



## Caledonia Investments plc

Half-year results for the six months ended 30 September 2010

### Key points

- 5.0% outperformance in diluted NAV per share over the period vs the FTSE All-Share index
- 30.8% increase in diluted NAV total return per share over five years (6.1% outperformance vs FTSE All-Share Total Return index)
- 9.3% total shareholder return over five years (15.4% underperformance vs FTSE All-Share Total Return index)
- 159.1% total shareholder return over ten years (127.2% outperformance vs FTSE All-Share Total Return index)
- £49m invested and £60m realised
- 4.7% increase in interim dividend to 11.1p per share

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

*"Our NAV outperformance of 5% has been against a backdrop of volatile and difficult markets. The outlook for economies and stock markets remains difficult to predict, however we have a portfolio of high quality investments.*

*We have a strong balance sheet and are pleased to be able to increase the interim dividend by 4.7%.*

*However, given our nervousness about markets and the macro-economic environment, we intend to increase our level of liquidity over the coming months. This will also enable us to rebalance our portfolio to focus attention on improving investment returns and generate income to support our progressive dividend policy."*

23 November 2010

### Enquiries:

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

**College Hill**  
Tony Friend  
Roddy Watt (mobile: +44 7766 998915)  
+44 20 7457 2020

## Chief Executive's report

### Background to results

Stock markets have been in a volatile mood during the first half of our financial year. The demotion of Greek bond ratings to junk status in April triggered a retreat in equity markets as investors fretted about the levels of debt in Western economies. This was exacerbated by worries about a so called 'double dip' in economic growth, particularly in the UK after the General Election in May, when a Conservative/Liberal Democrat coalition took power with an explicit remit to cut public spending. BP's difficulties in the Gulf of Mexico compounded the downwards trajectory of the UK market, although since summer equity markets have staged something of a recovery as investors chased a meaningful alternative for cash which currently earns a negative real return in the bank. The possible launch of a further round of quantitative easing by the Bank of England (dubbed 'QE2') and investors seeking a safe haven have provided the backdrop to dramatic increases in the price of gilts and the aforementioned recovery in equity markets.

### Performance summary

The FTSE All-Share index fell by 1.5% over the six months to 30 September 2010. Caledonia's net asset value ('NAV') per share however rose by 3.5% to 2105p, an outperformance of 5.0%. Our share price ended the period almost precisely where it began, resulting in a widening of the already sizeable discount. Our aim continues to be to outperform the FTSE All-Share over the medium and long term but, whilst we are satisfied with our results over the past six months, it is far too short a time period on which to judge performance. Our portfolio of unquoted companies, representing around 20% of our net assets, was the principal contributor to our investment returns. Over the six month period these investments returned some 11.1%, predominantly driven by underlying earnings recovery, particularly in our industrial investments. Quoted securities, representing 62% of our net assets, also performed well, returning 2.5% over the period. Of particular note were strong rises in the value of AG Barr, Avanti Communications and Dewan Housing Finance.

Our NAV per share continued to outperform the market on a five year basis, by 6.1% as at 30 September 2010. We do not yet have comparable statistics for ten years, as we have only been measuring our NAV per share on the current basis since our conversion to an investment trust on 1 April 2003. In contrast, our share price total return ('TSR') underperformed the FTSE All-Share Total Return index by 15.4% over the five years, but continues to outperform on a ten year basis - by 127.2%.

### Discount

The most influential factor in the TSR statistics referred to above is the huge swing in the discount of the share price to our NAV per share and we are mindful of the effect the discount has on shareholder value. At 31 March 2003, the discount stood at 30% and for part of 2006 our shares stood at a premium. More recently, the discount has increased again to around 20%. Share buy-backs are often touted as the answer to wide discounts. Whilst they are certainly NAV per share enhancing and may influence the share price in the short term, their long term effect is questionable and they may simply provide a convenient exit for short term investors. In order to avoid the possibility of share buy-backs triggering a takeover bid obligation on the wider Cayzer concert party, we ask our shareholders annually to approve a Rule 9 waiver resolution under the Takeover Panel's whitewash procedure. A condition of this is that we will not undertake share buy-backs if the effect is to increase the concert party shareholding above 49.9%. As this currently stands at just over 46%, we have only a small amount of headroom with which to buy-back our own shares. Given this, we will use our share buy-back authority only when we see a truly exceptional opportunity to add value. We maintain that the best way to create demand for our shares, and therefore close the discount, is through delivering sustained strong performance, in pursuit of which we will continue to leave no stone unturned.

