infrastructure products	22.5	1.3
J F Lehman funds	Funds	US	Private equity funds	22.4	1.3
Nestlé	Quoted	Switzerland	Packaged foods	20.5	1.2
Satellite Information Services	Unquoted	UK	Broadcasting services	20.0	1.2
New Silk Road Asia fund	Funds	Asia	Quoted market fund	19.9	1.2
Thermo Fisher Scientific	Quoted	US	Biotechnology development	19.8	1.1
LondonMetric Property	Quoted	UK	Property investment	19.1	1.1
Becton Dickinson	Quoted	US	Medical technology	18.8	1.1
Asia Alternatives PE funds	Funds	Asia	Funds of funds	18.0	1.0
Other investments				389.8	22.6
Investment portfolio				1,679.6	97.3
Cash and other items				46.3	2.7
Net assets				1,725.9	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 £36.5m were included in 'Cash and other items'.

### Pool distribution

Quoted	25%
Income & Growth	12%
Unquoted	39%
Funds	21%
Cash and other items	3%

### Geographic distribution

United Kingdom	52%
Continental Europe	11%
North America	23%
Asia	13%
Other countries	1%

### Asset class distribution

Listed equities	36%
Private companies	40%
Private equity funds	11%
Quoted market funds	10%
Cash and other items	3%

## 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 2016. 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 2016 remain unchanged and each of them has the potential to affect the company's results during the remainder of the year ending 31 March 2017.

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 2016. As at 30 September 2016, 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 Guidance 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 Guidance 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  
24 November 2016

## **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 2016 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 Guidance 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 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Tom Brown  
for and on behalf of KPMG LLP  
*Chartered Accountants*  
15 Canada Square, London E14 5GL  
24 November 2016

## Condensed group statement of comprehensive income

for the six months ended 30 September 2016

	Six months 30 Sep 2016			Six months 30 Sep 2015			Year 31 Mar 2016		
	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m
<i>Revenue</i>									
Investment income	20.3	–	20.3	23.3	–	23.3	50.7	–	50.7
Other income	0.1	–	0.1	0.1	–	0.1	0.7	–	0.7
Gains and losses on fair value investments	–	105.3	105.3	–	(69.7)	(69.7)	–	12.5	12.5
Gains on fair value property	–	0.1	0.1	–	0.1	0.1	–	0.2	0.2
<b>Total revenue</b>	20.4	105.4	125.8	23.4	(69.6)	(46.2)	51.4	12.7	64.1
Management expenses	(9.2)	(4.0)	(13.2)	(8.1)	(3.3)	(11.4)	(16.2)	(7.4)	(23.6)
Other non-recurring expenses	(0.4)	–	(0.4)	–	–	–	(3.0)	–	(3.0)
Performance fees	–	–	–	–	–	–	–	(0.1)	(0.1)
Guarantee obligation provided	–	(0.1)	(0.1)	–	–	–	–	–	–
<b>Profit/(loss) before finance costs</b>	10.8	101.3	112.1	15.3	(72.9)	(57.6)	32.2	5.2	37.4
Treasury interest receivable	0.1	–	0.1	0.1	–	0.1	0.2	–	0.2
Finance costs	(0.9)	–	(0.9)	(0.9)	–	(0.9)	(1.8)	–	(1.8)
Exchange movements	(0.4)	–	(0.4)	0.3	–	0.3	0.4	–	0.4
<b>Profit/(loss) before tax</b>	9.6	101.3	110.9	14.8	(72.9)	(58.1)	31.0	5.2	36.2
Taxation	2.1	0.7	2.8	1.7	0.9	2.6	3.2	1.7	4.9
<b>Profit/(loss) for the period</b>	11.7	102.0	113.7	16.5	(72.0)	(55.5)	34.2	6.9	41.1
<i>Other comprehensive income items never to be reclassified to profit or loss</i>									
Actuarial gain/(loss) on defined benefit pension schemes	–	(4.5)	(4.5)	–	–	–	–	2.3	2.3
Tax on other comprehensive income	–	0.8	0.8	–	(0.2)	(0.2)	–	(0.6)	(0.6)
<b>Total comprehensive income</b>	11.7	98.3	110.0	16.5	(72.2)	(55.7)	34.2	8.6	42.8
Basic earnings per share	21.3p	185.6p	206.9p	29.9p	-130.6p	-100.7p	62.0p	12.5p	74.5p
Diluted earnings per share	20.9p	182.0p	202.9p	29.4p	-130.6p	-100.7p	60.8p	12.3p	73.1p

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 profit 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 2016

