



## Caledonia Investments plc

Half-year results for the six months ended 30 September 2017

### Financial highlights

	6 months 30 Sep 2017	Year 31 Mar 2017	Change
Net asset value per share total return	+1.1%	+18.0%	
Net asset value per share	3298p	3395p	-2.9%
Net assets	£1,848m	£1,899m	-2.7%
Interim dividend per share	15.5p	14.9p	+4.0%

The decline in net assets of 2.7%, compared with the positive NAV total return of 1.1%, is principally due to the payment in August 2017 of a special dividend amounting to £55m.

### Highlights

- NAV per share total return of +1.1% for the six months to 30 September 2017; +11.9% for the twelve months to 30 September 2017
- Interim dividend up 4.0% to 15.5p
- Special dividend totalling £55m paid during the period
- The Sloane Club sold for £80m post-period end
- £84m invested, including £50m in fund drawdowns and subscriptions
- £104m realised, including £51m for the sale of part of the investment in Cobehold
- Net cash of £143m at 30 September 2017

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

***"Our investment portfolio has delivered a 1.1% NAV per share total return in the six months, with positive contributions from the Unquoted and Funds pools. During the period, the US dollar weakened against sterling, creating a drag on our performance. We have maintained a robust flow of income, totalling £19.8m for the six months, supporting a 4.0% increase in our interim dividend."***

***"Stock markets and asset prices remain at levels which, for a value orientated investor such as Caledonia, offer few opportunities to deploy capital. We retain a healthy level of cash on our balance sheet, which was increased to over 12% of net assets by the sale of The Sloane Club. However, both quoted and unquoted markets remain fully priced and these conditions, aided by accommodative monetary policy, may remain for a considerable time."***

**23 November 2017**

### Enquiries

Caledonia Investments plc  
Will Wyatt, Chief Executive  
Stephen King, Finance Director  
+44 20 7802 8080

Tulchan Communications  
Peter Hewer  
Jessica Reid  
+44 20 7353 4200

## Management report

### Results

Caledonia's net asset value per share total return ('NAVTR') was 1.1% over the six months ended 30 September 2017. The decline in net assets of 2.7%, compared with the positive NAVTR performance, is principally due to the payment in August 2017 of a special dividend amounting to £55m.

UK and European stock markets produced modest advances during the six months, with US and Asian markets producing strong returns. Conversely however, the US dollar weakened against sterling by 7.3%. Bond markets were weaker towards the end of September as markets anticipated somewhat tighter Central Bank monetary policy, demonstrated by the Federal Reserve raising US interest rates for the second time in June.

Our share price fell by 1.5% over the six months, partly reflecting the 100p and 39.9p per share special and ordinary dividends paid to shareholders in August. At 30 September the discount between NAV per share and the share price had narrowed to 17.8%, from 19.0% in March.

The board has declared an interim dividend of 15.5p, a rise of 4.0%.

### Investment performance

We do not measure Caledonia's investment performance on a market-relative basis over the short term, partly due to the significant portion of our NAV which we commit to unlisted companies and private equity funds. These investments take time to accrue value and hence we believe short to medium term performance is best judged against an inflationary measure – we aim to achieve growth of between RPI +3% and +6%. Over the long term, which the board defines as ten years or more, this level of performance should lead to our NAVTR outperforming the FTSE All-Share Total Return index.

The table below shows our actual performance track record as at 30 September 2017:

	6 mths %	1 year %	3 years %	5 years %	10 years %
NAV total return	1.1	11.9	33.8	84.6	84.7
<i>Annualised</i>					
NAV total return		11.9	10.2	13.0	6.3
Retail Prices Index		3.9	2.2	2.4	2.8
<b>Performance vs RPI</b>		8.0	8.0	10.6	3.5
FTSE All-Share Total Return				10.0	5.8
<b>Performance vs FTSE</b>				3.0	0.5

Investment income in the six month period was £19.8m, a fall of 2.5% on the corresponding period last year. Management expenses attributed to revenue were £8.8m, down from £9.2m in 2016, reflecting cost reductions associated with our office refurbishment. We moved back into 30 Buckingham Gate in August 2017. Cash at 30 September was £143m, which, together with unutilised bank facilities of £250m, provided total liquidity of £393m.

