



Caledonia Investments plc

Half-year results for the six months ended 30 September 2018

Financial highlights

	6 months 30 Sep 2018	Year 31 Mar 2018	Change
Net asset value per share total return	+9.8%	+1.4%	
Net asset value per share	3563p	3285p	+8.5%
Net assets	£2,000m	£1,837m	+8.9%
Interim dividend per share	16.1p	15.5p	+3.9%

Highlights

- NAV per share total return of +9.8%, underpinned by strong performance across all four investment pools
 - o Quoted and Income pools (returns of 15.0% and 7.5% respectively) benefited from buoyant markets and strengthening of the US dollar
 - o Unquoted pool (return of 11.8%) benefited from revaluation of Choice Care Group and good progress from other portfolio companies
 - o Funds pool (return of 12.0%) underpinned by gains from US and Asian private equity funds portfolio
- Net assets reach £2bn for the first time
- Interim dividend per share increased by 3.9% to 16.1 pence per share (HY17: 15.5p)
- Investments of £283m, included £93m in Cooke Optics, a market leading UK based manufacturer of cine camera lenses
- £154m realised, including most of Caledonia's holding in Flowserve (Quoted pool) and the disposal of its holding in Macquarie Asia New Stars fund (Funds pool)
- Post period end, Caledonia's Unquoted pool invested £117m in Deep Sea Electronics and sold Choice Care Group for £99m
- Cash of £67m at 30 September 2018, in addition to undrawn bank facilities of £250m

Will Wyatt, Chief Executive, commented:

"Caledonia's investment portfolio saw strong performance across all four investment pools, delivering net asset value per share total return of 9.8% and supporting an increase in the interim dividend of 3.9% to 16.1 pence per share."

"We are pleased with the last six months' performance, despite political and economic uncertainty continuing to impact markets. However, our well-diversified portfolio is invested in good quality businesses that combine attractive long term growth prospects with the potential to support increasing income, enabling us to achieve our strategic objectives."

22 November 2018

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Management report

Results

Caledonia's net asset value per share total return was 9.8% over the six months ended 30 September 2018, with net assets increasing to £2bn, or 3563p on a per share basis. This does not take into account the interim dividend declared by the directors of 16.1p per share at a total cost of £8.8m, an increase of 3.9% on last year's interim payment. Over the half-year, our share price rose by 4.7%, resulting in a widening of the discount between net asset value per share and share price from 19.3% to 22.1%.

Other net assets on the balance sheet of £84.0m at the period end included cash of £67.0m, following pool net investment of £128.9m, which included £92.5m invested in Cooke Optics, a UK based manufacturer of cine camera lenses. Since the end of September, we have undertaken two further substantial transactions in the Unquoted pool, the acquisition of a 98.9% equity stake in Deep Sea Electronics, a UK based manufacturer of electronic control modules for industrial applications, for £117.2m and the sale of Choice Care Group, the residential care homes operator, from which we received £99.4m, including pre-sale dividends of £7.1m. This represented a 1.9x money multiple and an IRR of 14.3% over the five years of our ownership.

We retained an ungeared balance sheet at Caledonia, although our investments, particularly in the Unquoted pool, do utilise debt in their funding structures. We have substantial undrawn bank facilities available and are able to react to opportunities as they appear. Stock markets are showing signs of nervousness with Asian, UK and US markets under pressure since the period end. Pricing in private equity markets, however, remains at elevated levels supported by substantial sums of committed, but unspent, capital. However, it is still possible to make acquisitions at acceptable prices if the vendor is seeking, for instance, a long term financial partner for the business.

Investment performance

Caledonia's strategic aims are to:

- Deliver returns of between RPI +3% to +6% over the medium term and outperform the FTSE All-Share Total Return index over ten years.
- Pay an increasing annual dividend.
- Manage risk to avoid permanent loss of capital.

Medium term performance remains strong and ahead of our aims, albeit there is a marginal under-performance against the FTSE All-Share Total Return index over a ten year period. The table below shows our performance track record as at 30 September 2018:

	6 mths	1 year	3 years	5 years	10 years
	%	%	%	%	%
NAV total return	9.8	9.9	40.3	73.8	131.5
Shareholder TR	6.3	4.5	40.3	78.6	107.4
RPI +3% per annum	3.6	6.4	19.5	30.8	74.8
FTSE All-Share TR	8.3	5.9	38.4	43.5	138.5
<i>Annualised</i>					
NAV total return		9.9	11.9	11.7	8.8
Retail Prices Index		3.3	3.1	2.4	2.7
Caledonia vs RPI		6.6	8.8	9.3	6.1
FTSE All-Share TR				7.5	9.1
Caledonia vs FTSE				4.2	(0.3)

Investment income grew by 19% compared with the first half of last year, from £19.8m to £23.6m, whilst management expenses charged to revenue increased by £0.5m, from £8.8m to £9.3m.

