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# Interim report 2004

Six months to 30 September 2004



**CALEDONIA**  
INVESTMENTS

Performance driven



**Caledonia is a self-managed investment trust that actively manages a focused portfolio of significant stakes in companies and situations where it believes there to be good opportunities for building value.**

**Caledonia's objective is consistently to achieve a long term shareholder return in excess of the FTSE All-Share Total Return while maintaining a progressive annual dividend.**

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# Highlights

- Outperformance against benchmarks of 111% and 38% over five and ten years
- 2% outperformance of NAV against FTSE All-Share over six months
- Top AITC share price total return rankings:
  - 1st of 24 trusts over five years
  - 4th of 22 trusts over ten years
- 4% increase in interim dividend to 8.7p
- £83m invested and £145m realised
- Payment of elective special dividend and capital reduction

## Performance

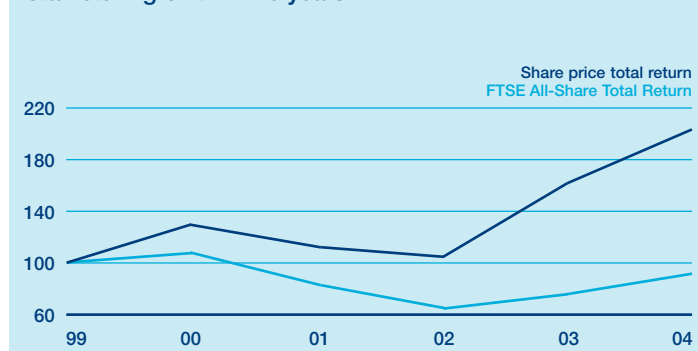
	10 year %	5 year %	1 year %
Share price total return	144.8	104.1	22.4
FTSE All-Share Total Return	106.8	(7.1)	15.7
Total return outperformance	38.0	111.2	6.7

## Results summary

	30 Sep 2004	31 Mar 2004	Change %
Total shareholders' funds	£852.6m	£910.7m	-6.4
Net asset value per ordinary share	1349p	1282p	+5.2
Share price	1088p	1017p	+7.0
Discount	19.3%	20.7%	-6.8
FTSE All-Share index	2271.7	2197.0	+3.4
Interim dividend per ordinary share	8.7p	8.4p	+3.6
Final dividend per ordinary share	-	18.6p	

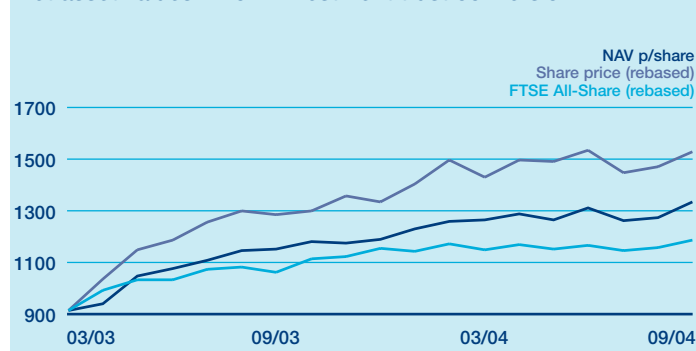
Results are based on the company balance sheet. Net asset value per ordinary share is stated before accrued dividends.

## Total return growth – five years



Source: FTSE/Datastream

## Net asset values – from investment trust conversion



# Chairman's statement



We continue to show handsome outperformance of our benchmarks and I am pleased to report the successful settlement of a dispute between the Cayzer Trust and a dissident group of its shareholders, which was damaging our business.

## Results

I am pleased to be able to report further progress by Caledonia in the first half of its second year as an investment trust company. Net assets per share increased by 5.2% to 1349 pence, compared with an increase of 3.4% for the FTSE All-Share index. Our longer term performance over five and ten years continues to show handsome outperformance against the company's benchmarks, as detailed in the chief executive's report.

## Dividend

The directors have declared an interim dividend of 8.7 pence per ordinary share, an increase of 3.6% in line with our policy of seeking to maintain a progressive annual dividend.

## Share price

It is most encouraging to note that, over the past few weeks, there has been a welcome further narrowing of our share price discount to net asset value per share. At 31 October, this amounted to some 13% compared with 30% on 31 March 2003, the day before our conversion to investment trust status, and 21% on 31 March 2004. Whilst our share price is ultimately not within our control, we have made strenuous efforts to widen the appeal of our shares, in particular to encourage wider retail ownership.

## Elective special dividend

During the half year, we gave effect to the elective special dividend and reduction of capital that had been proposed to resolve the long running dispute amongst the shareholders of Caledonia's largest shareholder, The Cayzer Trust Company, which had been damaging Caledonia's business. Under these proposals, all shareholders were offered the opportunity to receive an elective special dividend on up to two-ninths of their shareholdings, of an amount based on an 18% discount to the company's net asset value per share, with subsequent cancellation of those shares on which the dividend was paid. I am pleased to report that, putting aside Cayzer Trust, which had undertaken in advance to take up its full entitlement in order to facilitate the buy-out of its dissident shareholders, and Hermes, which we expected to participate given its previous public support for the break-up of Caledonia, the shares cancelled in respect of the other shareholders who elected to receive the special dividend amounted to only 1% of our overall share capital. This outcome enabled us to put an end to the misplaced and destabilising attempts by a small handful of shareholders to liquidate Caledonia by returning £88m or less than 10% of our shareholders' funds. We were most encouraged by this support for our business model.

## Portfolio

Tim Ingram, in his chief executive's report, gives details of the changes and momentum within our investment portfolio, but we still attach considerable importance to our longer term approach to investment. However, we have taken the opportunity within the six months under review to reduce our shareholdings in both Close Brothers and Kerzner International. The large weighting which both these holdings represented in our portfolio has been brought about by the relative success of both these investments, but notwithstanding the reduction in shareholders' funds resulting from payment of the elective special dividend, by the end of September, both residual shareholdings now represent reduced weightings.

## Outlook

The economic outlook is distinctly mixed. In the UK, the politicians will be wooing the electorate ahead of the forthcoming election, with the usual consequences. In the USA, we have seen a return of the Republican Party, which should augur well for the economy. However, underlying economic fault lines both here, with large rises in government spending, often unproductive and unsustainable without further tax increases, and in the USA with ever increasing deficits, do pose some threats to the more recent market stability. On a more positive note, the continuing growth in China and India offers the longer term prospect of a re-allocation of global economic balance. We shall keep these issues in mind in the context of our longer term investment approach. We continue to identify an encouraging number of opportunities, which experience suggests do not always conform to world economic trends. Such opportunities can, if carefully chosen, still deliver value against the trend and we shall endeavour to maintain our successful track record.

Peter Buckley  
Chairman

# Chief executive's report



The successful application of our consistent long term approach has resulted in us being ranked first in the AITC Global Growth sector over five years on share price total return.