### Management and strategy

A new chief executive usually takes the opportunity of the change in management to review strategy and I am no exception. The backdrop to my review is a business model that has been in place since 1987 – when Caledonia exited from British & Commonwealth and embarked on becoming the diversified investment company it is today. Since that time, Caledonia has produced a TSR on an annualised basis of 9.8% versus 7.7% for the FTSE All-Share Total Return index, an outperformance of 2.1%. For this I must pay tribute to the investment prowess and stewardship of my predecessors, Peter Buckley and Tim Ingram, as to make a return of just under 10% a year for 23 years is no mean feat. In monetary terms, if

you had invested £1,000 in Caledonia in 1987 and had reinvested the dividends received each year back into shares in Caledonia, you would today have £7,646.

The core principles that Caledonia has employed in making these returns should therefore continue to underpin our strategy. Caledonia has carved out a position for itself as a provider of capital in a form that few others are willing to offer. It seeks to be an influential, long term, supportive shareholder which backs management in a partnership style. We work with management rather than, as is so often seen today, viewing management as a commodity. There is no reason why we should change a modus operandi that has withstood the test of time.

I have made a number of recommendations to the board, which I believe will lead to an improvement in overall performance. We have too many investments which are too small to make a material impact on our NAV and which do not fit Caledonia's risk/reward profile. This means that we may not be using our management resource as efficiently as we could be, particularly if we aim to keep our total expenses ratio at around the existing 1% level, which I feel is an appropriate target for an actively managed portfolio with a substantial portion of unquoted investments. Furthermore, I believe we can improve our returns by managing the portfolio as distinct pools of capital or asset classes with more direct responsibility, objectives and portfolio measurement for our investment team. This will include a rebalancing of the portfolio to incorporate a specific allocation to income producing investment, which I believe should provide an increasing part of overall return as we both anticipate a future investment environment in which capital growth may be more challenging and look to support our progressive dividend. I believe that these measures will ensure our portfolio more closely matches the risk/return characteristics of Caledonia's shareholder base and sit comfortably within our core investment philosophy.

I will be working with the board over the coming months to agree the detail of these changes and will report back to shareholders on the outcome at the time of the full year results in May 2011. I would stress that the overall aims of the company remain to provide an increasing store of wealth for shareholders over the long term and to pay a progressive annual dividend perhaps, over time, with slightly more emphasis on the latter.

## Detailed investment review

### Investments

In the six months to 30 September we invested just under £49m, the majority in new investments. The principal investments made are shown below:

Name	Resulting equity holding %	Category	Country of domicile	Business	Cost £m
<i>New investments</i>					
De La Rue	1.4	Equity	UK	Security printer	10.0
IAP Gateway to India	93.8	Equity	Mauritius	Investment fund	9.8
Perlus Microcap		Capital	Jersey	Investment fund	4.7
Wedbush	0.6	Equity	US	Financial services	0.9
					25.4
<i>Follow-on investments</i>					
Edinmore Investments	100	Equity	UK	Property investment	6.9
Avanti Communications	14.5	Equity	UK	Communications	5.0
Dewan Housing Finance	9.6	Equity	India	Housing finance	3.3
Other investments					8.3
					23.5
					48.9

De La Rue is a UK quoted commercial security printer and leading provider of central bank cash sorting equipment. IAP Gateway to India is a fund managed by India Investment Partners, our associate fund management business. The Gateway fund is in its launch phase and will invest in quoted Indian large and mid-cap equities for long term capital appreciation. Perlus Microcap is an LP fund investing in micro-cap US equities, to which we have made a \$10m commitment. It is managed by a highly experienced and successful value oriented fund manager, which we hold in very high regard.

### *Realisations*

During the six months we realised a total of some £60m. The main realisations are shown below:

Name	Nature of realisation	Proceeds £m	Realised gain £m
Rathbone Brothers	Part sale of holding	20.4	12.5
Polar Capital funds	Redemptions	13.6	1.1
Avanti Communications	Repayment of loan	11.2	-
Other realisations		15.2	2.9
		60.4	16.5

We reinvested part of the proceeds from the repayment by Avanti Communications of a PIK loan back into equity in the business as part of its financing for a third communications satellite.

It would be remiss not to give specific mention to our divestment of a large part of our stake in Rathbone Brothers which has been a core part of our portfolio for 15 years. Rathbones today is the result of the acquisition of a number of regional stockbroking businesses with a strategy based around discretionary portfolio management. Shareholders of Rathbones, including Caledonia, have been major beneficiaries of this successful strategy, however, we are not forever investors and, with the wider requirements of our portfolio in mind, we decided to realise our stake.

### **Liquidity and dividend**

As at 30 September, we had £19.3m of cash on the balance sheet. We believe this is too low when taking into account both our own nervousness about markets and the macro-economic environment and we therefore intend to increase our level of liquidity over the coming months. This will provide both an opportunity to rebalance the portfolio to incorporate an income strategy and, in conjunction with our committed but undrawn bank facilities of £100m, the flexibility to take advantage of particular opportunities as they arise.