Asset allocation

	Strategic allocation %	Actual allocation			Target return %
		31 Oct 2018 %	30 Sep 2018 %	31 Mar 2018 %	
Quoted pool	25-40	22	24	25	10.0
Income pool	15-20	13	13	11	7.0
Unquoted pool	35-45	36	31	25	14.0
Funds pool	15-20	27	26	25	12.5
Cash and other	+/-10	2	6	14	

Asset allocation as at 30 September is shown in the table above, but, as there has been significant investment activity since that date, we have included a position update as at 31 October for information.

Pool performance

The performance of the portfolio was strong across all four investment pools. Both the Quoted and Income pools were lifted by buoyant markets, with the FTSE All-Share increasing by 6.0% and the S&P 500 by 10.3%, but also by a strengthening of the US dollar against Sterling. The Unquoted pool saw strong gains following a revaluation of Choice Care Group to reflect its sale price, in addition to good progress from its other portfolio companies. The Funds pool returned 12.0%, underpinned by gains from its portfolio of US and Asian private equity funds.

	31 Mar 2018 £m	Invest- ments £m	Realis- ations £m	Gains/ losses £m	30 Sep 2018 £m	Income £m	Return %
<i>Pool</i>							
Quoted	452.3	19.2	(51.0)	59.8	480.3	5.7	15.0
Income	194.6	76.0	(23.3)	8.7	256.0	8.2	7.5
Unquoted	463.5	126.6	(14.9)	54.6	629.8	8.7	11.8
Funds	470.5	60.8	(64.5)	54.6	521.4	1.0	12.0
Total pools	1,580.9	282.6	(153.7)	177.7	1,887.5	23.6	12.1
Non-pool	29.0	(0.8)	0.3	(0.2)	28.3	–	
Investments	1,609.9	281.8	(153.4)	177.5	1,915.8	23.6	
Cash and other	226.7				84.0		
Net assets	1,836.6				1,999.8		9.8

1. Non-pool investments comprise legacy investments and cash and receivables held in subsidiary investment entities.
2. Unquoted pool gains/losses included £2.4m of accrued income.
3. Returns for investments are calculated using the Modified Dietz methodology and the overall return is the company's NAVTR.

Quoted pool (£480m, 24% of net assets)

The Quoted pool is a concentrated global portfolio of listed entities. Our focus is on mature, long term businesses with significant presence in their market space, consistently producing strong returns on capital and having resilient balance sheets.

The Quoted pool's return was 15.0% for the period, with a particularly strong performance from its US holdings, notably Microsoft, Flowserve and Becton Dickinson. Tobacco stocks were detractors, as was Hill & Smith, which fell due to weaker than anticipated trading. The weakening of Sterling made a positive contribution of 5.1% to the pool's return and will have benefited the performance of UK companies with significant overseas profits.

We continued to take profits during the period and the Quoted pool's proportion of Caledonia's overall net assets, at 24%, remains slightly below its target allocation range of 25-40%, reflecting our cautious stance towards current market valuations. Most of our holding in Flowserve was sold and a new position commenced in Texas Instruments.

Income pool (£256m, 13% of net assets)

The Income pool comprises a portfolio of 22 investments in listed international businesses of global scale and market presence. The pool targets a net yield of 4.5%.

The total return for the Income pool was 7.5% for the period. This comprised a capital return of 3.9% and an income return of 3.6%, a significant contribution towards the pool's target annual net yield of 4.5%. We took advantage of pockets of value that appeared, particularly in UK markets, to increase our allocation to the pool, mindful of its current shortfall compared with its target range of 15-20% of net assets.

Unquoted pool (£630m, 31% of net assets)

The Unquoted pool contains both majority and minority holdings in private companies. Our focus is on established businesses, led by sound management teams, where our target investment size of £25m to £100m provides a meaningful presence and growth capital supporting double digit operating margins.