## Market

The first six months of our financial year have seen uncertain market conditions against a background of markedly higher oil prices, increasing instability in Iraq and a trend of increasing interest rates. Although we have continued to make changes to our portfolio, we have maintained a cautious approach and at the end of the period we had no bank borrowings on Caledonia's company balance sheet.

## Performance

The successful application of our consistent long term approach has again resulted in us outperforming our benchmarks. Our five year total shareholder return to 30 September 2004 showed a positive absolute return of 104%, while the FTSE All-Share Total Return was negative at -7%. Over the ten year period, our total shareholder return of 145% showed a 38% outperformance against the FTSE All-Share Total Return. When looking at our performance we also compare our relative returns within our sector, the Global Growth section of investment trusts. According to the statistics produced by the Association of Investment Trust Companies for the period to 30 September 2004, in terms of share price total return for our sector, we ranked first (out of 24 trusts) over five years and fourth (out of 22 trusts) over ten years.

Over the 18 months since our conversion to investment trust status, on 1 April 2003, net asset value ("NAV") per share has increased by 47.4% to 1349p, representing an outperformance of 16.5% when compared to the FTSE All-Share index.

## Special dividend and capital reduction

In June this year, shareholders voted in favour of the proposal mentioned in the chairman's statement for a partial return of funds by way of an elective special dividend and reduction of capital. Elections were received for the special dividend, which amounted to 1047.07p per share, on 8,407,676 ordinary shares, representing about 11.6% of the issued ordinary share capital. A total of £88m was then paid to the electing shareholders at the beginning of July and the 8,407,676 shares were cancelled. As the special dividend was set at an 18% discount to NAV per share, this exercise resulted in an increase in NAV per share of 2.3% for the remaining shares.

On 22 July, Caledonia purchased 100,000 of its shares at a price of 1015p per share and is holding these shares in treasury.

## Activity

In the first six months of our financial year, we have made £83m of new and follow-on investments. New investments included €30m (£20m) in Cobepa, an unquoted Belgian investment company specialising in Benelux investments, and £11m in Incisive Media, a UK quoted publisher of business information. In addition, follow-on investments included a further £12m in Oval, an unquoted commercial lines insurance broking business, and £8m in Tribal Group, a UK quoted support services company. Over the same period, we realised £145m of investments, including £57m from the sale of part of our holding in Close Brothers, a UK quoted merchant bank, £34m from the sale of part of our stake in Kerzner International, owner and operator of international resort hotels and gaming establishments, and £14m from the sale of all of our shareholding in Radio Investments, an unquoted owner of regional radio stations in the UK.

As a result of the special dividend mentioned above and this portfolio activity, by the end of September Caledonia was fully invested but with no bank borrowings on its company balance sheet. This we believe to be an appropriate position for us in present market conditions. Nonetheless, we are presently maintaining £70m of medium term committed bank facilities. These facilities, representing just over 8% of our net assets as at 30 September 2004, enable us to continue to be able to take advantage of new investment opportunities without necessarily requiring immediate divestment elsewhere.

## The future

As we have previously stated, we believe that our focused efforts to grow NAV per share, while maintaining our progressive dividend policy, best provides for the financial aims of our shareholders. Nonetheless, we are fully aware of the desire of our shareholders to see a further narrowing of the discount of our share price to NAV per share. We are continuing to follow measures that can have a beneficial effect on this discount.

Our initiatives to increase the appeal of our shares to retail shareholders are producing good results, and the percentage of our shareholder register owned by private shareholders is increasing. Since 1 November 2004, our shares have also been listed on the Stock Exchange in New Zealand, where UK incorporated investment trusts currently offer a more tax efficient means of investment for New Zealand resident individuals, compared with other collective investment vehicles.

We are continuing to see a strong flow of good business opportunities where our long term active approach is valued and can create outperformance. By carefully selecting the right opportunities where there are strong management teams, by continuing our active involvement with investee companies and through divesting when appropriate, we seek to maintain our successful performance record.

Tim Ingram  
Chief executive

# Finance director's report



Following the payment of the elective special dividend of £88m and an active period of investment and divestment, we are now fully invested, but with no borrowings. We retain substantial committed facilities to support future investment activity.

The chairman's statement and the chief executive's report contain information on the company's performance during the period under review. My report sets out the basis upon which the interim accounts have been prepared and contains information on the basis of valuation of our investments. In addition, my report addresses the company's cash position and includes a comment on the introduction of International Financial Reporting Standards.

#### Basis of presentation of interim accounts

Caledonia is an investment trust company, but we are relatively unusual in holding trading subsidiaries as part of our investment portfolio. Our ownership of subsidiaries requires us to prepare consolidated accounts, but the accounting rules prevent us from including subsidiaries in the consolidated accounts at valuation. The consolidated balance sheet would not, therefore, give a presentation of our investment portfolio consistent with other investment trusts. However, the company balance sheet does allow us to show the entire portfolio (including subsidiaries) at valuation and is, therefore, considered to be the most relevant statement in presenting our financial position. Consistent with the presentation of other investment trusts, we also present a company statement of total return.

As Caledonia has been an investment trust company since 1 April 2003, the comparatives included in this interim report fully reflect this status.

#### Valuation of investments

Caledonia's policy is to hold investments, including subsidiaries, at fair value. Quoted investments, for which an active market exists, are valued at mid-market price. Unquoted investment valuations are based on the British Venture Capital Association Guidelines.

#### Cash flow and gearing

The company's net funds reduced to £1.3m at 30 September 2004, from £34.0m at 31 March 2004, as we became fully invested over the period. Cash outflows included investment purchases of £85.9m, ordinary dividend payments of £13.4m and the payment of an elective special dividends, as described in the chief executive's report, of £88.0m. Investment sales totalled £151.4m, including £57.1m realised from the reduction in our holding in Close Brothers and £33.6m on the sale of shares in Kerzner International.

In March 2004, the company's committed bank facilities were increased from £60m to £210m in contemplation of the payment of the elective special dividend. Maximum drawings under the facilities totalled £40m and, subsequent to the payment of the elective special dividend in July 2004, the company's committed facilities were reduced to £70m, with an additional £10m overdraft facility. All drawings have now been repaid.

The difference between company and group net funds reflects the financing within trading subsidiaries, together with intra-group transactions. At 30 September 2004, aggregate borrowings by subsidiary investments totalled £38.1m, including euro borrowings of €19.5m (£13.4m), out of total facilities of £51.9m.

#### International Financial Reporting Standards

The requirement for Caledonia to adopt International Financial Reporting Standards ('IFRS'), commencing with the year ending 31 March 2006, is a process of major change, for which we have established a project team working in conjunction with the external auditors and other technical advisers. The principal differences between IFRS and UK GAAP have been identified and they are expected to result in some change in reported net asset values. In addition, investment trust companies are awaiting detailed guidance on how to present their accounts under IFRS.

The first accounts to reflect the adoption of IFRS will be the interim report for the six months ending 30 September 2005. This interim report will include comparative figures adjusted in accordance with IFRS, together with the required restatement of the 31 March 2005 balance sheet.

