



CALEDONIA
INVESTMENTS

Half-year report 2018

Six months ended 30 September 2018

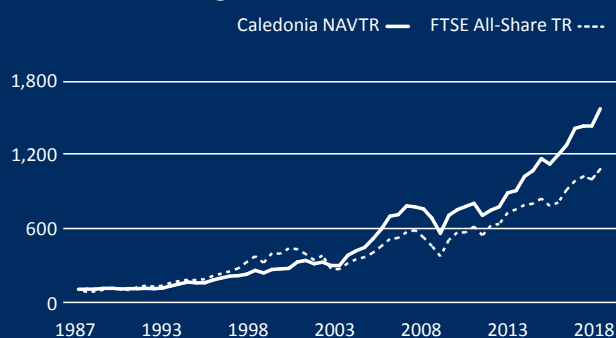


Welcome to Caledonia

Caledonia is a self-managed investment trust company with net assets of £2.0bn. Our aim is to grow net assets and dividends paid to shareholders over the long term, whilst managing risk to avoid permanent loss of capital. We achieve this by investing in proven well-managed businesses that combine long term growth characteristics with an ability to deliver increasing levels of income. Our investments cover both listed and private markets, in broadly equal proportions, a range of sectors and, particularly

through our fund investments, a global reach. The success of this strategy can be seen in the performance of Caledonia's NAV per share total return measured against the FTSE All-Share since 1987 and a record of 51 years of increasing its annual dividends.

NAV total return growth since 1987



Management report

- 1 Company highlights
- 2 Management report
- 6 Portfolio summary
- 8 Regulatory disclosures
 - Risks and uncertainties
 - Going concern
 - Directors' responsibility statement

Condensed financial statements

- 9 Independent review report
- 10 Condensed financial statements
- 15 Notes to the condensed financial statements

Other information

- 19 Performance measures
- 20 Information for investors
- 21 Directors and advisers

Company highlights

six months ended 30 September 2018

- Net asset value per share total return of 9.8%
- Interim dividend per share up 3.9% to 16.1p

Results summary

| | 30 Sep 2018 | 31 Mar 2018 | Change % |
|----------------------------|----------------|----------------|-------------|
| Net assets | £2,000m | £1,837m | 8.9 |
| NAV per share | 3563p | 3285p | 8.5 |
| Interim dividend per share | 16.1p | 15.5p | 3.9 |

Performance

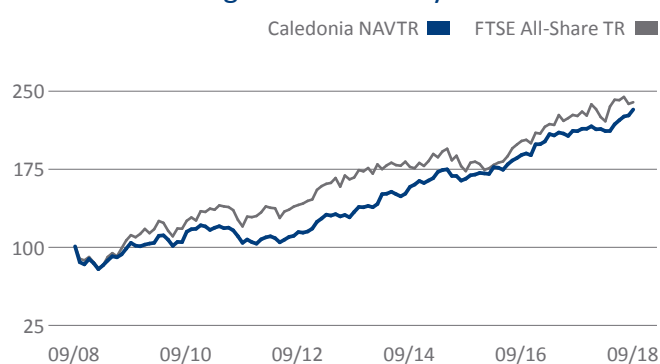
| | 6 mths % | 1 year % | 5 years % | 10 years % |
|-----------------------------|-------------|-------------|--------------|---------------|
| NAV total return | 9.8 | 9.9 | 73.8 | 131.5 |
| Total shareholder return | 6.3 | 4.5 | 78.6 | 107.4 |
| FTSE All-Share Total Return | 8.3 | 5.9 | 43.5 | 138.5 |
| Annual dividend growth | | 4.0 | 20.8 | 75.4 |

Pools

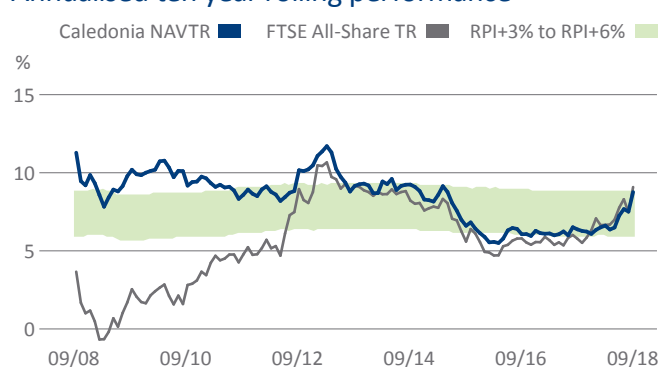
| | Value £m | Return % |
|-----------------------------|-------------|-------------|
| Quoted pool | 480.3 | 15.0 |
| Income pool | 256.0 | 7.5 |
| Unquoted pool | 629.8 | 11.8 |
| Funds pool | 521.4 | 12.0 |
| Total pools | 1,887.5 | 12.1 |
| Cash and other ¹ | 112.3 | |
| Net assets | 1,999.8 | 9.8 |

1. Includes non-pool investments totalling £28.3m.

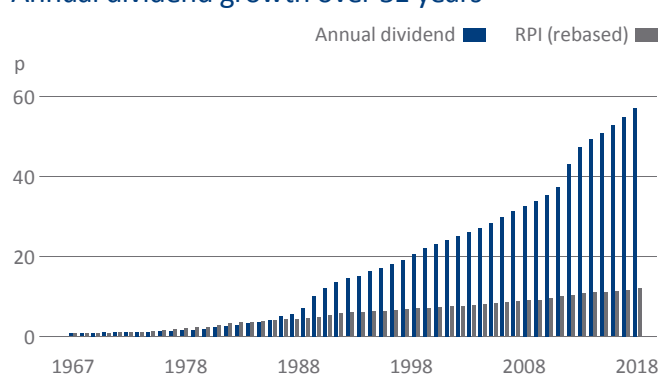
NAV total return growth over ten years



Annualised ten year rolling performance



Annual dividend growth over 51 years



See page 19 for a description of performance measures used by the company.