The total return for the Unquoted pool was 11.8% for the period. This was underpinned by the revaluation of Choice Care Group to £99.4m, reflecting its subsequent sale price to iCON, an uplift of 21.4%. Overall, our investment in Choice Care Group delivered a 1.9x money multiple and a 14.3% IRR. Additionally, useful gains from Seven Investment Management, Liberation Group and Cobehold, combined with disposals by Brookshire and the sales of our residual stakes in Easybox and Marwadi, significantly contributed to the pool's performance.

During the half-year, £126.6m was invested by the Unquoted pool, principally in Cooke Optics but also included £14.0m of follow-on investment each in Seven Investment Management, to help fund its acquisition of Tcam Asset Management, and Buzz Bingo, to fund its rebranding from Gala Bingo and the launch of its online gaming platform.

Funds pool (£521m, 26% of net assets)

The Funds pool comprises investments in both private equity and quoted market funds. Our fund investments provide a broad exposure to areas of the world where it would prove more difficult for us to invest directly and where we believe the risk/reward ratio is commensurate with Caledonia's overall strategic aims. This is predominantly in Asia and North America.

The Funds pool returned 12.0% for the six months under review, with a strong showing by its private equity fund holdings. The pool is over 90% US dollar denominated, which was a significant contributory factor, given this currency's recent strength, adding 7.6% to the pool's performance. During the period, £60.8m was invested by the pool and £64.5m realised, including £40.7m from the disposal of its holding in the Macquarie Asia New Stars fund.

The pool's private equity fund programme, which is now in its seventh year, is starting to make a noticeable contribution to returns across the portfolio, as early investments begin to mature. Much of the early gains of the portfolio were generated by the phenomenally successful Capital Today China fund, which is on target to return \$217m from a \$20m commitment made in 2006. The pool remains overweight in terms of its strategic range due to strong performance, though the medium term aim is to rebalance back towards its 20% maximum allocation.

Dividend

The board has declared an interim dividend of 16.1p per share, an increase of 3.9% on last year's equivalent. This will be paid to shareholders on 10 January 2019.

Board

In July, we announced that, after almost ten years of service, Stephen King would be stepping down as Finance Director once his successor had been recruited. I am delighted that Tim Livett has agreed to join us from the Wellcome Trust, where he is currently Chief Financial Officer, to take over this role in the New Year. Tim's commercial, operational and investment finance experience, gained from roles at British Airways, Virgin Atlantic and, most recently, the Wellcome Trust, where his responsibilities include risk and performance oversight of Wellcome's asset management division, which manages the Trust's £23bn investment portfolio, will be of particular benefit to Caledonia. We look forward to welcoming Tim to the board and wish Stephen every success in his future career.

Outlook

An increase in volatility in October 2018 has reminded investors that stock markets are not an upward only escalator. The recent rise in US interest rates led to significant movements in both equity and bond markets. The return of a real cost of capital is bound to be reflected at some stage in the pricing of assets and a reduction in liquidity. The outcome of the current Brexit negotiations, particularly if they result in a 'no-deal' exit, could also have significant further impact on equity and bond markets.

Caledonia has recently made two significant investments in the UK manufacturing sector, underlining our belief that well-managed companies, selling high quality and competitively priced products into global markets, should be able to thrive even in the current period of economic uncertainty. Our portfolio is well diversified and invested in good quality businesses that we are confident will enable us to achieve our strategic objectives.

Portfolio summary

Holdings of 1% or more of net assets at 30 September 2018 were as follows:

Name	Pool	Geography	Business	Value £m	Net assets %
Seven Investment Management	Unquoted	Jersey	Investment management	121.1	6.0
Cobehold	Unquoted	Belgium	Investment company	105.4	5.3
Choice Care Group	Unquoted	UK	Care homes provider	99.4	5.0
Cooke Optics	Unquoted	UK	Cine lens manufacturer	92.6	4.6
Buzz Bingo	Unquoted	UK	Bingo operator	89.1	4.4
Liberation Group	Unquoted	Jersey	Pubs and restaurants	81.5	4.1
Aberdeen US PE funds	Funds	US	Funds of funds	74.8	3.7
Arlington AVM Ranger fund	Funds	US	Quoted market fund	52.1	2.6
NTAsset funds	Funds	Asia	Quoted market funds	43.4	2.2
Microsoft	Quoted	US	Infrastructure technology	41.8	2.1
Spirax Sarco	Quoted	UK	Steam engineering	40.9	2.0
AG Barr	Quoted	UK	Soft drinks	39.7	2.0
Oracle	Quoted	US	Infrastructure technology	34.1	1.7
Polar Capital	Quoted	UK	Fund manager	33.7	1.7
Thermo Fisher Scientific	Quoted	US	Biotechnology development	31.6	1.6
Becton Dickinson	Quoted	US	Medical technology	31.6	1.6
Asia Alternatives funds	Funds	Asia	Funds of funds	31.3	1.6
British American Tobacco	Quoted/ Income	UK	Tobacco	31.2	1.5
Jardine Matheson	Quoted	Singapore	Industrial engineering	30.4	1.5
JF Lehman funds	Funds	US	Private equity funds	28.0	1.4
Philip Morris	Quoted/ Income	US	Tobacco	27.8	1.4
Axiom Asia funds	Funds	Asia	Funds of funds	27.7	1.4
PVAM Perlus Microcap fund	Funds	US	Quoted market fund	26.2	1.3
Charter Communications	Quoted	US	Cable telecommunications	25.7	1.3
Capital Today China fund	Funds	China	Private equity fund	25.5	1.3
Overlook Partners fund	Funds	Asia	Quoted market fund	24.3	1.2
Sports Information Services	Unquoted	UK	Broadcasting services	23.3	1.2
Nestlé	Quoted	Switzerland	Packaged foods	21.7	1.1
Hill & Smith	Quoted	UK	Infrastructure products	21.5	1.1
Watsco	Quoted	US	Climate control systems	21.4	1.1
Other investments				508.7	25.4
Total pool investments				1,887.5	94.4
Non-pool investments				28.3	1.4
Cash and other items				84.0	4.2
Net assets				1,999.8	100.0

1. Geography is based on the country of listing, country of domicile for unlisted investments and underlying regional analysis for funds.
2. Choice Care Group was sold on 23 October 2018.

Change in pool investments value

	£m
Opening balance	1,580.9
Investments	282.6
Realisations	(153.7)
Gains/losses	175.3
Other	2.4
Closing balance	1,887.5

Geographic distribution

	Sep 2018	Mar 2018
United Kingdom	33%	32%
Europe	20%	13%
North America	27%	25%
Asia	14%	16%
Cash and other	6%	14%

Asset class distribution

	Sep 2018	Mar 2018
Listed equities	37%	35%
Private companies	31%	25%
Private equity funds	19%	16%
Quoted market funds	7%	10%
Cash and other	6%	14%

Pool distribution

	Sep 2018	Mar 2018
Quoted pool	24%	25%
Income pool	13%	11%
Unquoted pool	31%	25%
Funds pool	26%	25%
Cash and other	6%	14%

Sector distribution

	Sep 2018	Mar 2018
Industrials	7%	9%
Consumer goods	12%	12%
Health care	10%	9%
Consumer services	11%	6%
Managed funds	31%	31%
Other financials	13%	11%
Other sectors	10%	8%
Cash and other	6%	14%

Currency distribution

	Sep 2018	Mar 2018
Pound sterling	49%	50%
US dollar	41%	40%
Euro	7%	7%
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 2018. 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 2018 remain unchanged and each of them has the potential to affect the company's results during the remainder of the year ending 31 March 2019.

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 2018. As at 30 September 2018, 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
21 November 2018

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 2018 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.

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 2018 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.

Thomas Brown
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square, London E14 5GL
21 November 2018