We are committed to ensuring compliance with all material aspects of IFRS and action is being taken to establish the accounting policies, systems and reporting changes that will be required to be implemented.

Jonathan Cartwright  
Finance director

# Investment review

## Financial

**Close Brothers** valuation: £124.6m; holding: 12.5%

Close Brothers is the largest independent quoted merchant bank in the UK and Caledonia has been a supportive shareholder for eighteen years. The success of this investment, due in no small part to its sound management, has resulted in it being our largest investment by value at 30 September 2004 even after the recent reduction of some 30% in our holding for £57m.

For its year to 31 July 2004, Close Brothers reported excellent results. Profits before tax and goodwill amortisation rose 39%, with good organic growth from the banking business and markedly higher results from investment banking. The latter included greatly improved profits from market-making, profits almost doubled from corporate finance and profits more than doubled from asset management. This outstanding progress was balanced by a more cautious note on the near term outlook, but our confidence in the longer term potential of their strong business model is undimmed.

**Rathbone Brothers** valuation: £32.0m; holding: 11.3%

Rathbones is a leading provider of discretionary fund management and wealth management services for private clients and trustees, with offices in the UK, Channel Islands, Switzerland and the British Virgin Islands.

For the six months to 30 June 2004, Rathbones reported significantly improved results, reflecting the growth in funds under management that has been achieved in recent years. Total funds under management increased over the half year by 2.9% to £7.0bn, compared with a fall in the FTSE 100 index of 0.3% over the same period, and funds under management in Rathbone Unit Trusts increased by 34.7% over the period from £481m to £648m. Earnings per share, before goodwill amortisation, rose to 23.03p, a 26.6% increase compared with 2003.

**F&C Asset Management** valuation: £20.7m; holding: 6.2%

Caledonia had been a significant shareholder in ISIS Asset Management for some ten years when ISIS announced a merger in July 2004 with F&C to create the UK's fourth largest asset management business, thereby achieving its stated strategic aim to become a top five player.

Following the merger, which completed on 11 October 2004, our shareholding in the enlarged business, renamed F&C Asset Management, has been diluted to 1.9% and Caledonia no longer has representation on the board of the company.

The merger will create a stronger group with complementary geographical and product ranges and scope to reduce significantly the cost base of the enlarged business. It is anticipated to be significantly earnings enhancing in 2006, the first full year following the merger. The transaction was well received by the market.

**Marketform** valuation: £15.1m; holding: 26.8%

Marketform is an unquoted Lloyd's insurance business, in which its management has a substantial stake. Marketform manages the business of a consortium of medical malpractice underwriters on a fee and profit commission basis and participates in the consortium through its own syndicate. It also provides general liability and professional indemnity insurance, all outside the USA.

In autumn 2003, Caledonia became a significant minority shareholder through an investment of £15m in equity and convertible loan notes and has two representatives on the board. Results have been in line with expectations, with premium rates generally firm and expected to remain so.

**Oval Financial Holdings** valuation: £15.0m; holding: 34.0%  
UK commercial insurance broking is a fragmented industry with many participants. Oval was formed to build a national brand, while retaining the value of local relationships, by bringing together some of the best of the regional broking businesses, using cash and Oval's shares. Caledonia has participated in Oval by subscribing a total of £15m for ordinary shares and convertible loan stock and has two representatives on the board.

Oval has acquired RP Hodson, a substantial commercial broking and financial services business based in Wakefield and London, and Bland Bankart, a leading commercial broker with offices in Leicester, Nottingham, Birmingham and Luton. Further acquisitions are planned and the full year's trading results are expected to be in line with the company's budget.

**SVB Holdings** valuation: £9.0m; holding: 5.3%

SVB is a listed Lloyd's insurance business, underwriting speciality liability lines as well as shorter tail business. Caledonia acquired 5.3% of the equity for £9.1m and subscribed for £4.9m of convertible bonds last year, with the aim of backing SVB's new management team and participating in the improved market for insurance premiums prevailing since 11 September 2001.

Having withdrawn from the US casualty treaty reinsurance market, SVB has this year added substantially to reserves at syndicate level in respect of business written in that market between 1997 and 2000 by the previous management. In addition, in September 2004, SVB made a provision of £103m at consolidated level to cover the possibility of further deterioration on the discontinued book. The share price has fallen since we invested, but SVB's current trading continues to be profitable, in spite of the severe hurricane season, and earnings from current trading are expected in due course to outweigh losses on the discontinued book.

**Polar Capital** valuation: £21.9m (including funds); holding: 24.6%

Polar Capital is a research driven fund management business, managing \$0.7bn in hedge funds and \$1.5bn in long-only funds. Caledonia co-founded Polar Capital in 2001, and has invested in a number of its funds. During the half year, Polar Capital repaid £1m of subordinated loan notes, initially provided by Caledonia for regulatory capital.

Polar Capital has had a good six months, consolidating on the strong growth in the early part of 2004. Many of the funds launched last year are now closed to new subscriptions for the time being. The European Market Neutral fund, which has been incubated since spring, is starting to show solid performance and will be marketed to potential investors over the next six months. Over the summer, Polar Capital recruited a new team to offer an Asia ex-Japan fund, which has now been launched.

**Eddington Capital** valuation: £16.5m (including funds); holding: 50.0%

Eddington Capital was co-founded by Caledonia in 2003 as a specialist manager of high return fund of hedge funds products and launched its Triple Alpha fund on 1 September 2003, seeded by Caledonia.

In its first six months, the Triple Alpha fund returned 15% net of all fees. Many hedge fund strategies subsequently suffered their worst six month period on record and, as a result, Eddington's valuation gain over its full first year was only up 5%. History suggests that such challenging conditions are unlikely to persist, and are typically followed by a strong recovery. We remain optimistic that significantly better net annual returns can be achieved in the medium to long term.

## Leisure and media

**Kerzner International** valuation: £113.4m; holding: 12.8%

Kerzner International ('KI') is a leading developer, owner and operator of luxury resort hotels and gaming properties worldwide. Caledonia was a founder shareholder in 1994. In July 2004, Caledonia reduced its holding in KI by selling 1.3m shares at \$47.50 per share, whilst retaining some 4.5m shares (13%), as part of a transaction which allowed Istithmar, a company owned by the Government of Dubai, to acquire a 13% holding in KI. Istithmar is KI's partner in building a new \$1.1bn 'Atlantis' resort on The Palm, Jumeirah in Dubai. KI recently announced plans to build a resort casino in Morocco and, subject to enactment of the gambling bill, three in the UK, one of which will be in the Millennium Dome.

# Investment review

continued

Adjusted earnings per share for the nine months to 30 September 2004 amounting to \$2.24 were ahead of \$2.20 for the comparable period last year. The adjustments do not include the short term business interruption effect, estimated at 20 cents per share, associated with the recent hurricanes near to Paradise Island in The Bahamas. Prior to this interruption, results from Atlantis, Paradise Island had been good and bookings have since recovered very strongly. Further investment by KI directly or indirectly through joint ventures of up to \$1bn is planned or underway at Paradise Island.