In keeping with our long-standing progressive dividend policy, the directors have declared an interim dividend of 11.1p per share. This represents an increase of 4.7% over last year's interim dividend and will be paid on 6 January 2011. Looking forward, in the absence of unforeseen events, we are confident that we will be able to maintain our record of increasing annual dividends for the 44th successive year.

### **Outlook**

The outlook for both economies and stock markets in the West remains difficult to predict. We agree with the view that economic growth will be difficult to achieve in the medium term. Thankfully we have a Government in the UK which is prepared to rectify the madness of the past decade. Spend, spend, spend is no way to run anything let alone a country. Deficit reduction, it must be remembered, is about closing the gap between income and expenditure. It is vital also to remember amidst this welcome belt tightening that no one has even mentioned the principal debt which will hang over us for many years to come unless successive Governments succeed in inflating it away along with an inevitable further devaluation of Sterling. The most recently released RPI figures showed annual inflation running at 4.6% which, coupled with slow growth, leaves few choices for the investor. Further quantitative easing (or printing money as it used to be called) is hardly going to help in this regard, though it could be argued that the markets have already priced in further purchases of gilts by the Bank of England, regardless of whether the policy is implemented.

We are fortunate to have a portfolio of high quality companies led by talented management teams and we will continue to seek such attributes in future investments. We also benefit from exposure to markets such as India and, to a lesser degree, China which have better growth prospects than Western economies. With our strong balance sheet and committed bank facilities, we are well placed to take advantage of opportunities that will arise.

Will Wyatt  
Chief Executive

## Portfolio

Name	Equity holding %	Country of domicile	Business sector	Nature of business	Total assets £m	Net assets %
Close Brothers[1,2]	13.6	UK	Financial	Merchant banking	144.6	11.8
British Empire Securities[1,2]	17.0	UK	Funds	Investment trust	126.3	10.3
Cobepa[2]	10.2	Belgium	Funds	Investment company	74.4	6.1
Avanti Communications[1,2]	14.5	UK	Consumer	Satellite communications	71.3	5.8
Bristow Group[1,2]	6.6	US	Oil and gas	Helicopter services	55.9	4.6
Oval[2]	23.7	UK	Financial	Insurance broking	42.4	3.5
AG Barr[1]	8.8	UK	Consumer	Soft drinks	41.9	3.4
Dewan Housing Finance[1,2]	9.6	India	Financial	Housing finance	40.4	3.3
Melrose Resources[1,2]	10.3	UK	Oil and gas	Oil and gas exploration and production	37.8	3.1
Satellite Information Services[2]	22.5	UK	Consumer	Betting information distribution	36.9	3.0
London & Stamford[1]	6.3	Guernsey	Property	Property investment	35.6	2.9
Eddington Capital funds[3]		Cayman	Funds	Funds of hedge funds	34.9	2.9
Alok Industries[1]	12.3	India	Consumer	Textiles manufacturer	29.0	2.4
Celerant Consulting[2]	47.3	UK	Industrial	Management consultant	25.5	2.1
Amber Chemicals[2]	100	UK	Industrial	Specialty chemicals	24.8	2.0
Quintain Estates[1,2]	10.6	UK	Property	Property investment and development	23.9	1.9
Nova Springboard[3]		Guernsey	Funds	Investment fund	23.1	1.9
TGE Marine[2]	49.9	Germany	Industrial	Gas engineering	22.6	1.8
Sterling Industries[2]	100	UK	Industrial	Engineering	19.5	1.6
The Sloane Club[2]	100	UK	Consumer	Residential club owner and operator	18.5	1.5
Novae Group[1,2]	7.2	UK	Financial	Insurance services	17.2	1.4
Pragma		France	Funds	Investment funds	13.6	1.1
Capital Today China		Cayman	Funds	Investment fund	13.1	1.1
Edinmore Investments[2]	100	UK	Property	Property investment	12.8	1.0
Other investments[4]					227.2	18.6
<b>Investment portfolio</b>					<b>1,213.2</b>	<b>99.1</b>
Cash and other net assets					10.9	0.9
<b>Net assets</b>					<b>1,224.1</b>	<b>100.0</b>

1. Equity securities quoted on UK or overseas stock exchanges.
2. Board representation.
3. Also management company shareholding and board representation.
4. Comprised 62 investments of less than 1% of net assets each.

### Net assets by sector

Financial	23%
Funds	28%
Property	10%
Oil and gas	9%
Industrial	12%
Consumer	17%
Cash and other	1%

### Net assets by geography

United Kingdom	64%
Continental Europe	15%
North America	7%
Asia	14%

### Net assets by currency

Pounds sterling	76%
Euro	8%
US dollar	8%
Indian rupee	7%
Other currencies	1%

## 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 business review section of Caledonia's annual report 2010. 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 risk occurs 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 2010 remain unchanged and each of them has the potential to affect the company's results during the remainder of the year ending 31 March 2011.