	Group			Company		
	30 Sep 2016	30 Sep 2015	31 Mar 2016	30 Sep 2016	30 Sep 2015	31 Mar 2016
	£m	£m	£m	£m	£m	£m
<i>Non-current assets</i>						
Investments held at fair value through profit or loss	1,716.1	1,508.2	1,609.2	1,707.3	1,506.4	1,604.7
Investments in subsidiaries held at cost	–	–	–	0.8	0.8	0.8
Property, plant and equipment	29.4	24.0	25.7	–	–	–
Deferred tax assets	3.2	2.4	2.8	–	–	–
Employee benefits	2.1	1.9	3.2	–	–	–
<b>Non-current assets</b>	<b>1,750.8</b>	<b>1,536.5</b>	<b>1,640.9</b>	<b>1,708.1</b>	<b>1,507.2</b>	<b>1,605.5</b>
<i>Current assets</i>						
Trade and other receivables	5.1	94.1	8.3	29.4	103.1	22.4
Current tax assets	2.7	1.3	2.0	2.6	2.1	2.3
Cash and cash equivalents	29.4	11.7	23.8	28.9	8.3	23.8
<b>Current assets</b>	<b>37.2</b>	<b>107.1</b>	<b>34.1</b>	<b>60.9</b>	<b>113.5</b>	<b>48.5</b>
<b>Total assets</b>	<b>1,788.0</b>	<b>1,643.6</b>	<b>1,675.0</b>	<b>1,769.0</b>	<b>1,620.7</b>	<b>1,654.0</b>
<i>Current liabilities</i>						
Bank overdrafts	–	–	(0.9)	–	–	–
Interest-bearing loans and borrowings	–	–	–	–	(40.0)	–
Trade and other payables	(43.9)	(16.0)	(14.1)	(36.5)	(14.8)	(7.9)
Employee benefits	(1.0)	(0.9)	(1.9)	–	–	–
Provisions	(9.1)	(9.7)	(9.0)	(9.1)	(9.0)	(9.0)
<b>Current liabilities</b>	<b>(54.0)</b>	<b>(26.6)</b>	<b>(25.9)</b>	<b>(45.6)</b>	<b>(63.8)</b>	<b>(16.9)</b>
<i>Non-current liabilities</i>						
Interest-bearing loans and borrowings	–	(60.0)	–	–	(10.0)	–
Employee benefits	(7.9)	(5.0)	(4.5)	–	–	–
Deferred tax liabilities	(0.2)	(0.2)	(0.3)	–	–	–
<b>Non-current liabilities</b>	<b>(8.1)</b>	<b>(65.2)</b>	<b>(4.8)</b>	<b>–</b>	<b>(10.0)</b>	<b>–</b>
<b>Total liabilities</b>	<b>(62.1)</b>	<b>(91.8)</b>	<b>(30.7)</b>	<b>(45.6)</b>	<b>(73.8)</b>	<b>(16.9)</b>
<b>Net assets</b>	<b>1,725.9</b>	<b>1,551.8</b>	<b>1,644.3</b>	<b>1,723.4</b>	<b>1,546.9</b>	<b>1,637.1</b>
<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	1,432.0	1,252.9	1,333.7	1,436.9	1,256.1	1,335.0
Retained earnings	318.9	312.0	325.0	311.5	303.9	316.5
Own shares	(30.8)	(18.9)	(20.2)	(30.8)	(18.9)	(20.2)
<b>Total equity</b>	<b>1,725.9</b>	<b>1,551.8</b>	<b>1,644.3</b>	<b>1,723.4</b>	<b>1,546.9</b>	<b>1,637.1</b>
Undiluted net asset value per share	3144p	2812p	2944p			
Diluted net asset value per share	3083p	2759p	2890p			