Management report

Results

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

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

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

Investment performance

Caledonia's strategic aims are to:

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

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

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

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

Asset allocation

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

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

Pool performance

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

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

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

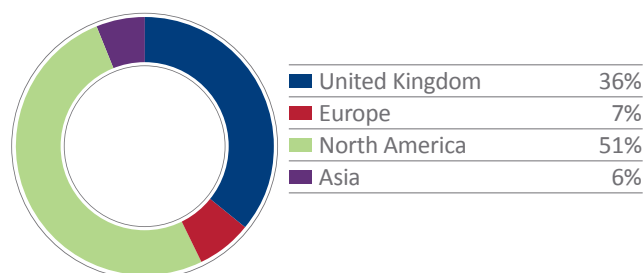
Quoted pool (£480m, 24% of net assets)

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

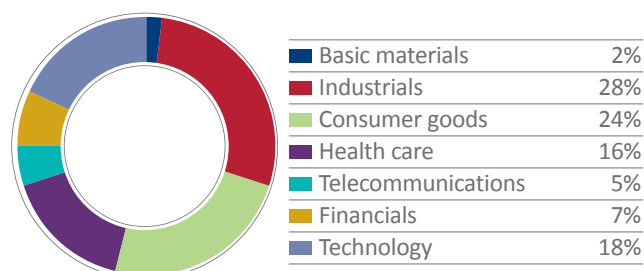
The Quoted pool's return was 15.0% for the period, with a particularly strong performance from its US holdings, notably Microsoft, Flowserve and Becton Dickinson. Tobacco stocks were detractors, as was Hill & Smith, which fell due to weaker than anticipated trading. The weakening of Sterling made a positive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

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

Geography



Sector



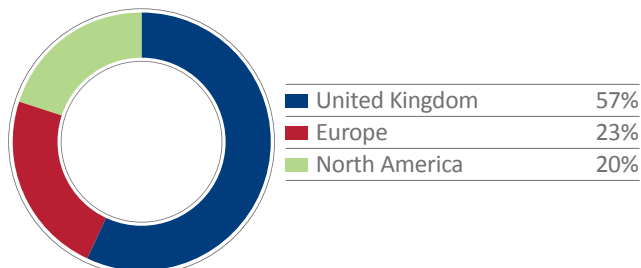
Income pool (£256m, 13% of net assets)

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

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

Management report continued

Geography



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

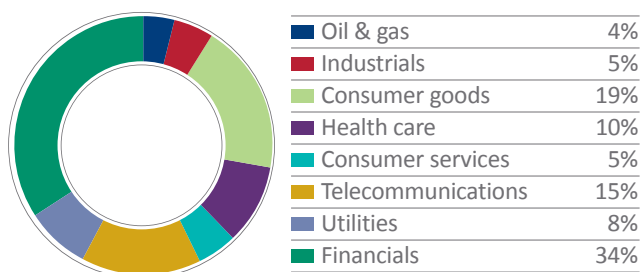
Funds pool (£521m, 26% of net assets)

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

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

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

Sector



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

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

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

Dividend

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

Board

In July, we announced that, after almost ten years of service, Stephen King would be stepping down as Finance Director once his successor had been recruited. I am delighted that Tim Livett has agreed to join us from the Wellcome Trust, where he is currently Chief Financial Officer, to take over this role in the New Year.

Tim's commercial, operational and investment finance experience, gained from roles at British Airways, Virgin Atlantic and, most recently, the Wellcome Trust, where his responsibilities include risk and performance oversight of Wellcome's asset management division, which manages the Trust's £23bn investment portfolio, will be of particular benefit to Caledonia. We look forward to welcoming Tim to the board and wish Stephen every success in his future career.

Outlook

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

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

Portfolio summary

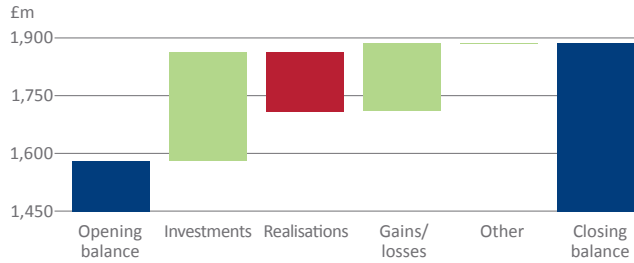
Holdings of 1% or more of net assets at 30 September 2018 were as follows:

| Name | Pool | Geography ¹ | Business | Value £m | Net assets % |
|--------------------------------|---------------|------------------------|---------------------------|-------------|--------------------|
| Seven Investment Management | Unquoted | Jersey | Investment management | 121.1 | 6.0 |
| Cobehold | Unquoted | Belgium | Investment company | 105.4 | 5.3 |
| Choice Care Group ² | Unquoted | UK | Care homes provider | 99.4 | 5.0 |
| Cooke Optics | Unquoted | UK | Cine lens manufacturer | 92.6 | 4.6 |
| Buzz Bingo | Unquoted | UK | Bingo operator | 89.1 | 4.4 |
| Liberation Group | Unquoted | Jersey | Pubs and restaurants | 81.5 | 4.1 |
| Aberdeen US PE funds | Funds | US | Funds of funds | 74.8 | 3.7 |
| Arlington AVM Ranger fund | Funds | US | Quoted market fund | 52.1 | 2.6 |
| NTAsset funds | Funds | Asia | Quoted market funds | 43.4 | 2.2 |
| Microsoft | Quoted | US | Infrastructure technology | 41.8 | 2.1 |
| Spirax Sarco | Quoted | UK | Steam engineering | 40.9 | 2.0 |
| AG Barr | Quoted | UK | Soft drinks | 39.7 | 2.0 |
| Oracle | Quoted | US | Infrastructure technology | 34.1 | 1.7 |
| Polar Capital | Quoted | UK | Fund manager | 33.7 | 1.7 |
| Thermo Fisher Scientific | Quoted | US | Biotechnology development | 31.6 | 1.6 |
| Becton Dickinson | Quoted | US | Medical technology | 31.6 | 1.6 |
| Asia Alternatives funds | Funds | Asia | Funds of funds | 31.3 | 1.6 |
| British American Tobacco | Quoted/Income | UK | Tobacco | 31.2 | 1.5 |
| Jardine Matheson | Quoted | Singapore | Industrial engineering | 30.4 | 1.5 |
| JF Lehman funds | Funds | US | Private equity funds | 28.0 | 1.4 |
| Philip Morris | Quoted/Income | US | Tobacco | 27.8 | 1.4 |
| Axiom Asia funds | Funds | Asia | Funds of funds | 27.7 | 1.4 |
| PVAM Perlus Microcap fund | Funds | US | Quoted market fund | 26.2 | 1.3 |
| Charter Communications | Quoted | US | Cable telecommunications | 25.7 | 1.3 |
| Capital Today China fund | Funds | China | Private equity fund | 25.5 | 1.3 |
| Overlook Partners fund | Funds | Asia | Quoted market fund | 24.3 | 1.2 |
| Sports Information Services | Unquoted | UK | Broadcasting services | 23.3 | 1.2 |
| Nestlé | Quoted | Switzerland | Packaged foods | 21.7 | 1.1 |
| Hill & Smith | Quoted | UK | Infrastructure products | 21.5 | 1.1 |
| Watsco | Quoted | US | Climate control systems | 21.4 | 1.1 |
| Other investments | | | | 508.7 | 25.4 |
| Total pool investments | | | | 1,887.5 | 94.4 |
| Non-pool investments | | | | 28.3 | 1.4 |
| Cash and other items | | | | 84.0 | 4.2 |
| Net assets | | | | 1,999.8 | 100.0 |

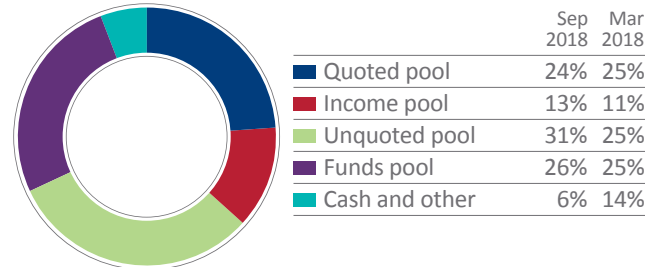
1. Geography is based on the country of listing, country of domicile for unlisted investments and underlying regional analysis for funds.