Condensed group statement of comprehensive income

for the six months ended 30 September 2018

	Six months 30 Sep 2018			Six months 30 Sep 2017			Year 31 Mar 2018		
	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m
<i>Revenue</i>									
Investment income	23.6	–	23.6	19.8	–	19.8	46.0	–	46.0
Other income	0.1	–	0.1	0.1	–	0.1	0.2	–	0.2
Gains/losses on fair value investments	–	175.1	175.1	–	27.0	27.0	–	6.8	6.8
Gains/losses on fair value property	–	(2.3)	(2.3)	–	(6.3)	(6.3)	–	(5.9)	(5.9)
Total revenue	23.7	172.8	196.5	19.9	20.7	40.6	46.2	0.9	47.1
Management expenses	(9.3)	(4.7)	(14.0)	(8.8)	(3.0)	(11.8)	(16.9)	(5.9)	(22.8)
Profit before finance costs	14.4	168.1	182.5	11.1	17.7	28.8	29.3	(5.0)	24.3
Treasury interest receivable	0.3	–	0.3	0.2	–	0.2	0.6	–	0.6
Finance costs	(1.0)	–	(1.0)	(1.0)	–	(1.0)	(2.1)	–	(2.1)
Exchange movements	0.4	–	0.4	(0.1)	–	(0.1)	(0.6)	–	(0.6)
Profit before tax	14.1	168.1	182.2	10.2	17.7	27.9	27.2	(5.0)	22.2
Taxation	0.8	–	0.8	0.3	0.5	0.8	4.3	–	4.3
Profit for the period	14.9	168.1	183.0	10.5	18.2	28.7	31.5	(5.0)	26.5
<i>Other comprehensive income items never to be reclassified to profit or loss</i>									
Re-measurement of defined benefit pension schemes	–	–	–	–	–	–	–	(0.8)	(0.8)
Gain on acquisition of defined benefit pension scheme	0.7	–	0.7	–	–	–	–	–	–
Tax on other comprehensive income	–	(0.1)	(0.1)	–	(0.3)	(0.3)	–	(0.3)	(0.3)
Total comprehensive income	15.6	168.0	183.6	10.5	17.9	28.4	31.5	(6.1)	25.4
Basic earnings per share	27.1p	306.1p	333.2p	19.1p	33.2p	52.3p	57.4p	-9.1p	48.3p
Diluted earnings per share	26.6p	299.5p	326.1p	18.7p	32.5p	51.2p	56.3p	-9.1p	47.4p

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 2018

	Group			Company		
	30 Sep 2018	30 Sep 2017	31 Mar 2018	30 Sep 2018	30 Sep 2017	31 Mar 2018
	£m	£m	£m	£m	£m	£m
<i>Non-current assets</i>						
Investments held at fair value through profit or loss	1,915.8	1,699.5	1,609.9	1,918.4	1,685.2	1,613.6
Investments in subsidiaries held at cost	–	–	–	0.8	0.8	0.8
Investment property	7.8	–	10.4	–	–	–
Property, plant and equipment	30.0	38.2	29.2	–	–	–
Deferred tax assets	3.7	3.1	3.2	–	–	–
Employee benefits	3.3	2.9	2.3	–	–	–
Non-current assets	1,960.6	1,743.7	1,655.0	1,919.2	1,686.0	1,614.4
<i>Current assets</i>						
Trade and other receivables	3.6	7.2	3.9	43.7	48.4	38.0
Current tax assets	5.1	2.3	5.4	5.0	2.2	4.7
Cash and cash equivalents	67.0	143.1	207.8	66.3	143.1	207.4
Current assets	75.7	152.6	217.1	115.0	193.7	250.1
Total assets	2,036.3	1,896.3	1,872.1	2,034.2	1,879.7	1,864.5
<i>Current liabilities</i>						
Bank overdraft	–	(0.4)	–	–	–	–
Trade and other payables	(27.8)	(39.7)	(26.5)	(40.1)	(37.6)	(34.0)
Employee benefits	(1.4)	(1.1)	(2.2)	–	–	–
Current liabilities	(29.2)	(41.2)	(28.7)	(40.1)	(37.6)	(34.0)
<i>Non-current liabilities</i>						
Employee benefits	(7.1)	(7.0)	(6.6)	–	–	–
Deferred tax liabilities	(0.2)	(0.2)	(0.2)	–	–	–
Non-current liabilities	(7.3)	(7.2)	(6.8)	–	–	–
Total liabilities	(36.5)	(48.4)	(35.5)	(40.1)	(37.6)	(34.0)
Net assets	1,999.8	1,847.9	1,836.6	1,994.1	1,842.1	1,830.5
<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	1,752.7	1,608.9	1,584.9	1,754.7	1,609.2	1,585.6
Retained earnings	280.7	269.2	284.1	273.0	263.1	277.3
Own shares	(39.4)	(36.0)	(38.2)	(39.4)	(36.0)	(38.2)
Total equity	1,999.8	1,847.9	1,836.6	1,994.1	1,842.1	1,830.5
Undiluted net asset value per share	3641p	3365p	3344p			
Diluted net asset value per share	3563p	3298p	3285p			