## Condensed group statement of changes in equity

for the six months ended 30 September 2016

	Share capital £m	Share premium £m	Capital redemption reserve £m	Capital reserve £m	Retained earnings £m	Own shares £m	Total equity £m
<b>Six months ended 30 September 2016</b>							
Balance at 1 April 2016	3.2	1.3	1.3	1,333.7	325.0	(20.2)	1,644.3
<i>Total comprehensive income for the period</i>							
Profit for the period	–	–	–	102.0	11.7	–	113.7
Other comprehensive income	–	–	–	(3.7)	–	–	(3.7)
Total comprehensive income	–	–	–	98.3	11.7	–	110.0
<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	–	–	–	–	3.3	–	3.3
Own shares purchased	–	–	–	–	–	(10.8)	(10.8)
Dividends paid	–	–	–	–	(21.1)	–	(21.1)
Total transactions with owners	–	–	–	–	(17.8)	(10.6)	(28.4)
Balance at 30 September 2016	3.2	1.3	1.3	1,432.0	318.9	(30.8)	1,725.9
<b>Six months ended 30 September 2015</b>							
Balance at 1 April 2015	3.2	1.3	1.3	1,325.1	313.2	(17.2)	1,626.9
<i>Total comprehensive income for the period</i>							
Loss for the period	–	–	–	(72.0)	16.5	–	(55.5)
Other comprehensive income	–	–	–	(0.2)	–	–	(0.2)
Total comprehensive income	–	–	–	(72.2)	16.5	–	(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	1,252.9	312.0	(18.9)	1,551.8
<b>Year ended 31 March 2016</b>							
Balance at 1 April 2015	3.2	1.3	1.3	1,325.1	313.2	(17.2)	1,626.9
<i>Total comprehensive income for the year</i>							
Profit for the year	–	–	–	6.9	34.2	–	41.1
Other comprehensive income	–	–	–	1.7	–	–	1.7
Total comprehensive income	–	–	–	8.6	34.2	–	42.8
<i>Transactions with owners of the company</i>							
<i>Contributions by and distributions to owners</i>							
Exercise of options	–	–	–	–	–	0.7	0.7
Share-based payments	–	–	–	–	5.8	–	5.8
Own shares purchased	–	–	–	–	–	(3.7)	(3.7)
Dividends paid	–	–	–	–	(28.2)	–	(28.2)
Total transactions with owners	–	–	–	–	(22.4)	(3.0)	(25.4)
Balance at 31 March 2016	3.2	1.3	1.3	1,333.7	325.0	(20.2)	1,644.3

## Condensed company statement of changes in equity

for the six months ended 30 September 2016

	Share capital £m	Share premium £m	Capital redemp- tion reserve £m	Capital reserve £m	Retained earnings £m	Own shares £m	Total equity £m
<b>Six months ended 30 September 2016</b>							
Balance at 1 April 2016	3.2	1.3	1.3	1,335.0	316.5	(20.2)	1,637.1
Profit and total comprehensive income for the period	–	–	–	101.9	12.8	–	114.7
<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	–	–	–	–	3.3	–	3.3
Own shares purchased	–	–	–	–	–	(10.8)	(10.8)
Dividends paid	–	–	–	–	(21.1)	–	(21.1)
Total transactions with owners	–	–	–	–	(17.8)	(10.6)	(28.4)
Balance at 30 September 2016	3.2	1.3	1.3	1,436.9	311.5	(30.8)	1,723.4
<b>Six months ended 30 September 2015</b>							
Balance at 1 April 2015	3.2	1.3	1.3	1,328.6	304.5	(17.2)	1,621.7
Loss and total comprehensive income for the period	–	–	–	(72.5)	17.1	–	(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	1,256.1	303.9	(18.9)	1,546.9
<b>Year ended 31 March 2016</b>							
Balance at 1 April 2015	3.2	1.3	1.3	1,328.6	304.5	(17.2)	1,621.7
Profit and total comprehensive income for the year	–	–	–	6.4	34.4	–	40.8
<i>Transactions with owners of the company</i>							
<i>Contributions by and distributions to owners</i>							
Exercise of options	–	–	–	–	–	0.7	0.7
Share-based payments	–	–	–	–	5.8	–	5.8
Own shares purchased	–	–	–	–	–	(3.7)	(3.7)
Dividends paid	–	–	–	–	(28.2)	–	(28.2)
Total transactions with owners	–	–	–	–	(22.4)	(3.0)	(25.4)
Balance at 31 March 2016	3.2	1.3	1.3	1,335.0	316.5	(20.2)	1,637.1