2. Choice Care Group was sold on 23 October 2018.

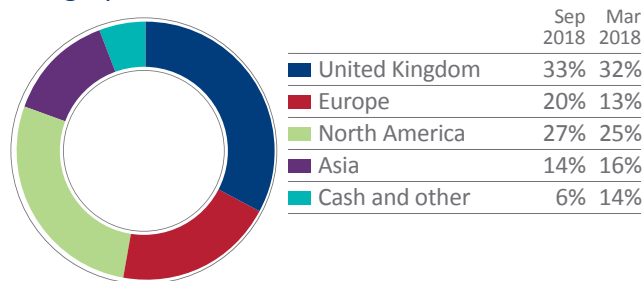
Change in pool investments value



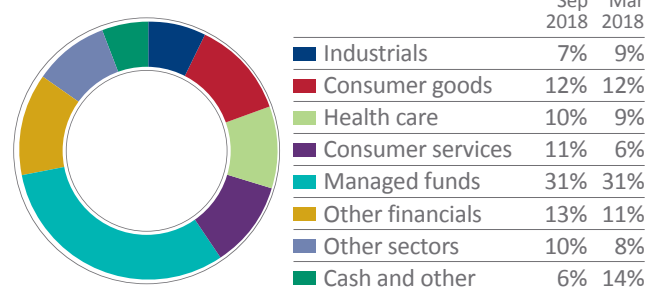
Pool distribution



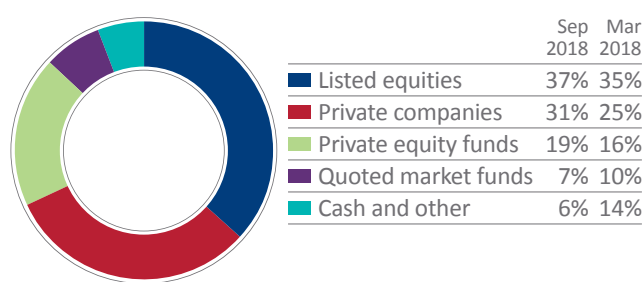
Geographic distribution



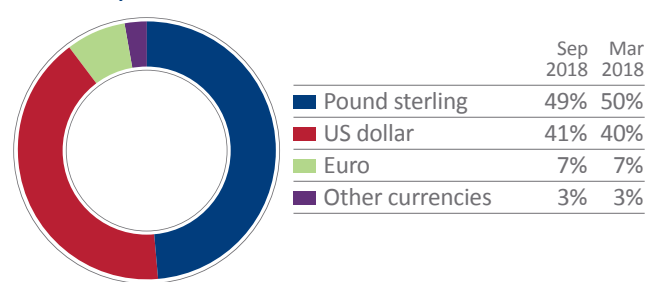
Sector distribution



Asset class distribution



Currency distribution



Regulatory disclosures

Risks and uncertainties

Caledonia has a risk management framework that provides a structured process for identifying, assessing and managing risks associated with the company's business objectives and strategy.

The principal risks and uncertainties faced by the company are set out in the strategic report section of Caledonia's annual report 2018. External risks arise from political, legal, regulatory and economic changes. Strategic risks arise from the conception, design and implementation of the company's business model. Investment risks occur in relation to specific investment decisions, subsequent performance or concentration of exposure. Treasury and funding risks arise from counterparties, uncertainty in market prices and rates and liquidity availability. Operational risks arise from potentially inadequate or failed controls, processes, people or systems.

The principal risks and uncertainties identified in the annual report 2018 remain unchanged and each of them has the potential to affect the company's results during the remainder of the year ending 31 March 2019.

Caledonia actively monitors key risk factors, including portfolio concentration, liquidity and volatility, and aims to manage risk by:

- diversifying the portfolio by sector and geography
- ensuring access to relevant information from investee companies, particularly in the case of unquoted investments through board representation
- managing cash and borrowings to ensure that liquidity is available to meet investment and operating needs
- reducing counterparty risk by limiting maximum aggregate exposures.

Going concern

The factors likely to affect the company's ability to continue as a going concern were set out in the annual report 2018. As at 30 September 2018, there have been no significant changes to these factors. Having reviewed the company's forecasts and other relevant evidence, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half-year condensed financial statements.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - DTR 4.2.7R of the *Disclosure Guidance and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year;
 - DTR 4.2.8R of the *Disclosure Guidance and Transparency Rules*, being related parties transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the board

Will Wyatt
Chief Executive

21 November 2018

Independent review report to Caledonia Investments plc

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 which comprises the group statement of comprehensive income, the condensed group and company statements of financial position, the condensed group and company statements of changes in equity, the condensed group and company statements of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA').

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

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

As disclosed in note 2, annual financial statements of the group and company are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

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

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

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

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

21 November 2018

Condensed group statement of comprehensive income

for the six months ended 30 September 2018

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

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

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

The profit for the period and total comprehensive income for the period is attributable to equity holders of the parent.

Condensed statements of financial position

at 30 September 2018

| | Group | | | Company | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 30 Sep 2018 £m | 30 Sep 2017 £m | 31 Mar 2018 £m | 30 Sep 2018 £m | 30 Sep 2017 £m | 31 Mar 2018 £m |
| <i>Non-current assets</i> | | | | | | |
| Investments held at fair value through profit or loss | 1,915.8 | 1,699.5 | 1,609.9 | 1,918.4 | 1,685.2 | 1,613.6 |
| Investments in subsidiaries held at cost | – | – | – | 0.8 | 0.8 | 0.8 |
| Investment property | 7.8 | – | 10.4 | – | – | – |
| Property, plant and equipment | 30.0 | 38.2 | 29.2 | – | – | – |
| Deferred tax assets | 3.7 | 3.1 | 3.2 | – | – | – |
| Employee benefits | 3.3 | 2.9 | 2.3 | – | – | – |
| Non-current assets | 1,960.6 | 1,743.7 | 1,655.0 | 1,919.2 | 1,686.0 | 1,614.4 |
| <i>Current assets</i> | | | | | | |
| Trade and other receivables | 3.6 | 7.2 | 3.9 | 43.7 | 48.4 | 38.0 |
| Current tax assets | 5.1 | 2.3 | 5.4 | 5.0 | 2.2 | 4.7 |
| Cash and cash equivalents | 67.0 | 143.1 | 207.8 | 66.3 | 143.1 | 207.4 |
| Current assets | 75.7 | 152.6 | 217.1 | 115.0 | 193.7 | 250.1 |
| Total assets | 2,036.3 | 1,896.3 | 1,872.1 | 2,034.2 | 1,879.7 | 1,864.5 |
| <i>Current liabilities</i> | | | | | | |
| Bank overdraft | – | (0.4) | – | – | – | – |
| Trade and other payables | (27.8) | (39.7) | (26.5) | (40.1) | (37.6) | (34.0) |
| Employee benefits | (1.4) | (1.1) | (2.2) | – | – | – |
| Current liabilities | (29.2) | (41.2) | (28.7) | (40.1) | (37.6) | (34.0) |
| <i>Non-current liabilities</i> | | | | | | |
| Employee benefits | (7.1) | (7.0) | (6.6) | – | – | – |
| Deferred tax liabilities | (0.2) | (0.2) | (0.2) | – | – | – |
| Non-current liabilities | (7.3) | (7.2) | (6.8) | – | – | – |
| Total liabilities | (36.5) | (48.4) | (35.5) | (40.1) | (37.6) | (34.0) |
| Net assets | 1,999.8 | 1,847.9 | 1,836.6 | 1,994.1 | 1,842.1 | 1,830.5 |
| <i>Equity</i> | | | | | | |
| Share capital | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 |
| Share premium | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 |
| Capital redemption reserve | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 |
| Capital reserve | 1,752.7 | 1,608.9 | 1,584.9 | 1,754.7 | 1,609.2 | 1,585.6 |
| Retained earnings | 280.7 | 269.2 | 284.1 | 273.0 | 263.1 | 277.3 |
| Own shares | (39.4) | (36.0) | (38.2) | (39.4) | (36.0) | (38.2) |
| Total equity | 1,999.8 | 1,847.9 | 1,836.6 | 1,994.1 | 1,842.1 | 1,830.5 |
| Undiluted net asset value per share | 3641p | 3365p | 3344p | | | |
| Diluted net asset value per share | 3563p | 3298p | 3285p | | | |

