



Caledonia Investments plc

Half-year results for the six months ended 30 September 2013

Financial highlights

	30 Sep 2013	31 Mar 2013	Change
Net asset value per share total return	+2.0%	+18.9%	
Net asset value per share	2311p	2299p	+0.5%
Net asset value	£1,288m	£1,299m	-0.8%
Interim dividend per share	13.4p	12.9p	+3.9%

Highlights

- NAV total return per share up 2% for the six months to 30 September, following a 14.6% increase in the previous six months
- Interim dividend of 13.4p per share, up 3.9%
- Two new and four follow-on investments of note during the period
- Acquisition of Choice Care Group completed; £49.5m equity invested
- £172m acquisition of Park Holidays completed post half-year; £88m invested for 100% of equity
- NAV per share benefits from continued share buy-back, with £15.0m invested at an average discount of 19.2% in the period
- NAV gains continued post period end, with NAV recording a record high of 2394p per share at 31 October

Will Wyatt, Chief Executive, commented:

"Our portfolio continues to make steady progress, meeting our expectations and consolidating on the significant gains made last year. This solid performance across our portfolio, supported by good income generation, meets our objective to pay an increasing dividend while also delivering capital value for our shareholders."

"It is encouraging that this progress has continued since the half year, with the October NAV per share reaching a new high."

26 November 2013

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Management report

Results and investment performance

The net asset value total return per share of Caledonia grew by 2.0% over the six months to 30 September 2013. This follows a 14.6% increase in the preceding six month period. The Quoted and Unquoted pools produced robust returns offset by the Income & Growth pool, which, following two strong years of outperformance, was held back by a change in sentiment away from income producing companies, as investors switched into higher risk assets.

Quoted stock markets continued their strong run that started at the turn of the calendar year. This has benefited several of our larger holdings including Quintain Estates, Polar Capital and Close Brothers and drove a 2.5% total return from the Quoted pool. Companies in the Unquoted pool have witnessed good growth in profits and income and a slight increase in valuation metrics over the period. Oval, TGE Marine and Sterling Industries have particularly contributed to the 6.1% total return during the first half.

Caledonia's share price discount to its net asset value at the end of the period was 22.6%, which represented a widening of 2.6% since 31 March. We spent a further £15.0m buying back our shares which, at this level of discount, represented good value for all shareholders.

Portfolio income for the first half of the year totalled £15.0m compared with £18.3m in the first half of last year. This fall was due to the timings of dividends paid by subsidiaries within the Unquoted pool, which this year will fall into the second half. We have also substantially reduced our shareholding in Close Brothers, which has historically been a significant contributor to our income, as part of our strategy to reduce our dependency on a single company. New investment activity has started to replace this lost income, though there will inevitably be some time lag in this process. Nevertheless, we anticipate that our year end income will be at a similar level to the previous year.

Investment activity

The largest new investment during the period was the £49.5m acquisition of a 98% holding in Choice Care Group, an operator of care homes. We are delighted to have added this well-positioned company to our portfolio. It enjoys significant asset backing from its properties and has many other characteristics that fit well with our strategy. The business is based near Reading and owns and operates 47 homes in the south of England. We believe that Caledonia's long term approach will prove beneficial to Choice Care and we are open to providing the company with additional capital to fund its growth.

We announced on 11 November 2013 that we had invested £88m to acquire 100% of the equity in Park Holidays, as part of a transaction which values the business at £172m, the balance of which was funded with bank debt. We consider this to be an excellent addition to the Unquoted pool. Park Holidays is a resilient and cash generative business that fits well with our investment criteria. It owns 21 freehold and two leasehold caravan parks with over 9,000 pitches across southern England and makes EBITDA of over £20m from gross assets of £256m. It has been managed by the same team since 2006 and has continued to grow through the difficult economic climate during that period. We are delighted to add this company to our portfolio and look forward to working with the management team to provide good shareholder returns in the future.

We also invested £10.0m at the launch of Polar Capital's Global Financials Trust and a further £7.9m in TGE Marine, an engineering company that designs gas handling equipment for the small and medium scale liquid gas shipping market. We added £20.0m of capital to increase further the size of the Income & Growth pool, which now represents 14.0% of net assets, nearing our strategic target of 15-20%.

Divestment activity

Quoted markets are trading at around historical highs and we have taken the opportunity to reduce some of our holdings where they have become overweight relative to the rest of the portfolio or where the valuations, in our view, more than outweigh growth prospects. We reduced our holdings in Bristow Group and Close Brothers following strong investment and operational performances over the previous five years. They both remain core constituents of our investment portfolio. We reduced slightly our holding in Quintain Estates, which has performed exceptionally well as investors recognised the value represented by its large discount to NAV, which has narrowed considerably over the period.

Our cash holdings have reduced to £56.6m at the half-year but, with the acquisition of Park Holidays in mind, we increased our committed bank facilities to £125m, which gives us the flexibility to take advantage of opportunities as they arise.

Asset allocation

	31 Mar 2013 %	30 Sep 2013 %	Strategic allocation %
Quoted	39.8	34.4	35-50
Unquoted	26.8	32.6	20-30
Funds	12.8	14.2	20-25
Income & Growth	12.5	14.0	15-20
Cash	8.1	4.8	10-(10)
Net assets	100.0	100.0	

Our investment activity has led to a shift in the allocation by pool, as can be seen in the table above. Recent disposals from the Quoted pool have seen it move to the bottom of its allocation range, whilst purchases in the Unquoted pool have caused it to exceed its upper end. Timing of acquisitions, in particular, is less within our control in the Unquoted pool and we anticipate that we will remain with a full allocation for the foreseeable future. Indeed, following the recently announced acquisition of Park Holidays, the pool is more than fully invested. We do, however, have clear plans for our businesses and we are currently considering two potential unquoted exits. The Funds pool remains below its target allocation, although we have identified and committed to several Asian and US private equity funds that will draw down cash in due course. We have also been waiting for valuations, particularly in Asian markets, to fall before committing fresh capital to listed markets in these regions.