### Pool performance

Pool	31 Mar 2017 £m	Invest- ments £m	Realis- ations £m	Gains/ losses £m	30 Sep 2017 £m	Income £m	Return %
Quoted	467.9	11.7	(23.2)	(7.3)	449.1	6.1	(0.3)
Income	215.9	17.8	–	(13.1)	220.6	7.1	(2.7)
Unquoted	567.8	5.1	(54.4)	33.0	551.5	5.7	7.2
Funds	404.3	49.6	(26.5)	14.5	441.9	0.9	3.7
	1,655.9	84.2	(104.1)	27.1	1,663.1	19.8	2.9
Non-pool	32.7	3.8	–	(0.1)	36.4	–	
Investments	1,688.6	88.0	(104.1)	27.0	1,699.5	19.8	
Cash etc	210.2				148.4		
Net assets	1,898.8				1,847.9		1.1

## Asset allocation

	30 September 2017		31 March 2017		Strategic allocation
	£m	%	£m	%	%
Quoted pool	449.1	24	467.9	25	25-40
Income pool	220.6	12	215.9	11	15-20
Unquoted pool	551.5	30	567.8	30	35-45
Funds pool	441.9	24	404.3	21	15-20
Cash and other	184.8	10	242.9	13	+/-10
Net assets	1,847.9	100	1,898.8	100	

### **Quoted pool (£449m, 24% of net assets)**

*We invest in high quality companies that have compounding business models and barriers to entry and which make good use of capital. Experience shows that a concentrated and risk managed portfolio containing this type of company will deliver better risk adjusted returns than the market over the longer term.*

The Quoted pool return was -0.3% for the period, including foreign exchange differences which were a -3.8% drag on performance. The pool's geographical exposure has changed little since 31 March 2017. Both the tobacco and oil and gas sectors were weak over the six months, which particularly affected our holdings in Bristow and British American Tobacco. However, strong performances by some of the consumer and industrial companies, such as Spirax Sarco, Waters Corporation and Thermo Fisher, offset these losses to produce a flat performance overall. We sold our holding in Colgate-Palmolive during the period under review.

We were net divestors during the period and the pool is now slightly below its target allocation range of 25-40%. This reflects our cautious stance towards markets, which, at these levels, we believe offer low rates of return for new money invested.

### **Income pool (£221m, 12% of net assets)**

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

The total return for the Income pool was -2.7% for the period. Since its inception in 2011, the annualised performance of the pool has been 8%. The income yield is currently running slightly ahead of its target of 4.5%. The performance reflected the relative weakness of income stocks as investors favoured more cyclical growth sectors, such as miners and housebuilders. The pool's geographical exposure has changed little since 31 March 2017.

### **Unquoted pool (£551m, 30% of net assets)**

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

The total return for the Unquoted pool was 7.2% for the period. This was driven by strong performances from The Sloane Club, Cobepa and Seven Investment Management, the latter enjoying strong profit growth from increased assets under management. Gala Bingo witnessed a more difficult period, with admissions levels falling faster than anticipated and the impact of online competitors causing profitability to fall short of our expectations. This is being addressed through a new management team and online investment.

In June, we sold one-third of our holding in Cobehold (the holding company of Cobepa) for £51m, taking profit on the growth in value since we first invested in 2004. The business has achieved an IRR to Caledonia of 13.8% (a 3.2x multiple of money) over the 13 years since we purchased our original stake, ahead of the target that its management set for the business when they led its buy-out from BNP Paribas. This is an achievement to be proud of over such a long period of time and we remain very supportive of the team who continue to manage this business with such skill and dedication. Our residual holding, currently valued at £87m, continues to be a core part of the Unquoted pool and provides shareholders with diverse exposure to European, US and Asian unlisted businesses.

At 30 September, we were in discussions to sell our investment in The Sloane Club, the private members club located in Chelsea, London. The sale took place on 30 October 2017, delivering net proceeds to us of £80.2m. The Sloane Club has been a successful long term investment for Caledonia, having been acquired in 1991, and has delivered an IRR of 8.3% (a 3.2x multiple of money) over the 26 years of our ownership. In this half-year report, the investment has been revalued to the transaction price.