**A G Barr** valuation: £13.0m; holding: 9.4%

Caledonia has been a long term shareholder and supporter of A G Barr, which manufactures, markets and distributes a range of carbonated soft drinks, including the well known brands of Irn-Bru and Tizer, as well as natural juices and mineral water.

A G Barr recently announced good interim results for the six months to 31 July 2004. In competitive markets, A G Barr was able to grow market share for its leading brands and report marginally higher revenues. With costs well controlled, profitability grew by 10% and the interim dividend was increased by 9%. A G Barr will continue to invest in improving its supply chain efficiency and is confident of its future prospects. The shares rose by 8% over the period under review.

**Incisive Media** valuation: £9.8m; holding: 8.8%

Incisive Media is one of the UK's foremost specialist providers of business information. Through leading magazines, consultancy, conferences and exhibitions, websites and a variety of other platforms, it serves a number of business sectors, especially in retail and wholesale financial markets. Caledonia acquired a 6.4% stake in Incisive Media through supporting a fundraising in April 2004 to finance the acquisition of a specialist private equity publishing business and further purchases of shares were made during the period. Caledonia is represented on the company's board.

Incisive Media has a strong management team owning significant equity and has grown its business successfully since its flotation in December 2000 through a balance of acquisitions, investment in new activities and organic growth in revenues. It recently announced record interim results and places emphasis upon delivering consistent growth in earnings per share, achieved through increased revenues, good cost control and the successful integration of acquired businesses.

**The Sloane Club** valuation: £9.2m; holding: 100%

The Sloane Club is a residential members club, based in the heart of Chelsea. Caledonia bought the Club in 1993, which has since been enlarged and modernised. It currently has a membership of around 3,500. A recent £1m upgrade programme has been successfully completed.

Trading at the Club, although profitable, has been subdued due to a reduced level of visits from overseas affiliated members and competition from heavy discounting in the hotel sector. However, the Club is well placed to reap the rewards of increased volumes as and when trans-Atlantic travel returns to normal levels and the value of the dollar allows greater purchasing power.

## Industrial and services

**Paladin Resources** valuation: £46.2m; holding: 9.4%

Paladin is an independent oil and gas exploration and production company with assets in the North Sea, Indonesia, Romania, Tunisia and Gabon. Caledonia has had an association with the management team from the early 1990s. During the first half, we sold 14% of our holding in Paladin for £6.5m. Despite this, the strength of Paladin's share price has seen the company rise to be the fourth largest investment in our portfolio.

Paladin reported strong results for the half-year to 30 June 2004 with a 9% increase in production driving an increase in turnover to £134.1m. The 7% increase in the interim dividend is also welcome. Paladin announced significant further investment in its North Sea assets alongside the award of a 50% interest in and operatorship of five blocks in Norway. A new \$600m credit facility underpins this investment and gives headroom to fund further acquisitions.

**Offshore Logistics** valuation: £25.7m; holding: 5.7%

Offshore Logistics, in association with Bristow, is the world's largest provider of helicopter transportation services to the oil and gas industry. Caledonia's original investment was in Bristow Helicopters, which formed an association with Offshore Logistics, a NYSE listed company, in 1996.

Over the six months to 30 September 2004, Offshore Logistics' share price increased by almost 50% to \$34.42 on robust performance and the strong sentiment underpinning the international oil price. The company reported net income of \$1.34 per diluted share for the same period, compared with \$0.74 for the comparative period, as the benefits of substantial cost reductions and some rate adjustments on contract pricing assisted margins. The company is well positioned to take advantage of high levels of activity stimulated by continuing demand for drilling and production support from its principal oil industry customers.

**Wallem Group** valuation: £16.4m; holding: 74.4%

Wallem is a maritime services group based in Hong Kong. Caledonia has been a shareholder of Wallem for over 12 years and has board representation. Wallem has been performing very strongly in buoyant shipping markets. It has grown the number of ships under management, improved the profitability of its shipping agency division significantly and recorded very good profits from its shipbroking activities. It finished its year to 30 September 2004 strongly and ahead of budget.

Wallem has also expanded its operations in South Asia and Europe and announced in August a joint venture agency operation, Pen-Wallem, in Shanghai with China's national shipping agency. These moves position Wallem well to take full advantage of continuing growth in trade in the Asian region. Whilst there must be some caution about the sustainability of high charter rates, Wallem has entered its new financial year in very good shape. As a result of the above factors, the valuation of our investment in Wallem has increased by around 50%.

**Melrose Resources** valuation: £15.3m; holding: 6.7%

We built our stake in Melrose Resources, a UK listed oil and gas exploration and production company operating in Bulgaria, Egypt and the USA, over the last year and maintained our holding at 6.7% by participating in its recent placing and open offer, at a cost of £1.0m.

Melrose had a busy and successful first half of 2004. Turnover increased by 125% to £7.9m and earnings per share were 1.99p, against a loss of 0.98p in the previous year. The Galata field in Bulgaria came on stream and there was significant increase in reserves through development drilling in Egypt. Production increased 170% to an average of 3,148 barrels of oil equivalent per day ('boepd') over the six months to 30 June 2004, although the actual daily production rate increased to some 13,000 boepd. During the period, Melrose raised a total of £24.6m to fund working capital and to repay non-project debt.

**Amber Industrial** valuation: £13.0m; holding: 100%

Amber is a speciality chemicals business, focusing on the compounded silicones and specialist industrial consumables markets. In the early summer Amber concluded the successful sale of its aerosol business and, as a result of the sale, relocated its group headquarters and UK silicones operation to a new site. The new UK silicones operation is now up and running and generally trading has been good across the whole group, which has resulted in Amber being slightly ahead of budget at the half year.

**Easybox** valuation: £11.9m; holding: 99.2%

Easybox is a self storage business currently operating four facilities in Italy and two in Spain, which we established in 2000, following the opportune disposal of our investment in Abacus, which we built into a leading UK self storage business.

Easybox's existing facilities continue to make steady progress, although acquiring new sites has been slower than anticipated, but the company remains hopeful that further sites will be secured before the year end.

**Sterling Industries** valuation: £10.0m; holding: 100%

Sterling Industries is an engineering company comprised of three core businesses, Sterling Hydraulics, Bloom Engineering and Process Combustion Corporation ('PCC').

Sterling Hydraulics is a manufacturer of hydraulic valves and manifold blocks primarily for the off-highway machinery market. The company has enjoyed strong growth in the past six months, benefiting from high commodity prices which, in turn, drive demand for mining machinery. Bloom and PCC both operate in the specialist thermal engineering markets. High steel prices in the US, where steel mills are being worked flat out, have yet to benefit Bloom. Bloom's European market remains difficult, though PCC has won some significant projects to add to its encouragingly strong order book.