Investment portfolio

	31 Mar 2013 £m	Invest- ments £m	Disposals £m	Change in value £m	30 Sep 2013 £m	Income £m	Total return %
Quoted	517.2	10.6	(92.9)	7.9	442.8	5.3	2.5
Unquoted	348.1	58.0	(3.2)	17.0	419.9	4.4	6.1
Funds	166.8	24.6	(4.2)	(4.6)	182.6	0.8	-2.2
Income & Growth	162.0	76.6	(45.5)	(12.9)	180.2	4.5	-5.1
Portfolio	1,194.1	169.8	(145.8)	7.4	1,225.5	15.0	1.9

Quoted (£443m, 34% of net assets)

We look to invest in companies over the long term with established business models, strong balance sheets and good returns on capital and invested equity.

The total return for the Quoted pool was 2.5% over the period. Performances of note came from Polar Capital, Close Brothers and Quintain Estates. Polar was a particular beneficiary of the improvement in investor sentiment towards Japan, in response to Prime Minister Abe's package of reforms, seeing a substantial inflow of new money to its Japanese fund. Polar's funds under management increased by 58% to \$11.4bn over the six months, driving profits to a record high. Close Brothers saw strong profits from its banking operations and investor sentiment towards Quintain improved over the past 12 months, leading to a substantial reduction in its discount to NAV. The gains from these were offset to a degree by falls in the values of Avanti Communications, the satellite data communications provider, and Dewan Housing Finance, the Indian mortgage finance company. Avanti produced a worse financial outturn than expected and Dewan is suffering along with the rest of the Indian market, despite excellent results. Sentiment has turned more positive in India since the half year, as investors anticipate next year's elections, where much needed reforms are promised.

Unquoted (£420m, 33% of net assets)

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

The total return for the pool was 6.1% over the six months. This was driven by strong growth in our industrial businesses, which are seeing an upturn in global economic conditions. TGE Marine has seen a strong order intake for its LNG, LPG and LEG products, reflecting the increasing importance of gas in international petrochemical markets. We invested a further £7.9m in TGE, becoming the majority shareholder in the process. Latshaw Group, which is a US based group of engineering businesses, has produced strong profits growth on the back of robust US industrial production. We are pleased to have completed the acquisition of Choice Care Group, which adds a well-managed company focused on the care sector to our Unquoted pool. We would expect to invest further capital into this business in the future, as well as receive a healthy and growing annual dividend. The valuation of Sterling Industries has increased by over 20% during the period, due to an increase in profits and the dividend being delayed into the second half.

Funds (£183m, 14% of net assets)

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

The total return for the Funds pool for the period was -2.2%. We made an investment of £10.0m in the newly launched Polar Capital Global Financials Trust, managed by two experienced investors, John Yakas and Nick Brind. The fund is somewhat contrarian in its concentration on the financial sector, which remains unloved following the financial crisis of 2007/8. It adds further exposure to the US and Asia and will pay a healthy level of dividend. We made two new commitments during the half year, \$50m to Flag Capital, which focuses on US based lower middle market private equity funds, and £10m to a new ISIS fund concentrating on the lower mid-market space in the UK.

Income & Growth (£180m, 14% of net assets)

The pool produced a -5.1% total return for the period. Whilst this is disappointing and represented a similar underperformance to its benchmark, March marked the peak of investors' preference for income and the point at which investors started to switch funds into higher risk assets. The 12 month rolling performance shows a total return of 12.8%, which is 6.2% behind its benchmark.

The portfolio is comprised of 42 predominantly large cap international companies, in the sectors and geographies shown below, that exhibit sustainable growth in their dividends, a key aim for this pool. The net yield for the pool is currently 4.2%, slightly below our target of 4.5-5.0% and caused by yield compression over the last two years. We would expect this to be gradually rectified over the next 12 months.

Sector		Geography	
Financials	28%	United Kingdom	23%
Consumer goods	25%	Europe	34%
Health care	11%	North America	28%
Consumer services	8%	Asia-Pacific ex-Japan	10%
Utilities	7%	Latin America	5%
Industrials	6%		
Other	15%		

Dividend

The directors have declared an interim dividend of 13.4p per share. This represents an increase of 3.9% over the equivalent dividend last year and will be paid on 9 January 2014. This is consistent with the board's desire to pay an increasing level of dividend that remains in line with or ahead of inflation.

Outlook

There are signs that the unprecedented fiscal stimulus being provided by central bankers is beginning to bear fruit, with growth returning to previously moribund economies. Market commentators remain fixated with the timing of the commencement of the tapering of QE, which has so successfully inflated asset prices. US and UK equity markets have been trading near to or at all-time highs, with company performance just about keeping up with expectations. The valuations at which markets are trading leave little room for disappointment. We have started to see bond market prices correct from their previously stretched valuations.

A welcome change has been a return of liquidity to unquoted markets. We are active both buying and selling unlisted businesses and pricing remains more attractive than in quoted markets. We remain somewhat sceptical of the fact that so many IPOs are currently being considered. This is usually a sign that private equity investors are taking advantage of premium prices available to list their companies and it remains to be seen whether this is sustainable. However, markets are awash with liquidity from central bank QE activities, which earns no interest on deposit, forcing investors into either equities or bonds. The latter looked to have passed their peak valuation, leaving equity markets relatively highly priced.