We made no new investments in the period, though deal flow remains healthy. However, we invested a further £5m in aggregate into three of our existing businesses, Liberation Group, Choice Care Group and Brookshire Capital.

***Funds pool (£442m, 24% 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 produced a total return for the six months of 3.7%. Whilst some 85% of its holdings are dollar denominated and faced the same 7% currency headwind previously alluded to, there were some strong individual performances, most notably Capital Today China, whose holding in JD.com underpinned a 48% rise in value over the six month period. Some £50m was invested across the portfolio and £27m received back through distributions, with outstanding commitments of £295m. This included three new commitments totalling \$67m to funds in the US. Over the medium term, our strategy is to rebalance the PE portfolio weighting to 75:25, US to Asia, reflecting the relative maturity of the PE markets in these regions. The quoted market fund portfolio currently represents some 40% of the pool's assets and provides a liquidity buffer for the outstanding PE commitments.

**Dividend**

The directors have declared an interim dividend of 15.5p per share. This represents a 4.0% increase over the equivalent dividend last year and will be paid to shareholders on 11 January 2018.

**Outlook**

Stock markets and asset prices remain at levels which, for a value orientated investor such as Caledonia, offer few opportunities to deploy capital. We retain a healthy level of cash on our balance sheet, which represented 7.7% of NAV at the half-year and has since been increased to 12.1% by the sale of The Sloane Club. We also have substantial borrowing capacity at our disposal. Current conditions, aided by accommodative monetary policy, may remain for a considerable time in the future. This has been discussed by our board, who are wholly supportive of our mildly defensive stance and our careful stewardship of shareholders' capital. We are not gazing into the future and predicting doom and gloom, but rather determining only to invest in appropriate assets at the right price. This may require some patience, but this is afforded by our balance sheet and long term horizon.

## Portfolio summary

Holdings of 1% or more of net assets at 30 September 2017 were as follows:

Name	Pool	Geography	Business	Value £m	Net assets %
Seven Investment Management	Unquoted	UK	Investment management	96.4	5.2
Gala Bingo	Unquoted	UK	Bingo operator	92.3	5.0
Cobehold	Unquoted	Belgium	Investment company	86.7	4.7
The Sloane Club	Unquoted	UK	Residential club	80.2	4.3
Liberation Group	Unquoted	Jersey	Pubs and restaurants	77.3	4.2
Choice Care Group	Unquoted	UK	Care homes provider	51.6	2.8
Aberdeen US PE funds	Funds	US	Funds of funds	50.1	2.7
AG Barr	Quoted	UK	Soft drinks	44.5	2.4
NTAsset funds	Funds	Asia	Quoted market funds	43.5	2.3
British American Tobacco	Quoted/Inc	UK	Tobacco	41.8	2.3
Capital Today China fund	Funds	China	Private equity fund	41.7	2.3
Arlington AVM Ranger fund	Funds	US	Quoted market fund	38.8	2.1
Macquarie Asia New Stars fund	Funds	Asia	Quoted market fund	38.1	2.1
Microsoft	Quoted	US	Infrastructure technology	37.3	2.0
Polar Capital	Quoted	UK	Fund manager	32.9	1.8
Oracle	Quoted	US	Infrastructure technology	31.1	1.7
Spirax Sarco	Quoted	UK	Steam engineering	30.9	1.7
Flowserve	Quoted	US	Industrial engineering	30.9	1.7
Jardine Matheson	Quoted	Singapore	Industrial engineering	29.8	1.6
PVAM Perlus Microcap fund	Funds	US	Quoted market fund	29.3	1.6
Overlook Partners fund	Funds	Asia	Quoted market fund	28.8	1.6
Philip Morris	Quoted/Inc	US	Tobacco	27.1	1.5
JF Lehman funds	Funds	US	Private equity funds	25.1	1.3
Hill & Smith	Quoted	UK	Infrastructure products	25.0	1.3
Asia Alternatives funds	Funds	Asia	Funds of funds	23.9	1.3
Thermo Fisher Scientific	Quoted	US	Biotechnology development	23.8	1.3
Becton Dickinson	Quoted	US	Medical technology	23.0	1.2
Bristow Group	Quoted	US	Helicopter services	21.2	1.1
Nestlé	Quoted	Switzerland	Packaged foods	21.1	1.1
Sports Information Services	Unquoted	UK	Broadcasting services	20.0	1.1
Sterling Industries	Unquoted	UK	Engineering	18.5	1.0
Other investments				400.4	21.7
Investment portfolio				1,663.1	90.0
Non-pool investments				36.4	2.0
Cash and other items				148.4	8.0
Net assets				1,847.9	100.0