**Tribal Group** valuation: £9.0m; holding: 7.3%

Tribal is a UK listed leading provider of consultancy and professional support services, predominantly operating in the UK public sector, with particular emphasis on education, local government and health. We were previously a shareholder in Tribal, but divested in 2001. We have recently again been building a significant stake in the company, taking advantage of weakness in the share price.

The public sector markets in which Tribal operates accounted for over £240bn of spending in 2003/04, with substantial committed increases over the next three years. Expenditure on consultancy services by the public sector has tripled since 2000 and more than doubled to £2.15bn between 2002 and 2003. Tribal is well positioned to benefit from this growth.

## Property

**Quintain Estates & Development** valuation: £41.2m; holding: 7.0%

Quintain is a property development company, with a proven track record, specialising in commercial properties. Two of Quintain's projects are at the Greenwich Peninsular and Wembley, which, combined, make one of the largest urban regeneration programmes in the UK.

The share price of Quintain has shown steady growth, driven largely by the progress of the Wembley project, and has recently received a further boost by the announcement of the proposal for a new casino at Wembley, in a joint venture with Caesars Entertainment, one of the world's leading gaming companies.



**Edinmore** valuation: £11.6m; holding: 100%

Edinmore is a wholly-owned property trading and investment company, with a profit sharing arrangement with the management. Edinmore has established an excellent reputation, which attracts many potentially interesting opportunities.

Most of the existing trading stock at Edinmore has been sold successfully. Edinmore continues to look at new trading opportunities, but is currently cautious of a slowing property market.

**Savills** valuation: £9.9m; holding: 3.8%

Savills is a listed property agency and advisory business operating in the UK, continental Europe and the Far East, in which we have built our stake over the last two years. One of Caledonia's directors is a non-executive director of Savills, and our investment in the company complements our other activities in the property sector.

For the first six months to 30 June 2004, Savills' turnover grew by 22% and pre-tax profits increased by 54% as a result of strong performance in the commercial and residential market in the UK and overseas.

**Buckingham Gate** valuation: £9.3m; holding: 100%

Buckingham Gate owns the freehold of the seven-floor, 42,000 sq ft office property at 30 Buckingham Gate, London. The property houses Caledonia's headquarters and the remaining space is let out, some to investee companies.

The decline in the London Victoria office property market of recent years appears to have been arrested and property values have remained steady.

## Managed general funds

**British Empire Securities** valuation: £84.3m; holding: 19.7%

British Empire is a UK investment trust whose objective is to achieve capital growth from a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying net asset values. Caledonia has been a significant shareholder for over ten years and is represented on the board.

In the year to 30 September 2004, British Empire significantly outperformed its benchmark indices, thus reinforcing its long term record of strong performance. Net asset value on a total return basis rose 25.2% and there was a 30.2% increase in British Empire's share price, reflecting a narrowing of its discount. British Empire has been the top performing AITC Global Growth sector investment trust over one and five year periods to September 2004 on a net asset value total return basis.

**Aberforth LP fund** valuation: £33.0m; holding: 25.5%

This Aberforth managed limited partnership fund has a remit to acquire significant shareholdings in smaller UK listed companies and to work with the management of those companies to release latent value.

Having drawn down Caledonia's full commitment of £25m by 31 March 2003, almost £11.5m had been repaid by 30 September 2004 as a result of underlying realisations, leaving a £13.5m net investment in the fund, valued at £33.0m. The IRR, net of management costs and expenses, calculated on limited partners' interests since the fund's launch totalled 29% per annum, based upon both realised and unrealised gains and losses. Since launch, the fund has shown a unitised total return of 133% compared with a fall of 12.2% in the FTSE All-Share index.

**Cobepa** valuation: £22.7m; holding: 9.9%

Compagnie Benelux Paribas SA ('Cobepa') is a Belgian investment company that was listed until taken private by BNP Paribas in 2000. In 2004, Caledonia formed part of a consortium established to back the management team to purchase Copeba from BNP Paribas.

Cobepa has an attractive portfolio of both listed and unlisted investments valued at €449m as at 30 June 2004, the largest being a 30% holding in Dicobel, the parent company of Autoglass. The investment rationale behind Cobepa is to make €20-50m investments in sectors where the management team have particular expertise (industrial, financial services, retail and distribution, food and beverages). It will take either minority stakes (alongside family or financial investors) or majority stakes where the investment is structured as a leveraged buy out. The fund is likely to concentrate its efforts in Benelux, Holland and France.

# Significant holdings

Name	Equity holding %	Country of incorporation	Nature of business	Total £m	Proportion of total assets %
Close Brothers <sup>1,2</sup>	12.5	UK	Merchant banking	124.6	14.5
Kerzner International <sup>1,2</sup>	12.8	Bahamas	Resorts owner/operator	113.4	13.2
British Empire Securities <sup>1,2</sup>	19.7	UK	Investment trust	84.3	9.8
Paladin Resources <sup>1</sup>	9.4	UK	Oil and gas exploration	46.2	5.4
Quintain Estates & Development <sup>1</sup>	7.0	UK	Property holding/development	41.2	4.8
Aberforth LP fund <sup>3</sup>	25.5	UK	Investment fund	33.0	3.9
Rathbone Brothers <sup>1,2</sup>	11.3	UK	Fund management	32.0	3.7
Offshore Logistics <sup>1,2</sup>	5.7	USA	Helicopter services	25.7	3.0
Cobepa <sup>2</sup>	9.9	Belgium	Investment fund	22.7	2.6
Polar Capital and funds <sup>2,3,4</sup>	24.6	UK/Cayman	Fund management and funds	21.9	2.6
F&C Asset Management <sup>1,2</sup>	6.2	UK	Fund management	20.7	2.4
Eddington Capital and funds <sup>2,3,5</sup>	50.0	UK/Cayman	Fund management and funds	16.5	1.9
Wallem <sup>2</sup>	74.4	Cayman	Shipping services	16.4	1.9
Melrose Resources <sup>1</sup>	6.7	UK	Oil and gas exploration	15.3	1.8
Marketform <sup>2</sup>	26.8	UK	Insurance services	15.1	1.8
Oval <sup>2</sup>	34.0	UK	Insurance services	15.0	1.7
Amber Industrial <sup>2</sup>	100	UK	Speciality chemicals	13.0	1.5
A G Barr <sup>1</sup>	9.4	UK	Soft drinks	13.0	1.5
Easybox <sup>2</sup>	99.2	Luxembourg	Self storage	11.9	1.4
Edinmore <sup>2</sup>	100	UK	Property trading/investment	11.6	1.4
Sterling Industries <sup>2</sup>	100	UK	Engineering	10.0	1.2
Savills <sup>1,2</sup>	3.8	UK	Property agency	9.9	1.2
Incisive Media <sup>1,2</sup>	8.8	UK	Publishing	9.8	1.1
Buckingham Gate <sup>2</sup>	100	UK	Property holding	9.3	1.1
The Sloane Club <sup>2</sup>	100	UK	Residential club owner/operator	9.2	1.1
Tribal Group <sup>1</sup>	7.3	UK	Support services	9.0	1.0
SVB Holdings <sup>1,2</sup>	5.3	UK	Insurance	9.0	1.0
Other investments				102.1	11.9
<b>Total investments</b>				<b>861.8</b>	<b>100.4</b>
Net liquid liabilities				(3.7)	(0.4)
<b>Net assets</b>				<b>858.1</b>	<b>100.0</b>
Dividend accrual				(5.5)	
<b>Shareholders' funds</b>				<b>852.6</b>	

1. Equity securities listed on the UK or overseas stock exchanges.

2. Board representation.

3. Advisory committee representation.

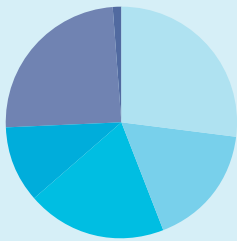
4. Included £6.2m for the management company and £15.7m of funds.