Condensed group statement of changes in equity

for the six months ended 30 September 2018

| | Share capital £m | Share premium £m | Capital redemption reserve £m | Capital reserve £m | Retained earnings £m | Own shares £m | Total equity £m |
|---|---------------------|---------------------|-------------------------------------|-----------------------|-------------------------|------------------|--------------------|
| Six months ended 30 September 2018 | | | | | | | |
| Balance at 1 April 2018 | 3.2 | 1.3 | 1.3 | 1,584.9 | 284.1 | (38.2) | 1,836.6 |
| <i>Total comprehensive income</i> | | | | | | | |
| Profit for the period | – | – | – | 168.1 | 14.9 | – | 183.0 |
| Other comprehensive income | – | – | – | (0.1) | 0.7 | – | 0.6 |
| Total comprehensive income | – | – | – | 168.0 | 15.6 | – | 183.6 |
| Transactions with owners of the company | | | | | | | |
| <i>Contributions by and distributions to owners</i> | | | | | | | |
| Share-based payments | – | – | – | – | 3.8 | – | 3.8 |
| Own shares cancelled | – | – | – | (0.2) | – | – | (0.2) |
| Own shares purchased | – | – | – | – | – | (1.2) | (1.2) |
| Dividends paid | – | – | – | – | (22.8) | – | (22.8) |
| Total transactions with owners | – | – | – | (0.2) | (19.0) | (1.2) | (20.4) |
| Balance at 30 September 2018 | 3.2 | 1.3 | 1.3 | 1,752.7 | 280.7 | (39.4) | 1,999.8 |
| Six months ended 30 September 2017 | | | | | | | |
| Balance at 1 April 2017 | 3.2 | 1.3 | 1.3 | 1,591.0 | 332.9 | (30.9) | 1,898.8 |
| <i>Total comprehensive income</i> | | | | | | | |
| Profit for the period | – | – | – | 18.2 | 10.5 | – | 28.7 |
| Other comprehensive income | – | – | – | (0.3) | – | – | (0.3) |
| Total comprehensive income | – | – | – | 17.9 | 10.5 | – | 28.4 |
| Transactions with owners of the company | | | | | | | |
| <i>Contributions by and distributions to owners</i> | | | | | | | |
| Exercise of options | – | – | – | – | – | 0.3 | 0.3 |
| Share-based payments | – | – | – | – | 2.6 | – | 2.6 |
| Own shares purchased | – | – | – | – | – | (5.4) | (5.4) |
| Dividends paid | – | – | – | – | (76.8) | – | (76.8) |
| Total transactions with owners | – | – | – | – | (74.2) | (5.1) | (79.3) |
| Balance at 30 September 2017 | 3.2 | 1.3 | 1.3 | 1,608.9 | 269.2 | (36.0) | 1,847.9 |
| Year ended 31 March 2018 | | | | | | | |
| Balance at 1 April 2017 | 3.2 | 1.3 | 1.3 | 1,591.0 | 332.9 | (30.9) | 1,898.8 |
| <i>Total comprehensive income</i> | | | | | | | |
| Profit for the year | – | – | – | (5.0) | 31.5 | – | 26.5 |
| Other comprehensive income | – | – | – | (1.1) | – | – | (1.1) |
| Total comprehensive income | – | – | – | (6.1) | 31.5 | – | 25.4 |
| Transactions with owners of the company | | | | | | | |
| <i>Contributions by and distributions to owners</i> | | | | | | | |
| Exercise of options | – | – | – | – | – | 0.2 | 0.2 |
| Share-based payments | – | – | – | – | 5.0 | – | 5.0 |
| Own shares purchased | – | – | – | – | – | (7.5) | (7.5) |
| Dividends paid | – | – | – | – | (85.3) | – | (85.3) |
| Total transactions with owners | – | – | – | – | (80.3) | (7.3) | (87.6) |
| Balance at 31 March 2018 | 3.2 | 1.3 | 1.3 | 1,584.9 | 284.1 | (38.2) | 1,836.6 |