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

### Change in investment portfolio value

	£m
Opening balance	1655.9
Investments	84.2
Realisations	(104.1)
Gains/losses	27.1
Closing balance	1663.1

### Pool distribution

	Sep 2017	Mar 2017
Quoted pool	24%	25%
Income pool	12%	11%
Unquoted pool	30%	30%
Funds pool	24%	21%
Cash and other	10%	13%

### Geographic distribution

	Sep 2017	Mar 2017
United Kingdom	38%	34%
Europe	13%	15%
North America	24%	25%
Asia	15%	12%
Other countries	–	1%
Cash and other	10%	13%

### Sector distribution

	Sep 2017	Mar 2017
Industrials	11%	11%
Consumer goods	13%	14%
Health care	7%	7%
Consumer services	12%	11%
Financials	40%	38%
Other sectors	7%	6%
Cash and other	10%	13%

### Asset class distribution

	Sep 2017	Mar 2017
Listed equities	36%	36%
Private companies	30%	30%
Private equity funds	14%	12%
Quoted market funds	10%	9%
Cash and other	10%	13%

### Currency distribution

	Sep 2017	Mar 2017
Pound sterling	54%	53%
US dollar	36%	35%
Euro	7%	9%
Other currencies	3%	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 2017. 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 2017 remain unchanged and each of them has the potential to affect the company's results during the remainder of the year ending 31 March 2018.

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 2017. As at 30 September 2017, 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  
23 November 2017

## **Independent review report** to Caledonia Investments plc

### **Conclusion**

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 2017 which comprises the condensed group statement of comprehensive income, the condensed group and company statements of financial position, the condensed group and company statements of changes in equity, the condensed group and company statements of cash flows and the related explanatory notes.

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 2017 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA').

### **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. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

### **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, annual financial statements of the group and company are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 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.

### **The purpose of our review work and to whom we owe our responsibilities**

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 DTR of 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.

Tom Brown

**for and on behalf of KPMG LLP**

*Chartered Accountants*

15 Canada Square, London E14 5GL

23 November 2017



## Condensed group statement of comprehensive income

for the six months ended 30 September 2017

	Six months 30 Sep 2017			Six months 30 Sep 2016			Year 31 Mar 2017		
	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m
<i>Revenue</i>									
Investment income	19.8	–	19.8	20.3	–	20.3	47.3	–	47.3
Other income	0.1	–	0.1	0.1	–	0.1	0.2	–	0.2
Gains/losses on fair value investments	–	27.0	27.0	–	105.3	105.3	–	265.7	265.7
Gains/losses on fair value property	–	(6.3)	(6.3)	–	0.1	0.1	–	0.1	0.1
<b>Total revenue</b>	19.9	20.7	40.6	20.4	105.4	125.8	47.5	265.8	313.3
Management expenses	(8.8)	(3.0)	(11.8)	(9.2)	(4.0)	(13.2)	(18.5)	(7.8)	(26.3)
Other non-recurring expenses	–	–	–	(0.4)	–	(0.4)	(0.4)	–	(0.4)
Guarantee obligation provided	–	–	–	–	(0.1)	(0.1)	–	(0.1)	(0.1)
<b>Profit before finance costs</b>	11.1	17.7	28.8	10.8	101.3	112.1	28.6	257.9	286.5
Treasury interest receivable	0.2	–	0.2	0.1	–	0.1	0.2	–	0.2
Finance costs	(1.0)	–	(1.0)	(0.9)	–	(0.9)	(1.7)	–	(1.7)
Exchange movements	(0.1)	–	(0.1)	(0.4)	–	(0.4)	(0.5)	–	(0.5)
<b>Profit before tax</b>	10.2	17.7	27.9	9.6	101.3	110.9	26.6	257.9	284.5
Taxation	0.3	0.5	0.8	2.1	0.7	2.8	4.2	1.4	5.6
Profit for the period	10.5	18.2	28.7	11.7	102.0	113.7	30.8	259.3	290.1
<i>Other comprehensive income items never to be reclassified to profit or loss</i>									
Remeasurement of defined benefit pension schemes	–	–	–	–	(4.5)	(4.5)	–	(2.7)	(2.7)
Tax on other comprehensive income	–	(0.3)	(0.3)	–	0.8	0.8	–	0.7	0.7
<b>Total comprehensive income</b>	10.5	17.9	28.4	11.7	98.3	110.0	30.8	257.3	288.1
Basic earnings per share	19.1p	33.2p	52.3p	21.3p	185.6p	206.9p	56.1p	472.1p	528.2p
Diluted earnings per share	18.7p	32.5p	51.2p	20.9p	182.0p	202.9p	55.0p	463.4p	518.4p