Condensed group statement of changes in equity

for the six months ended 30 September 2018

	Share capital £m	Share premium £m	Capital redemp- tion reserve £m	Capital reserve £m	Retained earnings £m	Own shares £m	Total equity £m
Six months ended 30 September 2018							
Balance at 1 April 2018	3.2	1.3	1.3	1,584.9	284.1	(38.2)	1,836.6
<i>Total comprehensive income</i>							
Profit for the period	–	–	–	168.1	14.9	–	183.0
Other comprehensive income	–	–	–	(0.1)	0.7	–	0.6
Total comprehensive income	–	–	–	168.0	15.6	–	183.6
<i>Transactions with owners of the company</i>							
<i>Contributions by and distributions to owners</i>							
Share-based payments	–	–	–	–	3.8	–	3.8
Own shares cancelled	–	–	–	(0.2)	–	–	(0.2)
Own shares purchased	–	–	–	–	–	(1.2)	(1.2)
Dividends paid	–	–	–	–	(22.8)	–	(22.8)
Total transactions with owners	–	–	–	(0.2)	(19.0)	(1.2)	(20.4)
Balance at 30 September 2018	3.2	1.3	1.3	1,752.7	280.7	(39.4)	1,999.8
Six months ended 30 September 2017							
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
Year ended 31 March 2018							
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 year	–	–	–	(5.0)	31.5	–	26.5
Other comprehensive income	–	–	–	(1.1)	–	–	(1.1)
Total comprehensive income	–	–	–	(6.1)	31.5	–	25.4
<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	–	–	–	–	5.0	–	5.0
Own shares purchased	–	–	–	–	–	(7.5)	(7.5)
Dividends paid	–	–	–	–	(85.3)	–	(85.3)
Total transactions with owners	–	–	–	–	(80.3)	(7.3)	(87.6)
Balance at 31 March 2018	3.2	1.3	1.3	1,584.9	284.1	(38.2)	1,836.6

Condensed company statement of changes in equity

for the six months ended 30 September 2018

	Share capital £m	Share premium £m	Capital redemp- tion reserve £m	Capital reserve £m	Retained earnings £m	Own shares £m	Total equity £m
Six months ended 30 September 2018							
Balance at 1 April 2018	3.2	1.3	1.3	1,585.6	277.3	(38.2)	1,830.5
Profit and total comprehensive income	–	–	–	169.3	14.7	–	184.0
<i>Transactions with owners of the company</i>							
<i>Contributions by and distributions to owners</i>							
Share-based payments	–	–	–	–	3.8	–	3.8
Own shares cancelled	–	–	–	(0.2)	–	–	(0.2)
Own shares purchased	–	–	–	–	–	(1.2)	(1.2)
Dividends paid	–	–	–	–	(22.8)	–	(22.8)
Total transactions with owners	–	–	–	(0.2)	(19.0)	(1.2)	(20.4)
Balance at 30 September 2018	3.2	1.3	1.3	1,754.7	273.0	(39.4)	1,994.1
Six months ended 30 September 2017							
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
Year ended 31 March 2018							
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	–	–	–	(8.6)	31.5	–	22.9
<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	–	–	–	–	5.0	–	5.0
Own shares purchased	–	–	–	–	–	(7.5)	(7.5)
Dividends paid	–	–	–	–	(85.3)	–	(85.3)
Total transactions with owners	–	–	–	–	(80.3)	(7.3)	(87.6)
Balance at 31 March 2018	3.2	1.3	1.3	1,585.6	277.3	(38.2)	1,830.5