Caledonia aims to manage risk by:

- o diversifying the portfolio by sector and geography
- o ensuring access to relevant information from investee companies, usually through board representation
- o managing cash and cash equivalents to ensure that liquidity is available to meet investment and operating needs
- o 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 2010. As at 30 September 2010, 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:

- o the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union
- o the interim management report includes a fair review of the information required by:
  1. DTR 4.2.7 of the 'Disclosure Rules 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
  2. DTR 4.2.8 of the 'Disclosure Rules 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 the performance of the enterprise during that period and any changes in the related parties transactions described in the last annual report that could have a material effect on the financial position or performance of the enterprise in the first six months of the current financial year.

Signed on behalf of the board

Will Wyatt  
Chief Executive

## Condensed statement of comprehensive income for the six months ended 30 September 2010

	Company			Group		
	6 mths 30 Sep 2010 £m	6 mths 30 Sep 2009 £m	Year 31 Mar 2010 £m	6 mths 30 Sep 2010 £m	6 mths 30 Sep 2009 £m	Year 31 Mar 2010 £m
Gains and losses on investments held at fair value through profit or loss	39.5	244.1	302.8	31.9	260.8	294.2
Gains and losses on derivatives used to hedge the fair value of investments	-	(7.0)	(7.5)	0.3	(18.5)	(19.2)
Investment provision	-	-	(5.4)	-	-	-
Investment and other income	7.9	10.9	33.0	7.7	12.4	34.1
<b>Gross portfolio return</b>	<b>47.4</b>	<b>248.0</b>	<b>322.9</b>	<b>39.9</b>	<b>254.7</b>	<b>309.1</b>
Management expenses	(5.6)	(6.1)	(12.1)	(5.6)	(6.1)	(12.1)
Other expenses	(0.1)	(0.2)	(1.0)	(0.1)	(0.2)	(1.0)
<b>Net portfolio return</b>	<b>41.7</b>	<b>241.7</b>	<b>309.8</b>	<b>34.2</b>	<b>248.4</b>	<b>296.0</b>
Revenue from sales of goods and services	-	-	-	56.2	56.6	116.0
Operating expenses	-	-	-	(53.8)	(55.2)	(111.5)
Gain on disposal of operations	-	-	-	-	-	1.4
Gain on investment property	-	-	-	0.4	-	0.3
Share of results of joint ventures	-	-	-	(1.9)	(2.8)	(0.3)
<b>Profit before finance costs</b>	<b>41.7</b>	<b>241.7</b>	<b>309.8</b>	<b>35.1</b>	<b>247.0</b>	<b>301.9</b>
Treasury interest receivable	0.3	0.3	0.5	0.2	0.1	0.3
Exchange movements	(0.1)	(0.2)	(0.3)	(0.3)	(1.0)	(0.5)
Finance costs	(0.2)	(0.2)	(0.4)	(1.2)	(1.3)	(2.6)
<b>Profit before tax</b>	<b>41.7</b>	<b>241.6</b>	<b>309.6</b>	<b>33.8</b>	<b>244.8</b>	<b>299.1</b>
Taxation	1.0	(0.7)	2.8	(0.3)	(1.4)	(0.7)
<b>Profit for the period</b>	<b>42.7</b>	<b>240.9</b>	<b>312.4</b>	<b>33.5</b>	<b>243.4</b>	<b>298.4</b>
<i>Other comprehensive income</i>						
Exchange differences on translation of foreign operations	-	-	-	(1.2)	(1.6)	(1.2)
Transfer to profit or loss on disposal of foreign operations	-	-	-	-	-	(1.1)
Actuarial gains/(losses) on defined benefit pension schemes	-	(1.0)	(1.0)	0.2	(1.3)	(0.4)
Tax on other comprehensive income	-	0.3	0.3	(0.1)	0.8	-
<b>Total comprehensive income</b>	<b>42.7</b>	<b>240.2</b>	<b>311.7</b>	<b>32.4</b>	<b>241.3</b>	<b>295.7</b>
<i>Profit for the period attributable to</i>						
Equity holders of the parent	42.7	240.9	312.4	33.6	243.3	299.3
Non-controlling interests	-	-	-	(0.1)	0.1	(0.9)
	<b>42.7</b>	<b>240.9</b>	<b>312.4</b>	<b>33.5</b>	<b>243.4</b>	<b>298.4</b>
<i>Total comprehensive income attributable to</i>						
Equity holders of the parent	42.7	240.2	311.7	32.5	241.4	296.6
Non-controlling interests	-	-	-	(0.1)	(0.1)	(0.9)
	<b>42.7</b>	<b>240.2</b>	<b>311.7</b>	<b>32.4</b>	<b>241.3</b>	<b>295.7</b>
Basic earnings per share	73.8p	417.5p	541.0p	58.1p	421.6p	518.4p
Diluted earnings per share	73.7p	415.5p	539.6p	58.0p	419.6p	517.0p