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

The revenue and capital columns are supplementary to the condensed group 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 2017

	Group			Company		
	30 Sep 2017 £m	30 Sep 2016 £m	31 Mar 2017 £m	30 Sep 2017 £m	30 Sep 2016 £m	31 Mar 2017 £m
<i>Non-current assets</i>						
Investments held at fair value through profit or loss	1,699.5	1,716.1	1,688.6	1,685.2	1,707.3	1,682.2
Investments in subsidiaries held at cost	–	–	–	0.8	0.8	0.8
Property, plant and equipment	38.2	29.4	35.5	–	–	–
Deferred tax assets	3.1	3.2	3.7	–	–	–
Employee benefits	2.9	2.1	2.8	–	–	–
<b>Non-current assets</b>	<b>1,743.7</b>	<b>1,750.8</b>	<b>1,730.6</b>	<b>1,686.0</b>	<b>1,708.1</b>	<b>1,683.0</b>
<i>Current assets</i>						
Trade and other receivables	7.2	5.1	7.8	48.4	29.4	29.0
Current tax assets	2.3	2.7	2.6	2.2	2.6	3.1
Cash and cash equivalents	143.1	29.4	207.3	143.1	28.9	205.6
<b>Current assets</b>	<b>152.6</b>	<b>37.2</b>	<b>217.7</b>	<b>193.7</b>	<b>60.9</b>	<b>237.7</b>
<b>Total assets</b>	<b>1,896.3</b>	<b>1,788.0</b>	<b>1,948.3</b>	<b>1,879.7</b>	<b>1,769.0</b>	<b>1,920.7</b>
<i>Current liabilities</i>						
Bank overdraft	(0.4)	–	–	–	–	–
Trade and other payables	(39.7)	(43.9)	(39.5)	(37.6)	(36.5)	(25.5)
Employee benefits	(1.1)	(1.0)	(2.5)	–	–	–
Provisions	–	(9.1)	–	–	(9.1)	–
<b>Current liabilities</b>	<b>(41.2)</b>	<b>(54.0)</b>	<b>(42.0)</b>	<b>(37.6)</b>	<b>(45.6)</b>	<b>(25.5)</b>
<i>Non-current liabilities</i>						
Employee benefits	(7.0)	(7.9)	(7.3)	–	–	–
Deferred tax liabilities	(0.2)	(0.2)	(0.2)	–	–	–
<b>Non-current liabilities</b>	<b>(7.2)</b>	<b>(8.1)</b>	<b>(7.5)</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total liabilities</b>	<b>(48.4)</b>	<b>(62.1)</b>	<b>(49.5)</b>	<b>(37.6)</b>	<b>(45.6)</b>	<b>(25.5)</b>
<b>Net assets</b>	<b>1,847.9</b>	<b>1,725.9</b>	<b>1,898.8</b>	<b>1,842.1</b>	<b>1,723.4</b>	<b>1,895.2</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	1,608.9	1,432.0	1,591.0	1,609.2	1,436.9	1,594.2
Retained earnings	269.2	318.9	332.9	263.1	311.5	326.1
Own shares	(36.0)	(30.8)	(30.9)	(36.0)	(30.8)	(30.9)
<b>Total equity</b>	<b>1,847.9</b>	<b>1,725.9</b>	<b>1,898.8</b>	<b>1,842.1</b>	<b>1,723.4</b>	<b>1,895.2</b>
Undiluted net asset value per share	3365p	3144p	3459p			
Diluted net asset value per share	3298p	3083p	3395p			