Condensed company statement of changes in equity

for the six months ended 30 September 2018

| | Share capital £m | Share premium £m | Capital redemption reserve £m | Capital reserve £m | Retained earnings £m | Own shares £m | Total equity £m |
|---|---------------------|---------------------|-------------------------------------|-----------------------|-------------------------|------------------|--------------------|
| Six months ended 30 September 2018 | | | | | | | |
| Balance at 1 April 2018 | 3.2 | 1.3 | 1.3 | 1,585.6 | 277.3 | (38.2) | 1,830.5 |
| Profit and total comprehensive income | – | – | – | 169.3 | 14.7 | – | 184.0 |
| Transactions with owners of the company | | | | | | | |
| <i>Contributions by and distributions to owners</i> | | | | | | | |
| Share-based payments | – | – | – | – | 3.8 | – | 3.8 |
| Own shares cancelled | – | – | – | (0.2) | – | – | (0.2) |
| Own shares purchased | – | – | – | – | – | (1.2) | (1.2) |
| Dividends paid | – | – | – | – | (22.8) | – | (22.8) |
| Total transactions with owners | – | – | – | (0.2) | (19.0) | (1.2) | (20.4) |
| Balance at 30 September 2018 | 3.2 | 1.3 | 1.3 | 1,754.7 | 273.0 | (39.4) | 1,994.1 |
| Six months ended 30 September 2017 | | | | | | | |
| Balance at 1 April 2017 | 3.2 | 1.3 | 1.3 | 1,594.2 | 326.1 | (30.9) | 1,895.2 |
| Profit and total comprehensive income | – | – | – | 15.0 | 11.2 | – | 26.2 |
| Transactions with owners of the company | | | | | | | |
| <i>Contributions by and distributions to owners</i> | | | | | | | |
| Exercise of options | – | – | – | – | – | 0.3 | 0.3 |
| Share-based payments | – | – | – | – | 2.6 | – | 2.6 |
| Own shares purchased | – | – | – | – | – | (5.4) | (5.4) |
| Dividends paid | – | – | – | – | (76.8) | – | (76.8) |
| Total transactions with owners | – | – | – | – | (74.2) | (5.1) | (79.3) |
| Balance at 30 September 2017 | 3.2 | 1.3 | 1.3 | 1,609.2 | 263.1 | (36.0) | 1,842.1 |
| Year ended 31 March 2018 | | | | | | | |
| Balance at 1 April 2017 | 3.2 | 1.3 | 1.3 | 1,594.2 | 326.1 | (30.9) | 1,895.2 |
| Profit and total comprehensive income | – | – | – | (8.6) | 31.5 | – | 22.9 |
| Transactions with owners of the company | | | | | | | |
| <i>Contributions by and distributions to owners</i> | | | | | | | |
| Exercise of options | – | – | – | – | – | 0.2 | 0.2 |
| Share-based payments | – | – | – | – | 5.0 | – | 5.0 |
| Own shares purchased | – | – | – | – | – | (7.5) | (7.5) |
| Dividends paid | – | – | – | – | (85.3) | – | (85.3) |
| Total transactions with owners | – | – | – | – | (80.3) | (7.3) | (87.6) |
| Balance at 31 March 2018 | 3.2 | 1.3 | 1.3 | 1,585.6 | 277.3 | (38.2) | 1,830.5 |

Condensed statements of cash flows

for the six months ended 30 September 2018

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

Notes to the condensed financial statements

1. General information

Caledonia Investments plc is an investment trust company domiciled in the United Kingdom. The address of its registered office is Cayzer House, 30 Buckingham Gate, London SW1E 6NN. The ordinary shares of the company are premium listed on the London Stock Exchange.

This condensed set of financial statements was approved for issue on 21 November 2018 and is unaudited.

The information for the period ended 30 September 2018 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 March 2018 has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not draw attention to any matters by way of emphasis of matter and did not contain a statement under section 498(2) and (3) of the Companies Act 2006.

2. Accounting policies

Basis of accounting

This condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the annual financial statements for the year ended 31 March 2018, which were prepared in accordance with IFRSs as adopted by the European Union.

This condensed set of financial statements has been prepared in accordance with the recommendations of the SORP issued by the Association of Investment Companies.

Adopted IFRS

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

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

Basis of consolidation

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

Going concern

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

Changes in accounting policies

As required by the *Disclosure Guidance and Transparency Rules* of the Financial Conduct Authority, this condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 March 2018.

Judgements and estimates

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affected the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

The significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 March 2018.

3. Dividends

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

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

Notes to the condensed financial statements continued

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

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

4. Share capital

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

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

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

5. Net asset value per share

The group's undiluted net asset value per share is based on the net assets of the group at the period end and on the number of shares in issue at the period end less shares held by the Caledonia Investments plc Employee Share Trust. The group's diluted net asset value per share assumes the calling of performance share and deferred bonus awards for nil consideration.

6. Operating segments

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

The performance of operating segments is assessed on a measure of group total revenue, principally comprising gains and losses on investments and derivatives hedging those investments and investment income. Reportable profit or loss is after treasury income and 'Other items', which comprise management and other expenses. Reportable assets equate to the group's total assets. 'Cash' and 'Other items' are not identifiable operating segments.