In contrast, we believe that Caledonia's portfolio is well balanced and in a good position to withstand unexpected shocks to markets. The companies we invest in are robust, growing and, in most cases, cash generative. Valuations may fluctuate, but we remain focused on continuing to pay an increasing level of dividend and to adding capital value for our shareholders over the long term. Despite our concerns about overall market valuations, it is worthy of note that, since the half year, Caledonia's net asset value per share has increased to an all-time high.

Portfolio summary

Holdings of 1% or more of net assets at 30 September 2013 were as follows:

Name	Pool	Geography	Business	Value £m	Net assets %
Cobehold	Unquoted	Belgium	Investment company	91.1	7.1
Bristow Group	Quoted	US	Helicopter services	73.8	5.7
Close Brothers	Quoted	UK	Financial services	69.0	5.3
AG Barr	Quoted	UK	Soft drinks	49.7	3.9
Choice Care	Unquoted	UK	Residential care homes	49.5	3.8
Oval	Unquoted	UK	Insurance broking	42.7	3.3
Sterling Industries	Unquoted	UK	Engineering	38.9	3.0
Avanti Communications	Quoted	UK	Satellite communications	36.2	2.8
Polar Capital	Quoted	UK	Fund manager	34.4	2.7
Quintain Estates	Quoted	UK	Property services	34.3	2.7
The Sloane Club	Unquoted	UK	Residential club	30.3	2.3
TGE Marine	Unquoted	Germany	LNG engineering	28.4	2.2
Capital Today China	Funds	China	Private equity fund	27.9	2.2
Bowers & Wilkins	Unquoted	UK	Audio equipment	26.8	2.1
Satellite Information Services	Unquoted	UK	Broadcasting services	26.5	2.1
LondonMetric Property	Quoted	UK	Property investment	25.9	2.0
Latshaw Group	Unquoted	US	Manufacturing	25.7	2.0
Perlus Microcap	Funds	US	Public equity fund	22.7	1.8
Spirax Sarco	Quoted	UK	Steam engineering	18.7	1.4
Pragma Capital funds	Funds	France	Private equity funds	15.7	1.2
Amber Chemicals	Unquoted	UK	Specialty chemicals	15.2	1.2
Buckingham Gate	Unquoted	UK	Property investment	15.0	1.2
Dewan Housing Finance	Quoted	India	Housing finance	14.4	1.1
Jardine Matheson	Quoted	Singapore	Industrial engineering	14.4	1.1
Nova Springboard	Funds	UK	Private equity fund	13.3	1.0
Weir Group	Quoted	UK	Industrial engineering	12.9	1.0
Other investments				372.1	28.9
Investment portfolio [2]				1,225.5	95.1
Cash and other items				62.6	4.9
Net assets				1,288.1	100.0

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

2. Excludes £11.1m of unallocated investments.

Pool distribution

Quoted	34%
Unquoted	33%
Funds	14%
Income & Growth	14%
Cash and other	5%

Geographic distribution

United Kingdom	58%
Continental Europe	18%
North America	14%
Asia	9%
Other countries	1%

Asset class distribution

Listed equities	49%
Private companies	32%
Private equity funds	11%
Public equity funds	3%
Cash and other	5%

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 2013. 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 2013 remain unchanged and each of them has the potential to affect the company's results during the remainder of the year ending 31 March 2014.

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, often 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 2013. As at 30 September 2013, 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, which has been prepared in accordance with IAS 34 *Interim Financial Reporting*, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the company, as required by DTR 4.2.4R of the *Disclosure Rules and Transparency Rules*;
- the interim management report includes a fair review of the information required by:
 - DTR 4.2.7R 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
 - DTR 4.2.8R 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
26 November 2013

Condensed company statement of comprehensive income

for the six months ended 30 September 2013

	Six months 30 Sep 2013			Six months 30 Sep 2012			Year 31 Mar 2013		
	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m
<i>Revenue</i>									
Investment income	15.0	-	15.0	18.3	-	18.3	39.4	-	39.4
Gains and losses on fair value investments	-	10.3	10.3	-	31.2	31.2	-	178.0	178.0
Gains and losses on derivatives	-	-	-	-	2.6	2.6	-	(3.1)	(3.1)
Total revenue	15.0	10.3	25.3	18.3	33.8	52.1	39.4	174.9	214.3
Management expenses	(5.8)	(0.3)	(6.1)	(5.9)	(0.6)	(6.5)	(13.2)	(0.7)	(13.9)
Guarantee obligations provided	-	(0.6)	(0.6)	-	(3.3)	(3.3)	-	(2.1)	(2.1)
Sale/guarantee obligations released	-	3.5	3.5	-	-	-	-	5.1	5.1
Profit before finance costs	9.2	12.9	22.1	12.4	29.9	42.3	26.2	177.2	203.4
Treasury interest receivable	1.1	-	1.1	0.3	-	0.3	0.6	-	0.6
Finance costs	(0.4)	-	(0.4)	(0.3)	-	(0.3)	(1.7)	-	(1.7)
Exchange movements	(0.3)	-	(0.3)	(0.1)	-	(0.1)	(0.4)	-	(0.4)
Profit before tax	9.6	12.9	22.5	12.3	29.9	42.2	24.7	177.2	201.9
Taxation	0.9	0.8	1.7	1.7	-	1.7	3.4	1.5	4.9
Profit and total comp- rehensive income for the period	10.5	13.7	24.2	14.0	29.9	43.9	28.1	178.7	206.8
<i>Earnings per share</i>									
Basic	18.9p	24.7p	43.6p	24.6p	52.7p	77.3p	49.7p	316.0p	365.7p
Diluted	18.7p	24.4p	43.1p	24.4p	52.1p	76.5p	49.2p	312.7p	361.9p

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

The revenue and capital columns are supplementary to the company's statement of comprehensive income and are prepared under guidance published by the Association of Investment Companies.