## Condensed statement of financial position at 30 September 2010

	Company			Group		
	30 Sep 2010 £m	30 Sep 2009 £m	31 Mar 2010 £m	30 Sep 2010 £m	30 Sep 2009 £m	31 Mar 2010 £m
<i>Non-current assets</i>						
Investments held at fair value through profit or loss	1,212.4	1,134.7	1,183.8	1,118.3	1,077.5	1,105.7
Investments in subsidiaries held at cost	0.8	0.8	0.8	-	-	-
Available for sale investments	-	-	-	0.8	0.7	0.8
Intangible assets	-	-	-	22.4	27.7	25.0
Property, plant and equipment	-	-	-	84.7	88.0	87.0
Investment property	-	-	-	21.2	11.9	12.3
Interests in joint ventures	-	-	-	5.8	5.1	7.6
Deferred tax assets	-	0.7	-	5.6	6.1	6.0
<b>Non-current assets</b>	<b>1,213.2</b>	<b>1,136.2</b>	<b>1,184.6</b>	<b>1,258.8</b>	<b>1,217.0</b>	<b>1,244.4</b>
<i>Current assets</i>						
Inventories	-	-	-	18.2	16.0	14.7
Derivatives	-	0.5	-	-	0.5	-
Trade and other receivables	3.8	7.7	5.2	27.3	31.8	32.5
Current tax assets	1.3	-	0.7	2.0	1.0	2.6
Cash and cash equivalents	19.3	7.3	8.3	39.3	24.4	30.5
<b>Current assets</b>	<b>24.4</b>	<b>15.5</b>	<b>14.2</b>	<b>86.8</b>	<b>73.7</b>	<b>80.3</b>
<b>Total assets</b>	<b>1,237.6</b>	<b>1,151.7</b>	<b>1,198.8</b>	<b>1,345.6</b>	<b>1,290.7</b>	<b>1,324.7</b>
<i>Current liabilities</i>						
Bank overdraft	-	-	-	(0.2)	(0.2)	-
Interest-bearing loans and borrowings	-	-	-	(10.4)	(0.1)	-
Trade and other payables	(3.8)	(4.3)	(7.3)	(22.1)	(24.7)	(27.9)
Employee benefits	-	-	-	(2.9)	(1.7)	(3.9)
Current tax liabilities	-	(2.9)	-	(0.3)	(0.5)	(0.5)
Provisions	(8.9)	(8.9)	(8.9)	(4.0)	(4.2)	(4.0)
<b>Current liabilities</b>	<b>(12.7)</b>	<b>(16.1)</b>	<b>(16.2)</b>	<b>(39.9)</b>	<b>(31.4)</b>	<b>(36.3)</b>
<i>Non-current liabilities</i>						
Interest-bearing loans and borrowings	-	-	-	(71.8)	(86.4)	(86.2)
Employee benefits	-	(2.5)	-	(8.2)	(11.7)	(9.0)
Deferred tax liabilities	(0.8)	(0.8)	(1.0)	(2.0)	(2.1)	(2.2)
<b>Non-current liabilities</b>	<b>(0.8)</b>	<b>(3.3)</b>	<b>(1.0)</b>	<b>(82.0)</b>	<b>(100.2)</b>	<b>(97.4)</b>
<b>Total liabilities</b>	<b>(13.5)</b>	<b>(19.4)</b>	<b>(17.2)</b>	<b>(121.9)</b>	<b>(131.6)</b>	<b>(133.7)</b>
<b>Net assets</b>	<b>1,224.1</b>	<b>1,132.3</b>	<b>1,181.6</b>	<b>1,223.7</b>	<b>1,159.1</b>	<b>1,191.0</b>
<i>Equity</i>						
Share capital	3.3	3.3	3.3	3.3	3.3	3.3
Share premium	1.3	1.3	1.3	1.3	1.3	1.3
Capital redemption reserve	1.2	1.2	1.2	1.2	1.2	1.2
Capital reserve	971.6	879.8	932.1	-	-	-
Retained earnings	274.9	272.3	271.7	1,240.1	1,170.1	1,206.4
Foreign exchange translation reserve	-	-	-	4.2	6.3	5.4
Own shares	(28.2)	(25.6)	(28.0)	(28.2)	(25.6)	(28.0)
<b>Equity attributable to owners of parent</b>	<b>1,224.1</b>	<b>1,132.3</b>	<b>1,181.6</b>	<b>1,221.9</b>	<b>1,156.6</b>	<b>1,189.6</b>
Non-controlling interests	-	-	-	1.8	2.5	1.4
<b>Total equity</b>	<b>1,224.1</b>	<b>1,132.3</b>	<b>1,181.6</b>	<b>1,223.7</b>	<b>1,159.1</b>	<b>1,191.0</b>
Undiluted net asset value per share	2120p	1964p	2047p			
Diluted net asset value per share	2105p	1945p	2034p			