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

| | Profit before tax | | | Total assets | | |
|-------------|--------------------------------|--------------------------------|------------------------------|----------------------|----------------------|----------------------|
| | 6 mths 30 Sep 2018 £m | 6 mths 30 Sep 2017 £m | Year 31 Mar 2018 £m | 30 Sep 2018 £m | 30 Sep 2017 £m | 31 Mar 2018 £m |
| <i>Pool</i> | | | | | | |
| Quoted | 65.5 | (1.2) | 16.3 | 480.3 | 449.1 | 452.3 |
| Income | 16.9 | (6.0) | (21.2) | 256.0 | 220.6 | 194.6 |
| Unquoted | 60.9 | 38.7 | 24.5 | 629.8 | 551.5 | 463.5 |
| Funds | 55.6 | 15.4 | 34.1 | 521.4 | 441.9 | 470.5 |
| Total pools | 198.9 | 46.9 | 53.7 | 1,887.5 | 1,663.1 | 1,580.9 |
| Non-pool | (0.2) | (0.1) | (0.9) | 28.3 | 36.4 | 29.0 |
| Investments | 198.7 | 46.8 | 52.8 | 1,915.8 | 1,699.5 | 1,609.9 |
| Cash | 0.3 | 0.2 | 0.6 | 67.0 | 142.7 | 207.8 |
| Other items | (16.8) | (19.1) | (31.2) | 53.5 | 54.1 | 54.4 |
| Reportable | 182.2 | 27.9 | 22.2 | 2,036.3 | 1,896.3 | 1,872.1 |

7. Related parties

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

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

8. Capital commitments

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

9. Fair value hierarchy

The table below analyses financial instruments held at fair value according to the subjectivity of the valuation method, using the following hierarchy:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets.
- Level 2 Inputs other than quoted prices included within Level 1 that are directly or indirectly observable.
- Level 3 Inputs for the asset that are not based on observable market data.

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

The methods used to determine fair value investments are unchanged from those described in the annual report 2018. Listed investments are valued at bid price or the most recent transaction price. Unlisted companies are valued according to the International Private Equity and Venture Capital Valuation Guidelines (December 2015), using one of the following methods: price of recent investment, multiples or net assets. The valuation of fund interests is based on the latest fund managers' NAVs and other investments are valued using appropriate techniques.

Movement in Level 3 financial instruments was as follows:

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

Notes to the condensed financial statements continued

10. Share-based payments

The company operates a performance share scheme and a deferred bonus plan. Details of these schemes were disclosed in the annual report 2018 and the basis of measuring fair value was consistent with those disclosures.

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

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

11. Subsequent events

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

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

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

Performance measures

Caledonia uses a number of performance measures to aid the understanding of its results. The performance measures are standard within the investment trust industry and Caledonia's use of such measures enhances comparability.

Net assets

Net assets provides a measure of the value of the company to shareholders and is taken from the IFRS group net assets.

Net asset value ('NAV')

NAV is a measure of the value of the company, being its assets – principally investments made in other companies and cash held – minus any liabilities expressed as pence per share. NAV is calculated by dividing net assets by the number of shares in issue, adjusted for shares held by the Employee Share Trust and for dilution by the exercise of outstanding share awards. NAV takes account of dividends payable on the ex-dividend date.

NAV total return ('NAVTR')

NAVTR is a measure of how the net asset value per share has performed over a period, considering both capital returns and dividends paid to shareholders. NAVTR is calculated as the increase in NAV between the beginning and end of the period, plus the accretion from assumed dividend reinvestment during the period. NAVTR assumes that dividends are reinvested at the NAV on the ex-dividend date.

Net revenue

Net revenue comprises income from investments less management expenses, financing costs and tax. Net revenue comprises the revenue column presented in the statement of comprehensive income and differs from total comprehensive income in excluding gains and losses on investments and other items of a capital nature. The separation of revenue and capital profits and losses is required by the AIC SORP as of fundamental importance to shareholders and other users of the financial statements of investment trust companies.

Annual dividends

Annual dividends are dividends declared as part of the company's recurring dividend cycle and are typically paid out of earnings in a financial year. Annual dividend growth is the compound annual dividend growth rate over the period.

Dividend cover

Dividend cover is the ratio of net revenue (as defined above) to the annual dividend payable to shareholders out of profits for the year. It helps to indicate the sustainability of annual dividends.

Total shareholder return ('TSR')

TSR measures the return to shareholders through the movement in the share price and dividends paid during the measurement period.

Investment and pool returns

The company uses the Modified Dietz method as a measure of the performance of an investment or pool over a period. This method divides the gain or loss in value plus any income, less any capital cash flows, by the average capital invested over the period of measurement.

The company also uses internal rate of return ('IRR'), being the discount rate that makes the net present value of all cash flows from an investment equal to zero, and realisation multiples or money returns, being the cumulative returns from an investment divided by the total investment, as an indicator of the performance of individual investments on exit.

Ongoing charges

Ongoing charges represent the operational expenses of managing the portfolio in normal circumstances. The company adopts the AIC methodology for calculating the ongoing charges as the annualised ongoing charges divided by the average undiluted net asset value per share in the period.

Expense items included in the ongoing charges calculation comprise recurring costs relating to the operation of the company. In addition to transaction costs and external performance fees, ongoing charges exclude share-based payment expenses, which are directly linked to investment performance, and re-measurement of defined benefit pension schemes, also linked to market movements. Share-based payments comprise awards under the company's performance share scheme, which vest subject to achieving NAVTR targets, as well as service requirements. Similarly, deferred bonus awards arise from annual bonus awards over 50% of basic salary, which relate to the company's investment performance.

Information for investors

Dividends, change of address and other shareholder services

Shareholders who wish to have dividends paid directly into a UK bank account, rather than by cheque to their registered address, can complete a mandate form for this purpose. Mandates may be obtained from Link Asset Services. Where dividends are paid directly into shareholders' bank accounts, dividend confirmation statements are sent to shareholders' registered addresses.