## Condensed statements of cash flows

for the six months ended 30 September 2016

	Group			Company		
	6 mths 30 Sep 2016 £m	6 mths 30 Sep 2015 £m	Year 31 Mar 2016 £m	6 mths 30 Sep 2016 £m	6 mths 30 Sep 2015 £m	Year 31 Mar 2016 £m
<b>Operating activities</b>						
Dividends received	22.1	24.3	48.3	22.1	24.2	48.3
Interest received	0.4	0.5	1.3	0.1	0.1	0.7
Cash received from customers	0.1	0.1	0.2	–	–	–
Cash paid to suppliers and employees	(9.7)	(8.4)	(20.7)	(13.4)	(17.6)	(28.9)
Taxes received	–	0.2	0.5	–	0.2	0.5
Taxes paid	(0.1)	(0.2)	(0.4)	(0.1)	(0.2)	(0.4)
Group tax relief received	2.4	1.4	2.5	2.4	1.4	3.3
<b>Net cash flow from operating activities</b>	<b>15.2</b>	<b>17.9</b>	<b>31.7</b>	<b>11.1</b>	<b>8.1</b>	<b>23.5</b>
<b>Investing activities</b>						
Purchases of investments	(148.1)	(321.8)	(548.0)	(138.0)	(321.8)	(545.2)
Proceeds from disposal of investments	146.4	154.4	450.5	144.0	155.8	455.1
Purchases of property, plant and equipment	(3.7)	(4.8)	(6.6)	–	–	–
<b>Net cash flow from/(used in) investing activities</b>	<b>(5.4)</b>	<b>(172.2)</b>	<b>(104.1)</b>	<b>6.0</b>	<b>(166.0)</b>	<b>(90.1)</b>
<b>Financing activities</b>						
Interest paid	(0.6)	(0.8)	(1.5)	(0.6)	(0.5)	(1.1)
Dividends paid to owners of the company	(21.1)	(20.3)	(28.2)	(21.1)	(20.3)	(28.2)
Proceeds from bank borrowings	–	71.0	170.0	–	30.0	30.0
Repayment of bank borrowings	–	(20.0)	(179.0)	–	(20.0)	(30.0)
Loan receipts from subsidiaries	33.0	1.0	7.1	36.7	40.0	97.6
Loan payments to subsidiaries	(4.0)	(3.2)	(10.1)	(16.4)	–	(113.6)
Exercise of share options	0.2	0.2	0.7	0.2	0.2	0.7
Purchases of own shares	(10.8)	(1.9)	(3.7)	(10.8)	(1.9)	(3.7)
<b>Net cash flow from/(used in) financing activities</b>	<b>(3.3)</b>	<b>26.0</b>	<b>(44.7)</b>	<b>(12.0)</b>	<b>27.5</b>	<b>(48.3)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>6.5</b>	<b>(128.3)</b>	<b>(117.1)</b>	<b>5.1</b>	<b>(130.4)</b>	<b>(114.9)</b>
Cash and cash equivalents at period start	22.9	140.0	140.0	23.8	138.7	138.7
<b>Cash and cash equivalents at period end</b>	<b>29.4</b>	<b>11.7</b>	<b>22.9</b>	<b>28.9</b>	<b>8.3</b>	<b>23.8</b>

## 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 24 November 2016 and is unaudited.

The information for the period ended 30 September 2016 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 2016 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 2016, 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.

#### *Basis of consolidation*

In accordance with the IFRS 10/IAS 28 Investment entity amendments, the consolidated financial statements include the financial statements of the company and service entities controlled by the company made up to the reporting date. All other investments in controlled entities are accounted as held at fair value through profit or loss.

#### *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 Guidance 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 2016.

#### *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 2016.

### 3. Dividends

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

	6 mths 30 Sep 2016 £m	6 mths 30 Sep 2015 £m	Year 31 Mar 2016 £m
Final dividend for the year ended 31 March 2015 of 36.8p per share	–	20.3	20.3
Second interim dividend for the year ended 31 March 2016 of 38.3p per share paid on 1 April 2016	21.1	–	–
Interim dividend for the year ended 31 March 2016 of 14.3p per share	–	–	7.9
	21.1	20.3	28.2

The directors have declared an interim dividend for the year ending 31 March 2017 of 14.9p per share, totalling £8.2m, which has not been included as a liability in this condensed set of financial statements. This dividend will be payable on 5 January 2017 to holders of shares on the register on 2 December 2016. The ex-dividend date will be 1 December 2016.

### 4. Provisions

During the period, the group and company provided an additional £0.1m of solvency guarantee provision.

During the six months ended 30 September 2015, the group utilised £0.7m of a provision for expected legal costs (31 March 2016 – £1.4m).

### 5. Share capital

During the period, the company's Employee Share Trust sold 205,851 shares for £0.2m and purchased 147,971 shares for £3.5m in connection with the exercise of share options and calling of performance share and deferred bonus awards. The Employee Share Trust also purchased 300,000 shares from The Cayzer Trust Company Ltd for £7.3m.

In the six months ended 30 September 2015, 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 share awards.

In the year ended 31 March 2016, the company's Employee Share Trust sold 183,825 shares for £0.7m and purchased 100,282 shares for £2.4m in connection with the exercise of share options and calling of performance share awards. The Employee Share Trust also purchased 55,000 shares in the market for £1.3m.