## Condensed group statement of changes in equity

for the six months ended 30 September 2017

	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 2017</b>							
Balance at 1 April 2017	3.2	1.3	1.3	1,591.0	332.9	(30.9)	1,898.8
<i>Total comprehensive income</i>							
Profit for the period	–	–	–	18.2	10.5	–	28.7
Other comprehensive income	–	–	–	(0.3)	–	–	(0.3)
Total comprehensive income	–	–	–	17.9	10.5	–	28.4
<i>Transactions with owners of the company</i>							
<i>Contributions by and distributions to owners</i>							
Exercise of options	–	–	–	–	–	0.3	0.3
Share-based payments	–	–	–	–	2.6	–	2.6
Own shares purchased	–	–	–	–	–	(5.4)	(5.4)
Dividends paid	–	–	–	–	(76.8)	–	(76.8)
Total transactions with owners	–	–	–	–	(74.2)	(5.1)	(79.3)
Balance at 30 September 2017	3.2	1.3	1.3	1,608.9	269.2	(36.0)	1,847.9
<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</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>Year ended 31 March 2017</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</i>							
Profit for the year	–	–	–	259.3	30.8	–	290.1
Other comprehensive income	–	–	–	(2.0)	–	–	(2.0)
Total comprehensive income	–	–	–	257.3	30.8	–	288.1
<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	–	–	–	–	6.4	–	6.4
Own shares purchased	–	–	–	–	–	(10.9)	(10.9)
Dividends paid	–	–	–	–	(29.3)	–	(29.3)
Total transactions with owners	–	–	–	–	(22.9)	(10.7)	(33.6)
Balance at 31 March 2017	3.2	1.3	1.3	1,591.0	332.9	(30.9)	1,898.8

## Condensed company statement of changes in equity

for the six months ended 30 September 2017

	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 2017</b>							
Balance at 1 April 2017	3.2	1.3	1.3	1,594.2	326.1	(30.9)	1,895.2
Profit and total comprehensive income	–	–	–	15.0	11.2	–	26.2
<i>Transactions with owners of the company</i>							
<i>Contributions by and distributions to owners</i>							
Exercise of options	–	–	–	–	–	0.3	0.3
Share-based payments	–	–	–	–	2.6	–	2.6
Own shares purchased	–	–	–	–	–	(5.4)	(5.4)
Dividends paid	–	–	–	–	(76.8)	–	(76.8)
Total transactions with owners	–	–	–	–	(74.2)	(5.1)	(79.3)
Balance at 30 September 2017	3.2	1.3	1.3	1,609.2	263.1	(36.0)	1,842.1
<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	–	–	–	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>Year ended 31 March 2017</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	–	–	–	259.2	32.5	–	291.7
<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	–	–	–	–	6.4	–	6.4
Own shares purchased	–	–	–	–	–	(10.9)	(10.9)
Dividends paid	–	–	–	–	(29.3)	–	(29.3)
Total transactions with owners	–	–	–	–	(22.9)	(10.7)	(33.6)
Balance at 31 March 2017	3.2	1.3	1.3	1,594.2	326.1	(30.9)	1,895.2