5. Included £0.7m for the management company and £15.8m of funds.

The table above shows all holdings representing 1% or more of total assets.

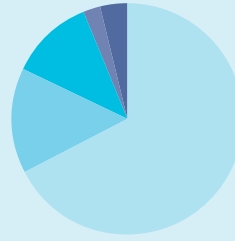
# Portfolio distributions

## Sector



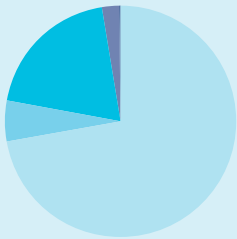
	£m	%
Financial	231.5	27.0
Leisure and media	146.6	17.1
Industrial and services	167.2	19.5
Property	92.2	10.7
Managed general funds	209.9	24.5
Other	10.7	1.2
	858.1	100.0

## Category



	£m	%
Equities – quoted	578.5	67.4
Equities – unquoted	126.3	14.7
Loans and fixed income	100.4	11.7
Private equity LPs	20.5	2.4
Hedge and other funds	32.4	3.8
	858.1	100.0

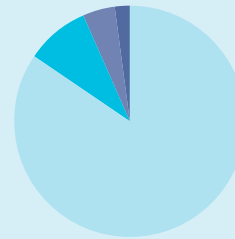
## Geography



	£m	%
United Kingdom	619.5	72.2
Continental Europe	48.8	5.7
North America	167.3	19.5
Asia and Far East	20.7	2.4
Latin America	1.8	0.2
	858.1	100.0

Based on country of domicile or underlying spread for funds.

## Currency



	£m	%
Pounds sterling	724.1	84.4
US dollar	76.7	8.9
Euro	39.0	4.6
Other	18.3	2.1
	858.1	100.0

Based on currency of investment, net of currency hedges.

## Sector weighting against the FTSE All-Share

### Portfolio



### FTSE All-Share



	£m	Portfolio %	FTSE All-Share %
Financial	231.5	27.0	24.4
Leisure and media	146.6	17.1	11.1
Industrial and services	167.2	19.5	22.1
Property	92.2	10.7	4.5
Managed general funds	209.9	24.5	2.4
Other	10.7	1.2	35.5
	858.1	100.0	100.0

Based on Caledonia's grouping of the FTSE industry sectors.

# Unaudited company statement of total return

for the six months ended 30 September 2004

	Six months to 30 September 2004			Six months to 30 September 2003			Year to 31 March 2004		
	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m
Gains/(losses) on investments									
Realised	–	62.2	62.2	–	3.1	3.1	–	20.1	20.1
Unrealised	–	(27.1)	(27.1)	–	186.0	186.0	–	254.2	254.2
	–	35.1	35.1	–	189.1	189.1	–	274.3	274.3
Income	7.2	–	7.2	7.9	–	7.9	21.5	–	21.5
Administrative expenses	(4.9)	–	(4.9)	(3.9)	–	(3.9)	(9.1)	–	(9.1)
Costs of settlement proposals	(0.4)	–	(0.4)	(1.0)	–	(1.0)	(2.5)	–	(2.5)
Return before finance costs and tax	1.9	35.1	37.0	3.0	189.1	192.1	9.9	274.3	284.2
Interest payable	(0.6)	–	(0.6)	(0.6)	–	(0.6)	(1.0)	–	(1.0)
Return before tax	1.3	35.1	36.4	2.4	189.1	191.5	8.9	274.3	283.2
Tax on ordinary activities	0.9	(0.8)	0.1	0.7	–	0.7	–	(0.4)	(0.4)
Return attributable to shareholders	2.2	34.3	36.5	3.1	189.1	192.2	8.9	273.9	282.8
Return per ordinary share									
Basic	3.2p	50.7p	53.9p	4.3p	262.5p	266.8p	12.3p	379.2p	391.5p
Diluted	3.2p	50.5p	53.7p	4.3p	262.5p	266.8p	12.3p	378.4p	390.7p

## Company reconciliation of movement in shareholders' funds

	30 Sep 2004 £m	Restated 30 Sep 2003 £m	Restated 31 Mar 2004 £m
Revenue return	2.2	3.1	8.9
Capital return	34.3	189.1	273.9
Total return	36.5	192.2	282.8
Dividends	(5.5)	(6.0)	(19.4)
Elective special dividend	(88.0)	–	–
Purchase of own shares	(1.0)	–	–
Employee share trust	(0.1)	(0.2)	(0.4)
Movement in the year	(58.1)	186.0	263.0
Opening balance	910.7	647.7	647.7
Closing balance	852.6	833.7	910.7
Dividends per ordinary share	8.7p	8.4p	27.0p

### Basis of preparation and issue of interim report

The interim report is unaudited and has been prepared on the basis of the accounting policies set out in the 2004 annual report, subject to a change in accounting policy to deduct the consideration paid for the shares held by the Caledonia Investments plc Employee Share Trust from shareholders' funds, rather than including the shares held as an asset of the company, in accordance with UITF Abstract 38 'Accounting for ESOP trusts'. Comparative figures have been restated in accordance with this new policy, the effect of which has been to reduce company and consolidated shareholders' funds by £3.7m at 30 September 2003 and £3.9m at 31 March 2004.

The interim report was approved by the board on 18 November 2004. The results for the year ended 31 March 2004 do not constitute the company's statutory accounts. The statutory accounts for that period, which received an unqualified audit report, have been filed with the Registrar of Companies.

### Return per ordinary share

The company return per ordinary share was calculated on the company return attributable to ordinary shareholders of £36.5m (September 2003 – £192.2m, March 2004 – £282.8m) and the 67.730m (September 2003 – 72.033m, March 2004 – 72.235m) weighted average number of ordinary shares in issue during the period, excluding shares held by the Caledonia Investments plc Employee Share Trust and a subsidiary and shares held in treasury.

### Interim dividend

The interim dividend of 8.7p per share will be paid on 6 January 2005 to shareholders on the register at the close of business on 10 December 2004.