## Condensed statement of changes in equity for the six months ended 30 September 2010

	Capital accounts (note 1) £m	Capital reserve £m	Retained earnings £m	Currency translate reserve £m	Own shares £m	Non-cont- rolling interests £m	Total equity £m
<b>Company</b>							
<i>Six months ended 30 September 2010</i>							
Balance at 1 April 2010	5.8	932.1	271.7	-	(28.0)	-	1,181.6
Total comprehensive income	-	39.5	3.2	-	-	-	42.7
Own shares purchased	-	-	-	-	(0.2)	-	(0.2)
<b>Balance at 30 September 2010</b>	<b>5.8</b>	<b>971.6</b>	<b>274.9</b>	<b>-</b>	<b>(28.2)</b>	<b>-</b>	<b>1,224.1</b>
<i>Six months ended 30 September 2009</i>							
Balance at 1 April 2009	5.8	643.5	281.5	-	(24.6)	-	906.2
Total comprehensive income	-	236.3	3.9	-	-	-	240.2
Share-based payments	-	-	0.5	-	-	-	0.5
Exercise of share options	-	-	-	-	0.8	-	0.8
Own shares purchased	-	-	-	-	(1.8)	-	(1.8)
Dividends to shareholders	-	-	(13.6)	-	-	-	(13.6)
<b>Balance at 30 September 2009</b>	<b>5.8</b>	<b>879.8</b>	<b>272.3</b>	<b>-</b>	<b>(25.6)</b>	<b>-</b>	<b>1,132.3</b>
<i>Year ended 31 March 2010</i>							
Balance at 1 April 2009	5.8	643.5	281.5	-	(24.6)	-	906.2
Total comprehensive income	-	288.6	23.1	-	-	-	311.7
Share-based payments	-	-	1.1	-	-	-	1.1
Exercise of share options	-	-	-	-	3.8	-	3.8
Own shares purchased	-	-	-	-	(7.2)	-	(7.2)
Dividends to shareholders	-	-	(34.0)	-	-	-	(34.0)
<b>Balance at 31 March 2010</b>	<b>5.8</b>	<b>932.1</b>	<b>271.7</b>	<b>-</b>	<b>(28.0)</b>	<b>-</b>	<b>1,181.6</b>
<b>Group</b>							
<i>Six months ended 30 September 2010</i>							
Balance at 1 April 2010	5.8	-	1,206.4	5.4	(28.0)	1.4	1,191.0
Total comprehensive income	-	-	33.7	(1.2)	-	(0.1)	32.4
Own shares purchased	-	-	-	-	(0.2)	-	(0.2)
Capital contributed	-	-	-	-	-	0.7	0.7
Distributions	-	-	-	-	-	(0.2)	(0.2)
<b>Balance at 30 September 2010</b>	<b>5.8</b>	<b>-</b>	<b>1,240.1</b>	<b>4.2</b>	<b>(28.2)</b>	<b>1.8</b>	<b>1,223.7</b>
<i>Six months ended 30 September 2009</i>							
Balance at 1 April 2009	5.8	-	940.4	7.7	(24.6)	2.7	932.0
Total comprehensive income	-	-	242.8	(1.4)	-	(0.1)	241.3
Share-based payments	-	-	0.5	-	-	-	0.5
Exercise of share options	-	-	-	-	0.8	-	0.8
Own shares purchased	-	-	-	-	(1.8)	-	(1.8)
Dividends to shareholders	-	-	(13.6)	-	-	(0.1)	(13.7)
<b>Balance at 30 September 2009</b>	<b>5.8</b>	<b>-</b>	<b>1,170.1</b>	<b>6.3</b>	<b>(25.6)</b>	<b>2.5</b>	<b>1,159.1</b>
<i>Year ended 31 March 2010</i>							
Balance at 1 April 2009	5.8	-	940.4	7.7	(24.6)	2.7	932.0
Total comprehensive income	-	-	298.9	(2.3)	-	(0.9)	295.7
Share-based payments	-	-	1.1	-	-	-	1.1
Exercise of share options	-	-	-	-	3.8	-	3.8
Own shares purchased	-	-	-	-	(7.2)	-	(7.2)
Capital contributed	-	-	-	-	-	0.5	0.5
Dividends to shareholders	-	-	(34.0)	-	-	(0.9)	(34.9)
<b>Balance at 31 March 2010</b>	<b>5.8</b>	<b>-</b>	<b>1,206.4</b>	<b>5.4</b>	<b>(28.0)</b>	<b>1.4</b>	<b>1,191.0</b>

1. Capital accounts at 1 April 2009, 30 September 2009, 31 March 2010 and 30 September 2010 comprised £3.3m of share capital, £1.3m of share premium and £1.2m of capital redemption reserve.