## Condensed statements of cash flows

for the six months ended 30 September 2017

	Group			Company		
	6 mths 30 Sep 2017 £m	6 mths 30 Sep 2016 £m	Year 31 Mar 2017 £m	6 mths 30 Sep 2017 £m	6 mths 30 Sep 2016 £m	Year 31 Mar 2017 £m
<i>Operating activities</i>						
Dividends received	21.4	22.1	45.1	21.4	22.1	45.1
Interest received	0.6	0.4	2.3	0.2	0.1	1.6
Cash received from customers	0.1	0.1	0.3	–	–	–
Cash paid to suppliers and employees	(8.7)	(9.7)	(19.7)	(12.3)	(13.4)	(23.1)
Taxes received	0.2	–	–	0.2	–	–
Taxes paid	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Group tax relief received	1.4	2.4	4.9	1.4	2.4	5.2
<b>Net cash flow from operating activities</b>	<b>14.9</b>	<b>15.2</b>	<b>32.8</b>	<b>10.8</b>	<b>11.1</b>	<b>28.7</b>
<i>Investing activities</i>						
Purchases of investments	(88.0)	(148.1)	(256.2)	(86.1)	(138.0)	(245.8)
Proceeds from realisation of investments	102.2	146.4	433.5	101.4	144.0	431.2
Purchases of property, plant and equipment	(9.2)	(3.7)	(9.7)	–	–	–
<b>Net cash flow from/(used in) investing activities</b>	<b>5.0</b>	<b>(5.4)</b>	<b>167.6</b>	<b>15.3</b>	<b>6.0</b>	<b>185.4</b>
<i>Financing activities</i>						
Interest paid	(1.6)	(0.6)	(1.2)	(1.5)	(0.6)	(1.1)
Dividends paid to owners of the company	(76.8)	(21.1)	(29.3)	(76.8)	(21.1)	(29.3)
Loan receipts from subsidiaries	–	33.0	34.4	5.4	36.7	53.0
Loan payments to subsidiaries	(1.0)	(4.0)	(9.2)	(10.6)	(16.4)	(44.2)
Exercise of share options	0.3	0.2	0.2	0.3	0.2	0.2
Purchases of own shares	(5.4)	(10.8)	(10.9)	(5.4)	(10.8)	(10.9)
<b>Net cash flow used in financing activities</b>	<b>(84.5)</b>	<b>(3.3)</b>	<b>(16.0)</b>	<b>(88.6)</b>	<b>(12.0)</b>	<b>(32.3)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(64.6)</b>	<b>6.5</b>	<b>184.4</b>	<b>(62.5)</b>	<b>5.1</b>	<b>181.8</b>
Cash and cash equivalents at period start	207.3	22.9	22.9	205.6	23.8	23.8
<b>Cash and cash equivalents at period end</b>	<b>142.7</b>	<b>29.4</b>	<b>207.3</b>	<b>143.1</b>	<b>28.9</b>	<b>205.6</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 Cayzer House, 30 Buckingham Gate, London SW1E 6NN. The ordinary shares of the company are premium listed on the London Stock Exchange.

This condensed set of financial statements was approved for issue on 23 November 2017 and is unaudited.

The information for the period ended 30 September 2017 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 2017 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 2017, 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 amendments to apply the investment entities exemption, 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 2017.

#### *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 2017.

### 3. Dividends

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

	6 mths 30 Sep 2017 £m	6 mths 30 Sep 2016 £m	Year 31 Mar 2017 £m
Final dividend for the year ended 31 March 2017 of 39.9p per share (2016 – second interim dividend of 38.3p)	21.9	21.1	21.1
Special dividend for the year ended 31 March 2017 of 100.0p per share	54.9	–	–
Interim dividend for the year ended 31 March 2017 of 14.9p per share	–	–	8.2
	76.8	21.1	29.3

The directors have declared an interim dividend for the year ending 31 March 2018 of 15.5p per share, totalling £8.5m, which has not been included as a liability in this condensed set of financial statements. This dividend will be payable on 11 January 2018 to holders of shares on the register on 1 December 2017. The ex-dividend date will be 30 November 2017.

The deadline for elections under the dividend reinvestment plan offered by Link Asset Services will be the close of business on 17 December 2017.

### 4. Provisions

During the prior period ended 30 September 2016 and the year ended 31 March 2017, the group and company provided an additional £0.1m of solvency guarantee provision.

### 5. Share capital

During the period, the company's Employee Share Trust sold 206,440 shares for £0.3m and purchased 181,497 shares for £5.4m in connection with the exercise of share options and calling of performance share and deferred bonus awards.

In the six months ended 30 September 2016, 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 year ended 31 March 2017, the company's Employee Share Trust sold 209,426 shares for £0.2m and purchased 151,546 shares for £3.6m in connection with the exercise of share options and calling of performance share awards. The Employee Share Trust also purchased 300,000 shares from The Cayzer Trust Company Ltd for £7.3m.