Condensed company statement of financial position

at 30 September 2013

	30 Sep 2013 £m	30 Sep 2012 £m	31 Mar 2013 £m
<i>Non-current assets</i>			
Investments held at fair value through profit or loss	1,235.8	1,151.0	1,204.8
Investments in subsidiaries held at cost	0.8	0.8	0.8
Non-current assets	1,236.6	1,151.8	1,205.6
<i>Current assets</i>			
Derivative financial instruments	-	5.9	-
Trade and other receivables	4.5	8.3	11.9
Current tax assets	2.1	2.5	2.1
Cash and cash equivalents	56.6	6.8	96.5
Current assets	63.2	23.5	110.5
Total assets	1,299.8	1,175.3	1,316.1
<i>Current liabilities</i>			
Trade and other payables	(1.7)	(3.1)	(4.4)
Provisions	(10.0)	(19.2)	(12.9)
Total liabilities	(11.7)	(22.3)	(17.3)
Net assets	1,288.1	1,153.0	1,298.8
<i>Equity</i>			
Share capital	3.2	3.2	3.2
Share premium	1.3	1.3	1.3
Capital redemption reserve	1.3	1.3	1.3
Capital reserve	1,013.8	876.9	1,015.1
Retained earnings	285.7	287.2	294.9
Own shares	(17.2)	(16.9)	(17.0)
Total equity	1,288.1	1,153.0	1,298.8
Undiluted net asset value per share	2338p	2041p	2324p
Diluted net asset value per share	2311p	2019p	2299p

Condensed company statement of changes in equity

for the six months ended 30 September 2013

	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 2013							
Balance at 1 April 2013	3.2	1.3	1.3	1,015.1	294.9	(17.0)	1,298.8
Profit and total comprehensive income for the period	-	-	-	13.7	10.5	-	24.2
<i>Transactions with owners of the company</i>							
<i>Contributions by and distributions to owners</i>							
Exercise of share options	-	-	-	-	-	1.1	1.1
Share-based payments	-	-	-	-	(0.6)	-	(0.6)
Own shares purchased	-	-	-	(15.0)	-	(1.3)	(16.3)
Dividends paid	-	-	-	-	(19.1)	-	(19.1)
Total transactions with owners	-	-	-	(15.0)	(19.7)	(0.2)	(34.9)
Balance at 30 September 2013	3.2	1.3	1.3	1,013.8	285.7	(17.2)	1,288.1
Six months ended 30 September 2012							
Balance at 1 April 2012	3.2	1.3	1.3	854.3	290.6	(16.7)	1,134.0
Profit and total comprehensive income for the period	-	-	-	29.9	14.0	-	43.9
<i>Transactions with owners of the company</i>							
<i>Contributions by and distributions to owners</i>							
Exercise of share options	-	-	-	-	-	0.2	0.2
Share-based payments	-	-	-	-	0.4	-	0.4
Own shares purchased	-	-	-	(7.3)	-	(0.4)	(7.7)
Dividends paid	-	-	-	-	(17.8)	-	(17.8)
Total transactions with owners	-	-	-	(7.3)	(17.4)	(0.2)	(24.9)
Balance at 30 September 2012	3.2	1.3	1.3	876.9	287.2	(16.9)	1,153.0
Year ended 31 March 2013							
Balance at 1 April 2012	3.2	1.3	1.3	854.3	290.6	(16.7)	1,134.0
Profit and total comprehensive income for the year	-	-	-	178.7	28.1	-	206.8
<i>Transactions with owners of the company</i>							
<i>Contributions by and distributions to owners</i>							
Exercise of share options	-	-	-	-	-	0.6	0.6
Share-based payments	-	-	-	-	1.3	-	1.3
Own shares purchased	-	-	-	(17.9)	-	(0.9)	(18.8)
Dividends paid	-	-	-	-	(25.1)	-	(25.1)
Total transactions with owners	-	-	-	(17.9)	(23.8)	(0.3)	(42.0)
Balance at 31 March 2013	3.2	1.3	1.3	1,015.1	294.9	(17.0)	1,298.8

Condensed group statement of comprehensive income

for the six months ended 30 September 2013

	30 Sep 2013 £m	Restated 30 Sep 2012 £m	Restated 31 Mar 2013 £m
<i>Revenue</i>			
Investment income	14.4	14.5	33.5
Gains and losses on fair value investments	0.3	31.3	178.2
Gains and losses on derivatives	0.2	2.6	(3.2)
Sale obligation released	3.5	-	-
Revenue from sales of goods and services	80.3	56.1	117.0
Total revenue	98.7	104.5	325.5
Investment management expenses	(6.1)	(6.5)	(13.9)
Trade operating expenses	(73.5)	(52.1)	(107.3)
Loss on disposal of operations	(1.4)	-	-
Gain on investment property	1.1	0.6	0.4
Share of results of joint ventures	-	-	(0.6)
Profit before finance costs	18.8	46.5	204.1
Treasury interest receivable	1.1	0.3	0.5
Finance costs	(1.8)	(1.0)	(3.2)
Exchange movements	(0.5)	(0.1)	(0.2)
Profit before tax	17.6	45.7	201.2
Taxation	(0.6)	0.2	0.5
Profit for the period	17.0	45.9	201.7
<i>Other comprehensive income</i>			
<i>Items that will never be reclassified to profit or loss</i>			
Actuarial gains/(losses) on defined benefit pension schemes	-	0.4	(3.6)
Tax on other comprehensive income	0.1	(0.1)	1.2
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	(1.9)	(0.3)	1.1
Transfer to profit or loss on disposal of foreign operations	0.4	-	-
Total comprehensive income	15.6	45.9	200.4
<i>Profit for the period attributable to</i>			
Owners of the parent	16.3	45.4	200.9
Non-controlling interest	0.7	0.5	0.8
	17.0	45.9	201.7
<i>Total comprehensive income attributable to</i>			
Owners of the parent	15.0	45.4	199.6
Non-controlling interest	0.6	0.5	0.8
	15.6	45.9	200.4
Basic earnings per share	29.4p	79.9p	355.3p
Diluted earnings per share	29.0p	79.1p	351.6p

Restated for the adoption of amendments to IAS 19 (Revised) *Employee Benefits*, as described in note 10.