## Condensed statement of cash flows for the six months ended 30 September 2010

	Company			Group		
	6 mths 30 Sep 2010 £m	6 mths 30 Sep 2009 £m	Year 31 Mar 2010 £m	6 mths 30 Sep 2010 £m	6 mths 30 Sep 2009 £m	Year 31 Mar 2010 £m
<i>Operating activities</i>						
Dividends received	8.3	10.0	27.2	8.3	10.0	24.9
Interest received	1.6	2.0	3.3	2.1	2.6	3.3
Cash received from customers	-	-	-	61.3	67.4	125.8
Cash paid to suppliers and employees	(7.8)	(4.6)	(12.0)	(64.7)	(64.6)	(119.9)
Taxes received/(paid)	0.2	0.7	0.7	0.2	(2.1)	(3.5)
Group relief paid	-	-	(0.4)	-	-	-
<b>Net cash flow from operating activities</b>	<b>2.3</b>	<b>8.1</b>	<b>18.8</b>	<b>7.2</b>	<b>13.3</b>	<b>30.6</b>
<i>Investing activities</i>						
Purchases of investments	(48.5)	(61.1)	(109.9)	(41.1)	(58.6)	(100.3)
Proceeds from disposal of investments	59.0	26.6	81.1	59.0	15.9	66.0
Proceeds from disposal of money market funds	-	-	-	-	1.0	1.0
Net receipts/(payments) from derivatives	-	(1.0)	(0.9)	(0.2)	9.3	9.2
Purchases of property, plant and equipment	-	-	-	(1.6)	(1.1)	(3.4)
Purchases of investment property	-	-	-	(8.8)	(12.1)	(12.1)
Purchases of joint ventures	-	-	-	(0.1)	-	-
Proceeds from disposal of joint ventures	-	-	-	-	0.2	0.2
Purchases of subsidiaries net of cash acquired	-	-	-	(0.2)	(3.1)	(3.1)
Proceeds from disposal of subsidiaries net of cash disposed	-	-	-	-	0.7	0.7
Loans advanced	-	(6.0)	-	-	(4.3)	-
<b>Net cash flow from/(used in) investing activities</b>	<b>10.5</b>	<b>(41.5)</b>	<b>(29.7)</b>	<b>7.0</b>	<b>(52.1)</b>	<b>(41.8)</b>
<i>Financing activities</i>						
Interest paid	(0.2)	(0.2)	(0.3)	(1.0)	(1.2)	(2.2)
Distributions paid to holders of equity shares	-	(13.6)	(34.0)	-	(13.6)	(34.0)
Distributions paid to non-controlling interests	-	-	-	(0.2)	(0.1)	(0.9)
Proceeds from new borrowings	-	-	-	0.1	7.4	8.2
Repayment of borrowings	-	-	-	(3.1)	(1.5)	(1.5)
Capital contributed by non-controlling interests	-	-	-	0.7	-	0.5
Exercise of share options	-	0.8	3.8	-	0.8	3.8
Purchases of own shares	(1.6)	(1.8)	(5.8)	(1.6)	(1.8)	(5.8)
<b>Net cash flow used in financing activities</b>	<b>(1.8)</b>	<b>(14.8)</b>	<b>(36.3)</b>	<b>(5.1)</b>	<b>(10.0)</b>	<b>(31.9)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>11.0</b>	<b>(48.2)</b>	<b>(47.2)</b>	<b>9.1</b>	<b>(48.8)</b>	<b>(43.1)</b>
Cash and cash equivalents at period start	8.3	55.5	55.5	30.5	73.9	73.9
Exchange losses on cash and cash equivalents	-	-	-	(0.5)	(0.9)	(0.3)
<b>Cash and cash equivalents at period end</b>	<b>19.3</b>	<b>7.3</b>	<b>8.3</b>	<b>39.1</b>	<b>24.2</b>	<b>30.5</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 listed on the London Stock Exchange and the New Zealand Exchange.

This condensed set of financial statements was approved for issue on 23 November 2010 and is unaudited.

The information for the period ended 30 September 2010 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 2010 has been delivered to the Registrar of Companies. The auditors' 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 2010, which were prepared in accordance with IFRSs as adopted by the European Union.