### 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 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.

'Non-pool' investments comprise subsidiaries not managed as part of the investment portfolio.

	Profit 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
	2017	2016	2017	2017	2016	2017
	£m	£m	£m	£m	£m	£m
<i>Pool</i>						
Quoted	(1.2)	37.7	82.4	449.1	425.1	467.9
Income	(6.0)	16.3	32.0	220.6	202.4	215.9
Unquoted	38.7	26.8	125.1	551.5	680.5	567.8
Funds	15.4	44.5	73.9	441.9	371.6	404.3
Portfolio	46.9	125.3	313.4	1,663.1	1,679.6	1,655.9
Non-pool	(6.3)	0.5	(0.1)	36.4	36.5	32.7
Total revenue/investments	40.6	125.8	313.3	1,699.5	1,716.1	1,688.6
Cash and equivalents	0.2	0.1	0.2	142.7	29.4	207.3
Other items	(12.9)	(15.0)	(29.0)	54.1	42.5	52.4
Reportable total	27.9	110.9	284.5	1,896.3	1,788.0	1,948.3

## 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 2017. There were no transactions with related parties during the six months ended 30 September 2017 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, £10.1m was charged to the company (30 September 2016 – £11.1m and 31 March 2017 – £22.9m).

During the prior 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 voting rights, at the prevailing market price, for £7.3m.

## 9. Capital commitments

At 30 September 2017, the company had undrawn fund and other commitments totalling £332.5m (30 September 2016 – £268.3m and 31 March 2017 – £329.0m).



## 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 2017	30 Sep 2016	31 Mar 2017	30 Sep 2017	30 Sep 2016	31 Mar 2017
	£m	£m	£m	£m	£m	£m
<i>Investments held at fair value</i>						
Level 1	668.1	626.1	682.2	668.1	626.1	682.2
Level 2	191.9	193.1	183.9	191.2	197.8	191.1
Level 3	839.5	896.9	822.5	825.9	883.4	808.9
	1,699.5	1,716.1	1,688.6	1,685.2	1,707.3	1,682.2

Movement in Level 3 financial instruments was as follows:

	6 mths 30 Sep 2017	6 mths 30 Sep 2016	Year 31 Mar 2017
	£m	£m	£m
<b>Group</b>			
Balance at the period start	822.5	830.3	830.3
Purchases	46.4	104.1	156.6
Realisation proceeds	(75.9)	(66.2)	(288.5)
Gains and losses on investments sold in the period	41.8	23.9	148.6
Gains and losses on investments held at the period end	4.7	4.8	(24.5)
Balance at the period end	839.5	896.9	822.5
<b>Company</b>			
Balance at the period start	808.9	816.8	816.8
Purchases	46.4	104.1	156.2
Realisation proceeds	(75.9)	(66.2)	(288.2)
Gains and losses on investments sold in the period	41.8	23.9	148.6
Gains and losses on investments held at the period end	4.7	4.8	(24.5)
Balance at the period end	825.9	883.4	808.9

The methods used to determine fair value investments are unchanged from those described in the annual report 2017. 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 performance share scheme and a deferred bonus plan. Details of these schemes were disclosed in the annual report 2017 and the basis of measuring fair value was consistent with those disclosures.

During the six months ended 30 September 2017, 226,176 awards were issued under the performance share scheme (30 September 2016 and 31 March 2017 – 220,825 awards). Compulsory deferred bonus awards over 52,664 shares were granted (30 September 2016 and 31 March 2017 – compulsory, voluntary and matching deferred bonus awards over 8,568, 2,087 and 10,655 shares respectively).

Expenses in respect of share-based payments in the period were £2.6m (30 September 2016 – £3.3m and 31 March 2017 – £6.4m).

## **12. Subsequent events**

On 30 October 2017, the company sold its investment in The Sloane Club for £80.2m, after costs. The fair value of The Sloane Club included in this condensed set of financial statements was stated at the net transaction price.

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**END**

*Copies of this statement are available at the company's registered office, Cayzer House, 30 Buckingham Gate, London SW1E 6NN, 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.*