Condensed group statement of financial position

at 30 September 2013

	30 Sep 2013 £m	30 Sep 2012 £m	31 Mar 2013 £m
<i>Non-current assets</i>			
Investments held at fair value through profit or loss	1,028.7	1,060.4	1,087.4
Available for sale investments	0.9	0.8	0.9
Intangible assets	79.5	3.0	2.8
Property, plant and equipment	109.8	73.9	73.8
Investment property	26.1	19.2	25.0
Interests in joint ventures	0.2	0.8	0.2
Deferred tax assets	4.3	5.0	5.0
Employee benefits	7.4	8.1	6.9
Restricted cash	7.4	-	-
Non-current assets	1,264.3	1,171.2	1,202.0
<i>Current assets</i>			
Inventories	19.7	20.1	19.0
Derivative financial instruments	0.1	5.9	-
Trade and other receivables	33.9	35.6	41.7
Current tax assets	0.9	0.9	0.9
Cash and cash equivalents	122.3	17.4	116.2
Current assets	176.9	79.9	177.8
Total assets	1,441.2	1,251.1	1,379.8
<i>Current liabilities</i>			
Interest-bearing loans and borrowings	(1.7)	(19.9)	(0.2)
Derivative financial instruments	(0.2)	(0.1)	(0.2)
Trade and other payables	(62.9)	(21.8)	(25.4)
Employee benefits	(1.6)	(1.7)	(2.5)
Current tax liabilities	(3.2)	(0.7)	(0.5)
Provisions	(0.6)	(4.0)	(3.9)
Current liabilities	(70.2)	(48.2)	(32.7)
<i>Non-current liabilities</i>			
Interest-bearing loans and borrowings	(87.6)	(45.3)	(51.6)
Employee benefits	(17.1)	(15.6)	(17.5)
Deferred tax liabilities	(8.0)	(2.9)	(2.2)
Non-current liabilities	(112.7)	(63.8)	(71.3)
Total liabilities	(182.9)	(112.0)	(104.0)
Net assets	1,258.3	1,139.1	1,275.8
<i>Equity</i>			
Share capital	3.2	3.2	3.2
Share premium	1.3	1.3	1.3
Capital redemption reserve	1.3	1.3	1.3
Retained earnings	1,256.3	1,142.7	1,278.0
Foreign exchange translation reserve	4.0	4.0	5.4
Own shares	(17.2)	(16.9)	(17.0)
Equity attributable to owners of the parent	1,248.9	1,135.6	1,272.2
Non-controlling interest	9.4	3.5	3.6
Total equity	1,258.3	1,139.1	1,275.8

Condensed group statement of changes in equity

for the six months ended 30 September 2013

	Share capital £m	Share premium £m	Capital redemp- tion reserve £m	Retained earnings £m	Currency reserve £m	Own shares £m	Non- control interest £m	Total equity £m
Six months ended 30 September 2013								
Balance at 1 April 2013	3.2	1.3	1.3	1,278.0	5.4	(17.0)	3.6	1,275.8
<i>Total comprehensive income for the period</i>								
Profit for the period	-	-	-	16.3	-	-	0.7	17.0
Other comprehensive income	-	-	-	0.1	(1.4)	-	(0.1)	(1.4)
Total comprehensive income	-	-	-	16.4	(1.4)	-	0.6	15.6
<i>Transactions with owners of the company</i>								
<i>Contributions by and distributions to owners</i>								
Exercise of share options	-	-	-	-	-	1.1	-	1.1
Share-based payments	-	-	-	(0.6)	-	-	-	(0.6)
Own shares purchased	-	-	-	(15.0)	-	(1.3)	-	(16.3)
Dividends paid	-	-	-	(19.1)	-	-	(0.6)	(19.7)
Total contributions/distributions	-	-	-	(34.7)	-	(0.2)	(0.6)	(35.5)
<i>Changes in ownership interests</i>								
Non-controlling interest disposed	-	-	-	-	-	-	(0.4)	(0.4)
Non-controlling interest acquired	-	-	-	(3.4)	-	-	6.2	2.8
Total ownership interest changes	-	-	-	(3.4)	-	-	5.8	2.4
Total transactions with owners	-	-	-	(38.1)	-	(0.2)	5.2	(33.1)
Balance at 30 September 2013	3.2	1.3	1.3	1,256.3	4.0	(17.2)	9.4	1,258.3
Six months ended 30 September 2012								
Balance at 1 April 2012	3.2	1.3	1.3	1,121.7	4.3	(16.7)	3.0	1,118.1
<i>Total comprehensive income for the period (as restated)</i>								
Profit for the period	-	-	-	45.4	-	-	0.5	45.9
Other comprehensive income	-	-	-	0.3	(0.3)	-	-	-
Total comprehensive income	-	-	-	45.7	(0.3)	-	0.5	45.9
<i>Transactions with owners of the company</i>								
<i>Contributions by and distributions to owners</i>								
Exercise of share options	-	-	-	-	-	0.2	-	0.2
Share-based payments	-	-	-	0.4	-	-	-	0.4
Own shares purchased	-	-	-	(7.3)	-	(0.4)	-	(7.7)
Dividends paid	-	-	-	(17.8)	-	-	(0.2)	(18.0)
Total contributions/distributions	-	-	-	(24.7)	-	(0.2)	(0.2)	(25.1)
<i>Changes in ownership interests</i>								
Non-controlling interest acquired	-	-	-	-	-	-	0.2	0.2
Total transactions with owners	-	-	-	(24.7)	-	(0.2)	-	(24.9)
Balance at 30 September 2012	3.2	1.3	1.3	1,142.7	4.0	(16.9)	3.5	1,139.1