# Unaudited company balance sheet

at 30 September 2004

	30 Sep 2004 £m	Restated 30 Sep 2003 £m	Restated 31 Mar 2004 £m
Fixed assets			
<b>Investments</b>	<b>861.8</b>	840.5	893.0
Current assets			
<b>Debtors</b>	<b>7.2</b>	9.6	12.4
<b>Short term deposits</b>	<b>0.3</b>	13.2	32.8
<b>Cash at bank and in hand</b>	<b>2.3</b>	0.5	6.0
	<b>9.8</b>	23.3	51.2
Creditors falling due within one year			
<b>Short term borrowings</b>	<b>-</b>	(3.3)	-
<b>Other creditors</b>	<b>(19.0)</b>	(11.7)	(18.5)
	<b>(19.0)</b>	(15.0)	(18.5)
<b>Net current liabilities</b>	<b>(9.2)</b>	8.3	32.7
<b>Total assets less current liabilities</b>	<b>852.6</b>	848.8	925.7
Creditors falling due after more than one year			
<b>Long term borrowings</b>	<b>-</b>	(4.8)	(4.8)
<b>Amounts due to subsidiary undertaking</b>	<b>-</b>	(10.3)	(10.2)
	<b>-</b>	(15.1)	(15.0)
<b>Net assets</b>	<b>852.6</b>	833.7	910.7
Capital and reserves			
<b>Share capital and premium</b>	<b>4.9</b>	5.3	5.3
<b>Non-distributable reserves</b>	<b>488.3</b>	367.8	454.1
<b>Distributable reserves</b>	<b>359.4</b>	460.6	451.3
<b>Total shareholders' funds</b>	<b>852.6</b>	833.7	910.7
<b>Net asset value per ordinary share</b>			
<b>Before accrued dividend</b>	<b>1349p</b>	1165p	1282p
<b>After accrued dividend</b>	<b>1340p</b>	1157p	1256p

## Net asset value per ordinary share

The company net asset value per ordinary share was calculated on the company net asset value of £852.6m (September 2003 – £833.7m, March 2004 – £910.7m) and the 63.596m (September 2003 – 72.106m, March 2004 – 72.089m) ordinary shares in issue at the end of the period, excluding shares held by the Caledonia Investments plc Employee Share Trust and shares held in treasury.

# Unaudited consolidated profit and loss account

for the six months ended 30 September 2004

	30 Sep 2004 £m	30 Sep 2003 £m	Restated 31 Mar 2004 £m
Turnover	56.4	56.6	125.8
Operating loss	(4.5)	(3.8)	(11.4)
Income from investments	6.4	5.3	17.3
Interest receivable	0.5	0.6	1.1
Interest payable	(1.2)	(0.3)	(0.8)
Profit on ordinary activities before tax	1.2	1.8	6.2
Tax on profit on ordinary activities	0.1	(0.7)	(2.2)
Profit on ordinary activities after tax	1.3	1.1	4.0
Minority interests (equity)	(0.1)	(0.1)	(0.1)
Profit for the financial period	1.2	1.0	3.9
Dividends	(5.5)	(6.0)	(19.4)
Loss charged for the financial period	(4.3)	(5.0)	(15.5)
Earnings per ordinary share – basic and diluted	1.8p	1.4p	5.4p
Dividends per ordinary share	8.7p	8.4p	27.0p

# Unaudited consolidated statement of total recognised gains and losses

for the six months ended 30 September 2004

	30 Sep 2004 £m	30 Sep 2003 £m	Restated 31 Mar 2004 £m
Gains/(losses) on investments			
Realised	62.2	3.1	21.3
Unrealised	(28.0)	206.5	249.1
Exchange differences	0.8	(1.0)	(3.7)
Tax on sales of investments	(1.1)	–	(0.4)
Minority interests (equity)	–	–	(0.1)
Other recognised gains and losses	33.9	208.6	266.2
Profit for the financial period	1.2	1.0	3.9
Total recognised gains and losses	35.1	209.6	270.1

## Earnings per ordinary share

Basic earnings per ordinary share were calculated on the profit for the financial period of £1.2m (September 2003 – £1.0m, March 2004 – £3.9m) and the 67.730m (September 2003 – 72.033m, March 2004 – 72.235m) weighted average number of ordinary shares in issue during the period, excluding shares held by the Caledonia Investments plc Employee Share Trust and a subsidiary and shares held in treasury. The dilution in the earnings arising from the dilutive potential ordinary shares under the company's share option schemes in respect of the current and prior periods was insignificant.

# Unaudited consolidated balance sheet

at 30 September 2004

	30 Sep 2004 £m	Restated 30 Sep 2003 £m	Restated 31 Mar 2004 £m
Fixed assets			
<b>Intangible assets</b>	<b>4.7</b>	6.4	4.9
<b>Tangible assets</b>	<b>82.4</b>	85.0	84.1
<b>Investments</b>	<b>803.3</b>	741.9	831.0
	<b>890.4</b>	833.3	920.0
Current assets			
<b>Stocks</b>	<b>26.0</b>	32.8	26.4
<b>Debtors</b>	<b>31.7</b>	29.0	36.6
<b>Short term deposits</b>	<b>1.3</b>	16.1	40.2
<b>Cash at bank and in hand</b>	<b>10.0</b>	7.5	14.6
	<b>69.0</b>	85.4	117.8
Creditors falling due within one year			
<b>Short term borrowings</b>	<b>(1.4)</b>	(3.7)	(4.3)
<b>Other creditors</b>	<b>(39.8)</b>	(38.3)	(50.0)
	<b>(41.2)</b>	(42.0)	(54.3)
<b>Net current assets</b>	<b>27.8</b>	43.4	63.5
<b>Total assets less current liabilities</b>	<b>918.2</b>	876.7	983.5
Creditors falling due after more than one year			
<b>Long term borrowings</b>	<b>(36.7)</b>	(18.6)	(42.3)
Provision for liabilities and charges			
<b>Deferred taxation</b>	<b>(1.1)</b>	(1.6)	(1.5)
	<b>880.4</b>	856.5	939.7
Minority interests			
<b>Equity</b>	<b>(0.6)</b>	(0.8)	(0.8)
<b>Non-equity</b>	<b>(0.3)</b>	(0.3)	(0.3)
	<b>879.5</b>	855.4	938.6
Capital and reserves			
<b>Share capital and premium</b>	<b>4.9</b>	5.3	5.3
<b>Capital redemption reserve</b>	<b>1.2</b>	1.2	1.2
<b>Revaluation reserve</b>	<b>241.7</b>	227.9	270.7
<b>Profit and loss account</b>	<b>631.7</b>	621.0	661.4
<b>Shareholders' funds</b>	<b>879.5</b>	855.4	938.6