Condensed statements of cash flows

for the six months ended 30 September 2018

	Group			Company		
	6 mths 30 Sep 2018 £m	6 mths 30 Sep 2017 £m	Year 31 Mar 2018 £m	6 mths 30 Sep 2018 £m	6 mths 30 Sep 2017 £m	Year 31 Mar 2018 £m
<i>Operating activities</i>						
Dividends received	21.4	21.4	46.6	21.4	21.4	46.6
Interest received	0.3	0.6	0.9	0.2	0.2	0.5
Cash received from customers	0.1	0.1	0.2	–	–	–
Cash paid to suppliers and employees	(10.6)	(8.7)	(17.2)	(18.9)	(12.3)	(23.3)
Taxes received	–	0.2	0.2	–	0.2	0.2
Taxes paid	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Group tax relief received	2.0	1.4	1.6	2.0	1.4	2.0
Group tax relief paid	(1.5)	–	–	(1.5)	–	–
Net cash flow from operating activities	11.6	14.9	32.2	3.1	10.8	25.9
<i>Investing activities</i>						
Purchases of investments	(281.5)	(88.0)	(218.4)	(281.5)	(86.1)	(215.9)
Proceeds from disposal of investments	153.6	102.2	305.3	157.4	101.4	288.3
Purchases of property, plant and equipment	(1.1)	(9.2)	(10.9)	–	–	–
Net cash flow (used in)/from investing activities	(129.0)	5.0	76.0	(124.1)	15.3	72.4
<i>Financing activities</i>						
Interest paid	(0.9)	(1.6)	(2.7)	(0.8)	(1.5)	(2.3)
Dividends paid to owners of the company	(22.8)	(76.8)	(85.3)	(22.8)	(76.8)	(85.3)
Loan receipts from subsidiaries	1.7	–	–	6.2	5.4	24.7
Loan payments to subsidiaries	–	(1.0)	(12.4)	(1.3)	(10.6)	(26.3)
Exercise of share options	–	0.3	0.2	–	0.3	0.2
Purchases of own shares	(1.4)	(5.4)	(7.5)	(1.4)	(5.4)	(7.5)
Net cash flow used in financing activities	(23.4)	(84.5)	(107.7)	(20.1)	(88.6)	(96.5)
Net (decrease)/increase in cash and cash equivalents	(140.8)	(64.6)	0.5	(141.1)	(62.5)	1.8
Cash and cash equivalents at period start	207.8	207.3	207.3	207.4	205.6	205.6
Cash and cash equivalents at period end	67.0	142.7	207.8	66.3	143.1	207.4

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 21 November 2018 and is unaudited.

The information for the period ended 30 September 2018 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 2018 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 2018, 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.

Adopted IFRS

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the group's annual report and accounts for the year ended 31 March 2018, except for the mandatory standards and amendments that had an effective date prior to the start of the six-month period. None of the new mandatory standards, including IFRS 9 or IFRS 15 nor the amendments, had a material impact on the reported financial position or performance of the group. The changes in accounting policies will also be reflected in the group's consolidated financial statements for the year ending 31 March 2019.

A number of new standards and amendments to standards and interpretations will be effective for periods beginning on or after 1 April 2019. These new standards are not applicable to these financial statements and they are not expected to have a material impact when they become effective. The group plans to apply these standards and amendments in the reporting period in which they become effective.

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 2018.

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 2018.

3. Dividends

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

	6 mths 30 Sep 2018 £m	6 mths 30 Sep 2017 £m	Year 31 Mar 2018 £m
Final dividend for the year ended 31 March 2018 of 41.5p per share (2017 – 39.9p)	22.8	21.9	21.9
Special dividend for the year ended 31 March 2017 of 100.0p per share	–	54.9	54.9
Interim dividend for the year ended 31 March 2018 of 15.5p per share	–	–	8.5
	22.8	76.8	85.3

The directors have declared an interim dividend for the year ending 31 March 2019 of 16.1p per share, totalling £8.8m, which has not been included as a liability in this condensed set of financial statements. This dividend will be payable on 10 January 2019 to holders of shares on the register on 30 November 2018. The ex-dividend date will be 29 November 2018.

The deadline for elections under the dividend reinvestment plan offered by Link Asset Services will be the close of business on 14 December 2018.

4. Share capital

During the period, the company's Employee Share Trust sold 44,126 shares for £nil and purchased 43,126 shares for £1.2m relating to the calling of performance share and deferred bonus awards.

In the six months ended 30 September 2017, the company's Employee Share Trust sold 206,440 shares for £0.3m and purchased 181,497 shares for £5.4m relating to the exercise of share options and calling of performance share and deferred bonus awards for £nil consideration.

In the year ended 31 March 2018, the company's Employee Share Trust sold 290,664 shares for £0.2m and purchased 257,055 shares for £7.5m relating to the exercise of share options and calling of performance share awards.

5. 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 for nil consideration.

6. Operating segments

The chief operating decision maker has been identified as the Executive Committee, which reviews the company's internal reporting 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 derivatives hedging those investments and investment income. Reportable profit or loss is after treasury income and 'Other items', which comprise management and other expenses. Reportable assets equate to the group's total assets. 'Cash' and 'Other items' are not identifiable operating segments.