	Share capital £m	Share premium £m	Capital redmptn reserve £m	Retained earnings £m	Currency reserve £m	Own shares £m	Non- control interest £m	Total equity £m
Year ended 31 March 2013								
Balance at 1 April 2012	3.2	1.3	1.3	1,121.7	4.3	(16.7)	3.0	1,118.1
<i>Total comprehensive income for the year (as restated)</i>								
Profit for the year	-	-	-	200.9	-	-	0.8	201.7
Other comprehensive income	-	-	-	(2.4)	1.1	-	-	(1.3)
Total comprehensive income	-	-	-	198.5	1.1	-	0.8	200.4
<i>Transactions with owners of the company</i>								
<i>Contributions by and distributions to owners</i>								
Exercise of share options	-	-	-	-	-	0.6	-	0.6
Share-based payments	-	-	-	1.3	-	-	-	1.3
Own shares purchased	-	-	-	(17.9)	-	(0.9)	-	(18.8)
Dividends paid	-	-	-	(25.1)	-	-	(0.4)	(25.5)
Total contributions/distributions	-	-	-	(41.7)	-	(0.3)	(0.4)	(42.4)
<i>Changes in ownership interests</i>								
Non-controlling interest acquired	-	-	-	(0.5)	-	-	0.2	(0.3)
Total transactions with owners	-	-	-	(42.2)	-	(0.3)	(0.2)	(42.7)
Balance at 31 March 2013	3.2	1.3	1.3	1,278.0	5.4	(17.0)	3.6	1,275.8

Restated for the adoption of amendments to IAS 19 (Revised) *Employee Benefits*, as described in note 10.

Condensed statement of cash flows

for the six months ended 30 September 2013

	Company			Group		
	6 mths 30 Sep 2013 £m	6 mths 30 Sep 2012 £m	Year 31 Mar 2013 £m	6 mths 30 Sep 2013 £m	6 mths 30 Sep 2012 £m	Year 31 Mar 2013 £m
<i>Operating activities</i>						
Dividends received	15.4	20.1	38.9	14.7	15.7	31.2
Interest received	3.9	0.4	0.8	4.0	0.3	0.7
Cash received from customers	-	-	-	88.2	58.5	120.0
Cash paid to suppliers and employees	(8.4)	(5.8)	(12.7)	(71.1)	(66.1)	(122.7)
Taxes received/(paid)	1.6	0.1	0.4	1.5	(0.3)	0.5
Group relief received	-	-	3.8	-	-	-
Net cash flow from operating activities	12.5	14.8	31.2	37.3	8.1	29.7
<i>Investing activities</i>						
Purchases of investments	(166.9)	(69.6)	(141.8)	(117.5)	(71.4)	(127.6)
Sales of investments	149.8	127.3	290.8	149.5	127.7	302.2
Purchases of intangible assets	-	-	-	-	(0.1)	(0.1)
Purchases of property, plant and equipment	-	-	-	(1.8)	(0.8)	(1.9)
Sales of property, plant and equipment	-	-	-	0.4	-	-
Purchases of investment property	-	-	-	-	(3.6)	(10.2)
Sales of investment property	-	-	-	-	-	0.4
Net payments for derivatives	-	(0.8)	(0.6)	-	(0.8)	(0.6)
Purchases of subsidiaries net of cash acquired	-	-	-	(22.1)	(0.7)	(1.2)
Disposal of subsidiaries net of cash disposed	-	-	-	(0.8)	-	-
Loans repaid	0.1	-	-	0.1	-	-
Net cash flow from/(used in) investing activities	(17.0)	56.9	148.4	7.8	50.3	161.0
<i>Financing activities</i>						
Interest paid	(1.0)	(0.3)	(0.5)	(2.0)	(1.0)	(2.3)
Dividends paid to owners of the company	(19.1)	(17.8)	(25.1)	(19.1)	(17.8)	(25.1)
Distributions paid to non-controlling interest	-	-	-	(0.6)	(0.2)	(0.4)
Proceeds from new borrowings	-	-	-	-	6.2	7.2
Repayment of borrowings	-	(45.0)	(45.1)	(0.5)	(45.0)	(61.5)
Repayment of group company loans	-	(2.5)	(2.5)	-	-	-
Exercise of share options	1.1	0.2	0.6	1.1	0.2	0.6
Purchase of own shares	(16.4)	(7.9)	(18.9)	(16.4)	(7.9)	(18.9)
Net cash flow used in financing activities	(35.4)	(73.3)	(91.5)	(37.5)	(65.5)	(100.4)
Net increase/(decrease) in cash and cash equivalents	(39.9)	(1.6)	88.1	7.6	(7.1)	90.3
Cash and cash equivalents at period start	96.5	8.4	8.4	116.2	24.6	24.6
Exchange movements on cash held	-	-	-	(1.5)	(0.1)	1.3
Cash and cash equivalents at period end	56.6	6.8	96.5	122.3	17.4	116.2

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 26 November 2013 and is unaudited.

The information for the period ended 30 September 2013 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 2013 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 2013, which were prepared in accordance with IFRSs as adopted by the European Union.

The condensed company financial statements have been prepared in accordance with the recommendations of the SORP issued by the Association of Investment Companies.

Going concern

The directors have assessed the risks facing the group and consider that it has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing 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 except for the adoption of amendments to IAS 19 (Revised) *Employee Benefits* (IAS 19R).