### 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 against group total revenue, which principally comprises 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	6 mths	Year	30 Sep	30 Sep	31 Mar
	30 Sep	30 Sep	31 Mar	30 Sep	30 Sep	31 Mar
	2016	2015	2016	2016	2015	2016
	£m	£m	£m	£m	£m	£m
<i>Pool</i>						
Quoted	37.7	(54.5)	(33.9)	425.1	475.5	449.3
Income & Growth	16.3	(14.3)	(0.8)	202.4	191.8	194.1
Unquoted	26.8	30.6	79.2	680.5	518.0	646.3
Funds	44.5	(8.1)	18.6	371.6	309.5	308.4
Portfolio	125.3	(46.3)	63.1	1,679.6	1,494.8	1,598.1
Other investments	0.5	0.1	1.0	36.5	13.4	11.1
Total revenue/ investments	125.8	(46.2)	64.1	1,716.1	1,508.2	1,609.2
Cash and equivalents	0.1	0.1	0.2	29.4	11.7	22.9
Other items	(15.0)	(12.0)	(28.1)	42.5	123.7	42.9
Reportable total	110.9	(58.1)	36.2	1,788.0	1,643.6	1,675.0

## 8. Related parties

Other than noted below, 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 2016. There were no transactions with related parties during the six months ended 30 September 2016 which had a material effect on the results or the financial position of the company or of the group.

During the period, the company's Employee Share Trust purchased 300,000 shares from The Cayzer Trust Company Ltd, which held 35.5% of the company's total voting rights, at the prevailing market price, for £7.3m.

Caledonia Group Services Ltd, a wholly-owned subsidiary of the company, provides management services to the company. During the period, £11.1m was charged to the company (30 September 2015 – £9.6m and 31 March 2016 – £20.6m).

## 9. Capital commitments

At 30 September 2016, the company had undrawn fund and other commitments totalling £268.3m (30 September 2015 – £190.7m and 31 March 2016 – £282.6m).

## 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 2016	30 Sep 2015	31 Mar 2016	30 Sep 2016	30 Sep 2015	31 Mar 2016
	£m	£m	£m	£m	£m	£m
<i>Investments held at fair value</i>						
Level 1	626.1	666.0	642.0	626.1	666.0	642.0
Level 2	193.1	122.3	136.9	197.8	119.7	145.9
Level 3	896.9	719.9	830.3	883.4	720.7	816.8
	1,716.1	1,508.2	1,609.2	1,707.3	1,506.4	1,604.7

Movement in Level 3 financial instruments was as follows:

	6 mths 30 Sep 2016	6 mths 30 Sep 2015	Year 31 Mar 2016
	£m	£m	£m
<b>Group</b>			
Balance at the period start	830.3	751.0	751.0
Reclassifications	–	(45.3)	(45.3)
Purchases	104.1	93.8	204.4
Disposal proceeds	(66.2)	(107.8)	(158.2)
Gains and losses on investments sold in the period	23.9	67.5	110.7
Gains and losses on investments held at the period end	4.8	(39.3)	(32.3)
Balance at the period end	896.9	719.9	830.3
<b>Company</b>			
Balance at the period start	816.8	736.3	736.3
Reclassifications	–	(30.7)	(45.3)
Purchases	104.1	93.8	204.4
Disposal proceeds	(66.2)	(106.5)	(157.0)
Gains and losses on investments sold in the period	23.9	67.5	110.7
Gains and losses on investments held at the period end	4.8	(39.7)	(32.3)
Balance at the period end	883.4	720.7	816.8

During the prior period ended 30 September 2015 and year ended 31 March 2016, the group and company transferred £45.3m from Level 3 to Level 2 in respect of quoted market funds. In addition, during the six months ended 30 September 2015, 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 2016. 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 2015), using one of the following methods: price of 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. Details of these schemes were disclosed in the annual report 2016 and the basis of measuring fair value was consistent with those disclosures.

During the six months ended 30 September 2016, 220,825 awards were issued under the performance share scheme (30 September 2015 and 31 March 2016 – 214,152 awards). Compulsory and voluntary



deferred bonus awards over 8,568 and 2,087 shares respectively were granted (30 September 2015 and 31 March 2016 – 49,223 and 2,105 shares respectively). Matching awards were also granted over 10,655 shares (30 September 2015 and 31 March 2016 – 51,328 shares).

Expenses in respect of share-based payments in the period were £3.3m (30 September 2015 – £2.6m and 31 March 2016 – £5.8m).

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**END**

*Copies of this statement are available at the company's registered office, 2nd Floor Stratton House, 5 Stratton Street, London W1J 8LA, United Kingdom, or from its website at [www.caledonia.com](http://www.caledonia.com). Neither the contents of the company's website, nor the contents of any website accessible from hyperlinks on the company's website (or any other website) is incorporated into, or forms part of, this announcement.*