'Non-pool' investments comprise subsidiaries and other investments 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
	2018	2017	2018	2018	2017	2018
	£m	£m	£m	£m	£m	£m
<i>Pool</i>						
Quoted	65.5	(1.2)	16.3	480.3	449.1	452.3
Income	16.9	(6.0)	(21.2)	256.0	220.6	194.6
Unquoted	60.9	38.7	24.5	629.8	551.5	463.5
Funds	55.6	15.4	34.1	521.4	441.9	470.5
Total pools	198.9	46.9	53.7	1,887.5	1,663.1	1,580.9
Non-pool	(0.2)	(0.1)	(0.9)	28.3	36.4	29.0
Investments	198.7	46.8	52.8	1,915.8	1,699.5	1,609.9
Cash	0.3	0.2	0.6	67.0	142.7	207.8
Other items	(16.8)	(19.1)	(31.2)	53.5	54.1	54.4
Reportable	182.2	27.9	22.2	2,036.3	1,896.3	1,872.1

7. Related parties

Caledonia Group Services Ltd, a wholly-owned subsidiary of the company, provides management services to the company. During the six months ended 30 September 2018, £13.0m was charged to the company for these services (30 September 2017 – £10.1m and 31 March 2018 – £21.0m).

There were no other changes in the transactions or arrangements with related parties as described in the company's annual report for the year ended 31 March 2018 that have had a material effect on the results or the financial position of the company or of the group in the six months ended 30 September 2018.

8. Capital commitments

At 30 September 2018, the company had undrawn fund and other commitments totalling £317.9m (30 September 2017 – £332.5m and 31 March 2018 – £344.4m).

9. 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	30 Sep	31 Mar	30 Sep	30 Sep	31 Mar
	2018	2017	2018	2018	2017	2018
	£m	£m	£m	£m	£m	£m
<i>Investments held at fair value</i>						
Level 1	736.3	668.1	646.9	736.3	668.1	646.9
Level 2	156.8	191.9	183.5	159.9	191.2	187.6
Level 3	1,022.7	839.5	779.5	1,022.2	825.9	779.1
	1,915.8	1,699.5	1,609.9	1,918.4	1,685.2	1,613.6

The methods used to determine fair value investments are unchanged from those described in the annual report 2018. 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.

Movement in Level 3 financial instruments was as follows:

	Group			Company		
	6 mths 30 Sep 2018 £m	6 mths 30 Sep 2017 £m	Year 31 Mar 2018 £m	6 mths 30 Sep 2018 £m	6 mths 30 Sep 2017 £m	Year 31 Mar 2018 £m
Balance at the period start	779.5	822.5	822.5	779.1	808.9	808.9
Purchases	181.3	46.4	121.5	181.3	46.4	121.5
Realisation proceeds	(38.4)	(75.9)	(191.5)	(38.4)	(75.9)	(178.3)
Gains/losses on investments sold in the period	9.9	41.8	89.5	9.9	41.8	89.5
Gains/losses on investments held at the period end	88.0	4.7	(62.7)	87.9	4.7	(62.7)
Accrued income	2.4	–	0.2	2.4	–	0.2
Balance at the period end	1,022.7	839.5	779.5	1,022.2	825.9	779.1

10. 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 2018 and the basis of measuring fair value was consistent with those disclosures.

During the six months ended 30 September 2018, 261,816 awards were issued under the performance share scheme (30 September 2017 and 31 March 2018 – 226,176 awards). Compulsory deferred bonus awards over 493 shares were granted (30 September 2017 and 31 March 2018 – 52,664 awards).

Expenses in respect of share-based payments in the period were £3.8m (30 September 2017 – £2.6m and 31 March 2018 – £5.0m).

11. Subsequent events

On 12 October 2018, the company purchased a 98.9% stake in Deep Sea Electronics for £117.2m and provided a short term bridging loan of £50.0m, since repaid.

On 23 October 2018, the company sold its investment in Choice Care Group for £99.4m, including pre-sale preference and ordinary dividends totalling £7.1m. The fair value of Choice Care Group included in this condensed set of financial statements was stated at the transaction value.

On 26 October 2018, the UK High Court handed down a judgment involving the Lloyds Banking Group plc's defined benefit pension schemes. The High Court ruled that these schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. Caledonia is currently assessing the extent to which this judgment crystallises additional liabilities for the company's pension schemes, but does not expect any impact to be material.

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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.