IAS 19R relates to accounting for defined benefit pension obligations and requires a net interest amount to be calculated by applying the discount rate to the net defined benefit liability or asset, in place of the interest cost on scheme liabilities and the expected return on scheme assets. There was no overall change in the net assets of the group.

The prior period impact of adopting this revision in respect of the group's defined benefit pension arrangements is shown in note 10.

3. Dividends

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

	6mths 30 Sep 2013 £m	6mths 30 Sep 2012 £m	Year 31 Mar 2013 £m
Interim dividend for the year ended 31 March 2013 of 12.9p per share	-	-	7.3
Final dividend for the year ended 31 March 2013 of 34.3p per share (2012 - 31.2p per share)	19.1	17.8	17.8
	19.1	17.8	25.1

The directors have declared an interim dividend for the year ending 31 March 2014 of 13.4p per share, totalling £7.4m, which has not been included as a liability in this condensed set of financial statements.

This dividend will be payable on 9 January 2014 to holders of shares on the register on 13 December 2013. The ex-dividend date will be 11 December 2013.

4. Net asset value per share

The company's undiluted net asset value per share is based on the net assets of the company 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 and shares held by a subsidiary. The company's diluted net asset value per share assumes the exercise of all outstanding in-the-money share options and the calling of performance share and deferred bonus awards at the closing mid-market price on the reporting date.

5. Impairment of assets

During the period, the group reversed impairments of £0.6m (recognised impairments 30 September 2012 - £nil and 31 March 2013 - £1.4m).

6. Provisions

During the period, the company recognised a £0.6m investment provision relating to bank guarantees provided for subsidiary borrowings (30 September 2012 - £1.2m and 31 March 2013 - release £5.1m). In addition, the company released a £3.5m provision relating to an investment disposal in 2006.

7. Share capital

During the period, the company purchased for cancellation 811,011 of its own shares for £15.0m and its Employee Share Trust sold 90,503 shares for £1.1m and purchased 69,533 shares for £1.3m in connection with the exercise of share options and calling of deferred bonus awards.

In the six months ended 30 September 2012, the company purchased for cancellation 517,500 of its own shares for £7.3m and its Employee Share Trust sold 35,005 shares for £0.2m and purchased 29,005 shares for £0.4m.

In the year ended 31 March 2013, the company purchased for cancellation 1,136,773 of its own shares for £17.9m and its Employee Share Trust sold 64,400 shares for £0.6m and purchased 56,290 shares for £0.9m.

8. Capital commitments

At 30 September 2013, the company had undrawn fund and other commitments totalling £104.0m (30 September 2012 - £85.0m and 31 March 2013 - £78.9m).

9. Related parties

Caledonia Group Services Ltd, a wholly-owned subsidiary of the company, provides management services to the company. During the period, £5.5m was charged to the company (30 September 2012 - £5.4m and 31 March 2013 - £12.3m).

10. Prior period restatement

With effect from 1 April 2013, the group has adopted amendments to IAS 19 (Revised) *Employee Benefits* (IAS 19R) in respect of accounting for defined benefit pension obligations. This has resulted in prior period adjustments for the year ended 31 March 2013 and the six months ended 30 September 2012. There was no adjustment to the opening statement of financial position at 31 March 2012.

IAS 19R requires a net interest amount to be calculated by applying the discount rate to the net defined benefit liability or asset, in place of the interest cost on scheme liabilities and the expected return on scheme assets. There was no overall change in the net assets of the group.

The impact of the prior period adjustments on the group statement of comprehensive income for each period is shown below:

	6mths 30 Sep 2012 £m	Year 31 Mar 2013 £m
Trade operating expenses	0.3	0.6
Taxation	(0.1)	(0.2)
Decrease in profit for the period	0.2	0.4

11. 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 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 and provisions. 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 before tax			Assets		
	6 mths 30 Sep 2013 £m	Restated 6 mths 30 Sep 2012 £m	Restated Year 31 Mar 2013 £m	6 mths 30 Sep 2013 £m	6 mths 30 Sep 2012 £m	Year 31 Mar 2013 £m
<i>Pools</i>						
Quoted	13.2	31.8	120.9	442.8	539.7	517.2
Unquoted	24.8	21.5	52.8	419.9	343.9	348.1
Funds	(3.9)	(4.7)	12.9	182.6	153.4	166.8
Income & Growth	(8.4)	3.1	27.5	180.2	116.0	162.0
Portfolio	25.7	51.7	214.1	1,225.5	1,153.0	1,194.1
Other investments	(0.4)	0.4	0.2	11.1	4.7	11.5
Total revenue/investments	25.3	52.1	214.3	1,236.6	1,157.7	1,205.6
Cash and equivalents	1.1	0.3	0.6	56.6	6.8	96.5
Other items	(3.9)	(10.2)	(13.0)	(5.1)	(11.5)	(3.3)
Reportable total	22.5	42.2	201.9	1,288.1	1,153.0	1,298.8
Eliminations	(4.9)	3.5	(0.7)	153.1	98.1	81.0
Group total	17.6	45.7	201.2	1,441.2	1,251.1	1,379.8

1. Restated for the adoption of amendments to IAS 19 (Revised) *Employee Benefits*, as described in note 10.
2. At 30 September 2012, the Unquoted pool assets included a forward currency derivative to hedge euro movements, valued at £5.9m.

12. Acquisition of subsidiaries

On 7 August 2013, the group obtained control of Choice Care Group by acquiring 97.7% of the shares and voting interests in the company for a consideration of £49.5m. Choice Care Group is an operator of care homes in the south of England.