Link Asset Services also offer an international payment service whereby overseas shareholders may convert their dividend payments into a chosen currency and receive payment either in the form of a currency draft or by a direct payment into an overseas bank account. Details of the currencies available under this service and how to apply, including terms and conditions, are available online at www.signalshares.com (by clicking on 'your dividend options' and following the on-screen instructions) or an application pack can be requested by telephone on 0871 664 0300 or +44 371 664 0300 if calling from outside the United Kingdom. Calls cost 12p per minute plus your phone company's access charge and calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9am and 5.30pm, Monday to Friday excluding public holidays in England and Wales.

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment, shareholders should notify Link Asset Services, under the signature of the registered holder, or where there is more than one registered holder, under the signature of the first named holder.

Post and telephone contact details for Link Asset Services are shown on the opposite page. Link Asset Services also provide an online facility to enable shareholders to manage securely their shareholdings via the internet. By registering to use the facility, shareholders can access a range of online services, including viewing shareholding details, transaction and dividend histories, change of address and bank mandate and use of the online proxy voting service. The online facility is available at www.signalshares.com.

Link Asset Services also offer a share dealing service and dividend reinvestment plan for existing shareholders. The share dealing service is available online at www.linksharedeal.com or by telephone on 0371 664 0445 or +44 371 664 0445 if calling from outside the United Kingdom. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the standard geographic rate and will vary by provider. Lines are open between 8am and 4.30pm, Monday to Friday excluding public holidays in England and Wales.

The dividend reinvestment plan provides a convenient way for shareholders to build up their shareholdings by using cash dividends to buy more shares in the company. You can elect for the dividend reinvestment plan online at www.signalshares.com, where you can view the terms of service, or you can request an application form by telephone on 0371 664 0381 or +44 371 664 0381 if calling from outside the United Kingdom. Calls cost 12p per minute plus your phone company's access charge. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9am and 5.30pm, Monday to Friday excluding public holidays in England and Wales. Alternatively, an application form can be requested by email from shares@linkgroup.com.

Caledonia Investments ISA

The Caledonia Investments Individual Savings Account ('ISA') is a tax efficient savings account that allows participants to invest up to an annual amount of £20,000 for the tax year ending 5 April 2019. Lump sum payments or regular monthly deposits can be made into the ISA. Details of the ISA are available on Caledonia's website or by request from the company.

Caledonia Investments Share Savings Scheme

The Caledonia Investments Share Savings Scheme is a plan that aims to provide a simple and flexible way for investors to purchase shares in Caledonia. Lump sum payments or regular monthly deposits can be made into the Share Savings Scheme. Details of the Share Savings Scheme are available on Caledonia's website or by request from the company.

PEPs and ISAs

Caledonia's shares can be treated as qualifying investments for the purposes of the PEP and ISA rules.

Share prices

The company's ordinary shares are premium listed on the London Stock Exchange under the SEDOL code of 0163992 or TIDM code of CLDN. Prices are published daily in the Financial Times under the 'Investment Companies' heading and in other leading newspapers and can also be viewed on the company's website at www.caledonia.com.

The ISIN code for Caledonia's ordinary shares is GB0001639920.

Monthly net asset value

The company releases a net asset value announcement and publishes a fact sheet shortly after each month end. These can be found on the company's website at www.caledonia.com.

Directors and advisers

Chairman

David Stewart^{2,3}

Executive directors

William P Wyatt (Chief Executive)²

Stephen A King (Finance Director)

Jamie M B Cayzer-Colvin

Non-executive directors

Stuart J Bridges^{1,2,4}

The Hon Charles W Cayzer²

Guy B Davison^{1,2}

Charles H Gregson (Senior Independent)^{2,3,4}

Shonaid C R Jemmett-Page^{1,2,3,4}

1. Member of the Audit Committee
2. Member of the Nomination Committee
3. Member of the Remuneration Committee
4. Member of the Governance Committee

Secretary

Graeme P Denison

Registered office

Cayzer House

30 Buckingham Gate

London SW1E 6NN

Registered number

Registered in England no 235481

Auditor

KPMG LLP

15 Canada Square

Canary Wharf

London E14 5GL

Registrars

Link Asset Services

The Registry

34 Beckenham Road

Beckenham

Kent BR3 4TU

Tel: 0871 664 0300 or +44 371 664 0300 if calling from outside the United Kingdom

Calls cost 12p per minute plus your phone company's access charge.

Calls outside the United Kingdom will be charged at the applicable international rate.

Lines are open between 9am and 5.30pm,

Monday to Friday excluding public holidays in England and Wales.

Brokers

J.P.Morgan Cazenove

25 Bank Street

Canary Wharf

London E14 5JP

Winterflood Securities Ltd

The Atrium Building

Cannon Bridge House

25 Dowgate Hill

London EC4R 2GA

Solicitors

Freshfields Bruckhaus Deringer LLP

65 Fleet Street

London EC4Y 1HS



The Association of
Investment Companies

.....
CarbonNeutral[®] printing company

This report has been printed in the UK by CPI Colour. Under the framework of ISO 14001, CPI takes a structured approach to measure, improve and audit their environmental status on an ongoing basis. The main areas targeted for continual reduction arise from the use of solvents, energy consumption and waste generation. CPI is a Carbon Neutral printing company and also Forestry Stewardship Council (FSC) Chain of Custody Certified. All inks used are vegetable based. This paper is environmentally-friendly ECF (elemental chlorine free), FSC certified, bio-degradable and recyclable.

Caledonia Investments plc
Cayzer House
30 Buckingham Gate
London SW1E 6NN

tel +44 20 7802 8080
fax +44 20 7802 8090
email enquiries@caledonia.com
web www.caledonia.com