#### *Going concern*

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

#### *Changes in accounting policies*

The same accounting policies, presentations and methods of computation are followed in this condensed set of financial statements as were applied in the company's latest audited annual financial statements.

### 3. Dividends

Amounts recognised as distributions to equity holders in the period were as follows:

	6 mths 30 Sep 2010 £m	6 mths 30 Sep 2009 £m	Year 31 Mar 2010 £m
Final dividend for year ended 31 March 2009 of 23.5p per share	-	13.6	13.6
Interim dividend for year ended 31 March 2010 of 10.6p per share	-	-	6.1
Second interim dividend for year ended 31 March 2010 of 24.7p per share	-	-	14.3
	-	13.6	34.0

The directors have declared an interim dividend for the year ending 31 March 2011 of 11.1p per share, totalling £6.4m, which has not been included as a liability in this condensed set of financial statements. This dividend will be payable on 6 January 2011 to holders of shares on the register on 3 December 2010. The ex-dividend date will be 1 December 2010.

### 4. Capital commitments

On 30 September 2010, the company had undrawn fund and other commitments totalling £85.3m (30 September 2009 – £56.9m and 31 March 2010 – £86.0m).

### 5. Borrowings

At 30 September 2010, the company had £100m in undrawn committed revolving facilities expiring in July 2013.

## 6. Share capital

At 30 September 2010, the company had entered into a share buy-back arrangement for up to £2.0m, equating to 122,925 shares. A similar arrangement for £2.0m was in place at 31 March 2010. Under the year end mandate, 9,000 shares were purchased for £0.2m and held in treasury and the balance of 114,076 shares was released on 19 May 2010.

On 21 May 2010, executive share options were granted over 245,617 shares, with an average fair value of 468p per share. Also on that date, participating employees in the deferred bonus plan applied a portion of their bonus to purchase 7,707 shares at 1547p per share and 7,707 matching awards, dependent on the company's performance, were granted.

## 7. Related parties

Caledonia Group Services Ltd, a wholly-owned subsidiary of the company, provides management services to the company. During the period, £6.2m was charged to the company (30 September 2009 – £5.0m and 31 March 2010 – £11.9m).

During the period, the company invested £9.8m in IAP Gateway to India, an investment fund managed by an associate, India Investment Partners.

## 8. Impairment of assets

During the six months ended 30 September 2010, the group recognised impairments of £1.5m (30 September 2009 – £0.5m and 31 March 2010 – £1.9m).

## 9. Operating segments

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

The performance of operating segments is assessed on a measure of company gross portfolio return, principally comprising gains and losses on investments and investment income. Reportable profit or loss is after 'Other items', which comprise management and other expenses and treasury income. Reportable assets equate to the company's net asset value.

Reportable results and assets view subsidiaries and joint ventures as investments held at fair value and include liabilities of the company. To reconcile to group profit or loss and total assets, 'Eliminations' comprise the difference between the aggregate fair value and total assets of subsidiaries and joint ventures and the company's liabilities.

	Profit/(loss) before tax			Assets		
	6 mths 30 Sep 2010 £m	6 mths 30 Sep 2009 £m	Year 31 Mar 2010 £m	6 mths 30 Sep 2010 £m	6 mths 30 Sep 2009 £m	Year 31 Mar 2010 £m
Financial	(2.6)	87.0	95.1	279.5	323.5	299.9
Funds	12.7	44.2	70.7	346.6	325.4	339.9
Property	(11.1)	41.2	28.2	119.8	110.5	125.1
Consumer	34.8	53.7	79.0	216.0	165.6	190.4
Oil and gas	(11.4)	26.0	44.4	105.8	98.8	117.6
Industrial	25.0	15.2	19.9	145.5	111.7	111.7
FTSE options	–	(19.3)	(14.4)	–	0.5	–
Gross portfolio	47.4	248.0	322.9	1,213.2	1,136.0	1,184.6
Other items	(5.7)	(6.4)	(13.3)	10.9	(3.7)	(3.0)
Reportable total	41.7	241.6	309.6	1,224.1	1,132.3	1,181.6
Eliminations	(7.9)	3.2	(10.5)	121.5	158.4	143.1
Group total	33.8	244.8	299.1	1,345.6	1,290.7	1,324.7

## **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-year financial report for the six months ended 30 September 2010, which comprises the condensed statement of comprehensive income, the condensed statement of financial position, the condensed statement of changes in equity, the condensed statement of cash flows and related notes 1 to 9 on a company and group basis. We have read the other information contained in the half-year 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 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. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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 formed.

### **Directors' responsibilities**

The half-year financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-year financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-year financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-year 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 United Kingdom. A review of interim financial information consists of making inquiries, 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-year financial report for the six months ended 30 September 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP, Chartered Accountants and Statutory Auditors, London, United Kingdom  
23 November 2010

**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.*