# Unaudited company and consolidated cash flows

for the six months ended 30 September 2004

	Company			Group		
	30 Sep 2004 £m	30 Sep 2003 £m	31 Mar 2004 £m	30 Sep 2004 £m	Restated 30 Sep 2003 £m	Restated 31 Mar 2004 £m
Net cash inflow from operating activities	3.9	(1.4)	3.1	8.2	(5.8)	(0.2)
Servicing of finance	(0.6)	(0.6)	(1.0)	(1.3)	(0.4)	(0.8)
Taxation	0.9	(0.7)	(1.3)	(1.1)	(1.3)	(1.8)
Capital expenditure	–	–	–	0.4	(3.0)	(6.2)
Investments purchased	(85.9)	(76.3)	(129.8)	(83.3)	(44.2)	(96.1)
Investments sold	151.4	70.8	155.2	144.5	40.0	108.6
Acquisitions and disposals	–	–	–	0.1	(3.1)	(8.6)
Equity dividends paid	(13.4)	(13.1)	(19.1)	(13.4)	(13.1)	(19.1)
	56.3	(21.3)	7.1	54.1	(30.9)	(24.2)
Management of liquid resources	32.5	25.7	6.1	38.9	27.8	3.7
Financing	(4.4)	–	–	(6.8)	4.7	27.2
Elective special dividend	(88.0)	–	–	(88.0)	–	–
Decrease in cash in the period	(3.6)	4.4	13.2	(1.8)	1.6	6.7

## Reconciliation of net cash flows to movement in net funds

	Company			Group		
	30 Sep 2004 £m	30 Sep 2003 £m	31 Mar 2004 £m	30 Sep 2004 £m	30 Sep 2003 £m	31 Mar 2004 £m
Decrease in cash in the period	(3.6)	4.4	13.2	(1.8)	1.6	6.7
Cash outflow from decrease in debt	3.4	–	–	6.0	(4.4)	(27.1)
Cash inflow from decrease in deposits	(32.5)	(25.7)	(6.1)	(38.9)	(27.8)	(3.7)
Change in net funds resulting from cash flows	(32.7)	(21.3)	7.1	(34.7)	(30.6)	(24.1)
Finance leases	–	–	–	–	(0.2)	–
Acquisitions	–	–	–	–	(10.9)	(10.4)
Exchange differences	–	–	–	(0.3)	(0.2)	(0.5)
Movement in net funds in the period	(32.7)	(21.3)	7.1	(35.0)	(41.9)	(35.0)
Opening balance of net funds	34.0	26.9	26.9	8.2	43.2	43.2
Closing balance of net funds	1.3	5.6	34.0	(26.8)	1.3	8.2

# Independent review report by KPMG Audit Plc

to Caledonia Investments plc

## Introduction

We have been engaged by the company to review the financial information set out on pages 10 to 14 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

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 Listing Rules of the Financial Services Authority. 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 interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

## Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review of interim financial information issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

## Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2004.

The image shows a stylized signature of 'KPMG Audit Plc' in blue ink, written in a cursive, handwritten style.

KPMG Audit Plc  
Chartered Accountants  
London  
18 November 2004

# Investor information

## Key dates

The company publishes on its website a monthly fact sheet shortly after the month end, which includes its net asset value per share. Annual results are announced in late May and interim results are announced in mid November. Annual reports are posted to shareholders in mid June and interim reports in late November.

The company holds its annual general meetings in London in mid July. The interim dividends are paid in early January and final dividends are paid in late July.

## Investing in Caledonia

Ordinary shares in Caledonia may be bought or sold directly through a stockbroker, accountant, other independent financial adviser or through a number of banks and building societies. Its shares can be treated as qualifying investments for the purpose of the PEP and ISA rules. In addition, investors may buy shares through the Caledonia Investments Share Savings Plan and the Caledonia Investments Individual Savings Account ('ISA'), further information on which can be found below.

## Share Savings Plan and ISA

The company has made arrangements for a share savings plan and an ISA to be made available to allow investors to purchase Caledonia shares in a flexible manner and, in the case of the ISA, to hold them tax efficiently. The Caledonia Investments Share Savings Plan is operated by Capita IRG Trustees Ltd and the Caledonia Investments ISA by Capita Financial Managers Ltd. Both are designed to allow lump sum and regular savings into the company's shares, offering regular monthly savings from £50, lump sum investments from £500, half yearly statements and automatic dividend reinvestment. Investment in Caledonia Investments ISA is subject to the maximum permitted amounts of £7,000 per annum for a Maxi ISA and £3,000 per annum for a Mini ISA (up to tax year 2006).

For details of the Caledonia Investments Share Savings Plan, please contact Regulated Business at Capita IRG Trustees Ltd, 34 Beckenham Road, Beckenham, Kent BR3 4TU, or telephone 0870 162 3100. For details of the Caledonia Investments ISA, please contact Capita Financial Managers Ltd at Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0GA or telephone 020 7556 8800. Documentation for both the Share Savings Plan and the ISA are available on Caledonia's website.

## Share price and other information

The market price of the company's ordinary shares is published in The Financial Times and other leading newspapers. The share price and details of the company's performance can be found on the company's website at [www.caledonia.com](http://www.caledonia.com). The London Stock Exchange Daily Official List ('SEDOL') code is 0163992.

The company is a member of the Association of Investment Trust Companies ('AITC') and contributes to the AITC's monthly information services.

#### Executive directors

Peter N Buckley (chairman)  
Timothy C W Ingram (chief executive)  
Jonathan H Cartwright (finance director)  
The Hon Charles W Cayzer  
John M May

#### Non-executive directors

James R H Loudon (deputy chairman)  
Charles M Allen-Jones (senior independent)  
Mark E T Davies  
David G F Thompson  
Michael G Wyatt MBE

#### Associate directors

Anthony J Carter  
Jamie M B Cayzer-Colvin  
Graeme P Denison  
Jonathan R Hale  
Anthony E G Hambro  
Paul M Whiteley  
William P Wyatt

#### Secretary

Graeme P Denison

#### Registered office

Cayzer House  
30 Buckingham Gate  
London SW1E 6NN

#### Registered number

Registered in England no 235481

#### Auditors

KPMG Audit Plc  
1 Canada Square  
Canary Wharf  
London E14 5AG

#### Registrars

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU  
Tel: 0870 162 3100

#### Computershare Investor Services Ltd

Private Bag 92119  
Auckland 1020  
New Zealand  
Tel: +64 9 488 8777

#### Brokers

Cazenove & Co. Ltd  
20 Moorgate  
London EC2R 6DA

#### First NZ Capital Securities

PO Box 3394  
10th Floor Caltex Tower  
282-292 Lambton Quay  
Wellington  
New Zealand

#### Solicitors

Freshfields Bruckhaus Deringer  
65 Fleet Street  
London EC4Y 1HS

#### Financial advisers

N M Rothschild & Sons Ltd  
New Court  
St Swithin's Lane  
London EC4P 4DU

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

tel 020 7802 8080  
fax 020 7802 8090  
email [enquiries@caledonia.com](mailto:enquiries@caledonia.com)  
web [www.caledonia.com](http://www.caledonia.com)