On 15 August 2013, the group obtained control of TGE Marine by acquiring 4.7% of the shares and voting interests in the company and, on 11 September 2013, acquired a further 11.5% for an aggregate

consideration of £7.9m. TGE Marine is a German engineering company that designs gas handling equipment for the small and medium scale liquid gas shipping market. As a result, the group's equity interest in TGE Marine increased from 49.9% to 66.1%.

The group recognised a gain of £3.8m as a result of measuring the fair value of its 49.9% equity interest in TGE Marine held before 15 August 2013, which was included in group gains and losses on fair value investments.

In the period from 7 August to 30 September 2013, Choice Care Group contributed revenue of £5.5m and a loss of £1.3m to the group's results. In the period from 15 August to 30 September 2013, TGE Marine contributed revenue of £8.3m and a profit of £nil to the group's results. Had Choice Care Group and TGE Marine been consolidated from 1 April 2013, the consolidated statement of comprehensive income would have shown revenue of £133.2m and profit of £14.7m.

In the prior period, the group acquired subsidiaries for an aggregate consideration of £0.8m. In addition, in the prior year, the group paid deferred consideration of £0.4m for the purchase of a US subsidiary in 2009 and £0.1m for a non-controlling interest acquired in 2011.

	Book value 6 mths 2013 £m	Fair value adjust- ment £m	Fair value 6 mths 2013 £m	6 mths 2012 £m	Year 2013 £m
Intangible assets	-	10.4	10.4	0.6	0.6
Property, plant and equipment	36.8	-	36.8	0.1	0.1
Restricted cash	3.5	-	3.5	-	-
Inventories	2.8	-	2.8	1.0	1.0
Trade and other receivables	6.5	-	6.5	1.2	1.2
Current tax assets	0.8	-	0.8	-	-
Cash and cash equivalents	31.5	-	31.5	0.1	0.1
Trade and other payables	(32.8)	-	(32.8)	(2.0)	(2.0)
Current employee benefits	(0.8)	-	(0.8)	-	-
Current tax liabilities	(2.1)	-	(2.1)	-	-
Non-current employee benefits	(0.4)	-	(0.4)	-	-
Non-current interest bearing loans and borrowings	(37.8)	-	(37.8)	-	-
Deferred tax liabilities	(5.9)	-	(5.9)	-	-
Net assets acquired	2.1	10.4	12.5	1.0	1.0
Acquisition related costs (note 1)			2.2	-	-
Goodwill			67.4	-	-
Fair value of investment held			(21.9)	-	-
Non-controlling interests acquired			(2.8)	(0.2)	(0.2)
Deferred consideration			-	-	0.5
Consideration			57.4	0.8	1.3
<i>Satisfied by</i>					
Cash consideration			53.6	0.8	1.3
Non-cash consideration			3.8	-	-
Cash and cash equivalents acquired			(31.5)	(0.1)	(0.1)
<i>Net cash outflow arising on acquisition</i>					
Cash consideration			22.1	0.7	1.2

1. Acquisition related costs of £2.2m were included in trade operating expenses in the group statement of comprehensive income for the period.

13. 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.

	Company			Group		
	30 Sep 2013 £m	30 Sep 2012 £m	31 Mar 2013 £m	30 Sep 2013 £m	30 Sep 2012 £m	31 Mar 2013 £m
<i>Investments held at fair value</i>						
Level 1	644.5	659.1	685.3	645.8	667.5	693.4
Level 2	35.1	43.5	42.9	6.9	12.7	10.3
Level 3	556.2	448.4	476.6	376.0	380.2	383.7
	1,235.8	1,151.0	1,204.8	1,028.7	1,060.4	1,087.4
<i>Available for sale investments</i>						
Level 2	-	-	-	0.9	0.8	0.9
<i>Derivatives</i>						
Level 2	-	5.9	-	-	5.9	-

Movement in Level 3 financial instruments was as follows:

	Company			Group		
	30 Sep 2013 £m	30 Sep 2012 £m	31 Mar 2013 £m	30 Sep 2013 £m	30 Sep 2012 £m	31 Mar 2013 £m
Balance at the period start	476.6	415.1	415.1	383.7	344.9	344.9
Transfers into Level 3	-	3.2	3.2	-	3.2	3.2
Gains/(losses) through profit or loss	14.8	6.0	25.6	(7.4)	7.3	28.7
Purchases	72.6	35.6	60.5	18.0	35.5	42.7
Disposal proceeds	(7.3)	(10.9)	(52.4)	(7.0)	(10.1)	(61.9)
Realised gains/(losses) on sales	(0.5)	(0.6)	24.6	1.7	(0.6)	26.1
Transfer to subsidiaries	-	-	-	(13.0)	-	-
Balance at the period end	556.2	448.4	476.6	376.0	380.2	383.7

During the period, there were no transfers of investments between fair value hierarchies. In the six months ended 30 September 2012 and year ended 31 March 2013, an investment with a value of £3.2m was transferred from Level 2 to Level 3 as a result of there no longer being any observable market data.

The methods used to determine fair value investments are unchanged from those described in the annual report 2013. Listed investments are valued at bid price or the most recent transaction price. Unlisted companies are valued according to the International Private Equity and Venture Capital Valuation Guidelines (December 2012), using one of the following methods: price of a recent investment, multiples or net assets. The valuation of fund interests is based on the latest fund managers' NAVs and other investments are valued using appropriate techniques.

14. Subsequent event

On 11 November 2013, the group obtained control of Park Holidays by investing £88.0m to acquire 100% of the shares and voting interests in the company, as part of a transaction valuing the business at £172m. Park Holidays owns and operates a number of caravan parks across the south of England.

Independent review report to Caledonia Investments plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2013 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 the related notes 1 to 14 on a company and group basis. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the *Disclosure and Transparency Rules* ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA'). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the company and group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Jonathan Mills
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square, London E14 5GL
26 November 2013

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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. 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.