



**CALEDONIA**  
INVESTMENTS

Performance driven

Interim results to 30.09.04

18 November 2004



# Introduction

Peter Buckley

Chairman

# About Caledonia

- Investment trust from 1 April 2003
- AITC Global Growth sector
- FTSE 250
- 33.2% owned by Cayzer Trust Company, 45.2% wider concert party
- Market capitalisation £800m

# Objectives

- Outperform FTSE All-Share Total Return over 5 and 10 years
- Maintain a progressive dividend

# Key differentiators

- Large influential stakes
- Long term investor – but not a forever investor
- Valued reputation ⇔ strong deal flow
- Added value of constructive active management
- Self-managed/stable management team
- £360m of distributable reserves
- Scope for moderate gearing – currently £70m committed bank facilities available
- Outperformance

## Highlights to 30 September 2004

- NAV increase of 5.2% since 31.03.04 - 1.8% outperformance
- TSR\* increase: 104% over 5 years – 111% outperformance  
: 145% over 10 years – 38% outperformance
- AITC\* sector ranking: - 1<sup>st</sup> out of 24 trusts – 5 years  
- 4<sup>th</sup> out of 22 trusts – 10 years

\*See Appendix for notes and definitions

## Highlights to 30 September 2004 (continued)

- Elective special dividend of £88m and capital reduction
- 8.7p per share interim dividend – 3.6% increase
- £83m invested and £145m realised
- Share price discount narrowed
- Increased retail ownership/New Zealand listing 1 November

# Business review

Tim Ingram

Chief Executive

## Performance to 30 September 2004

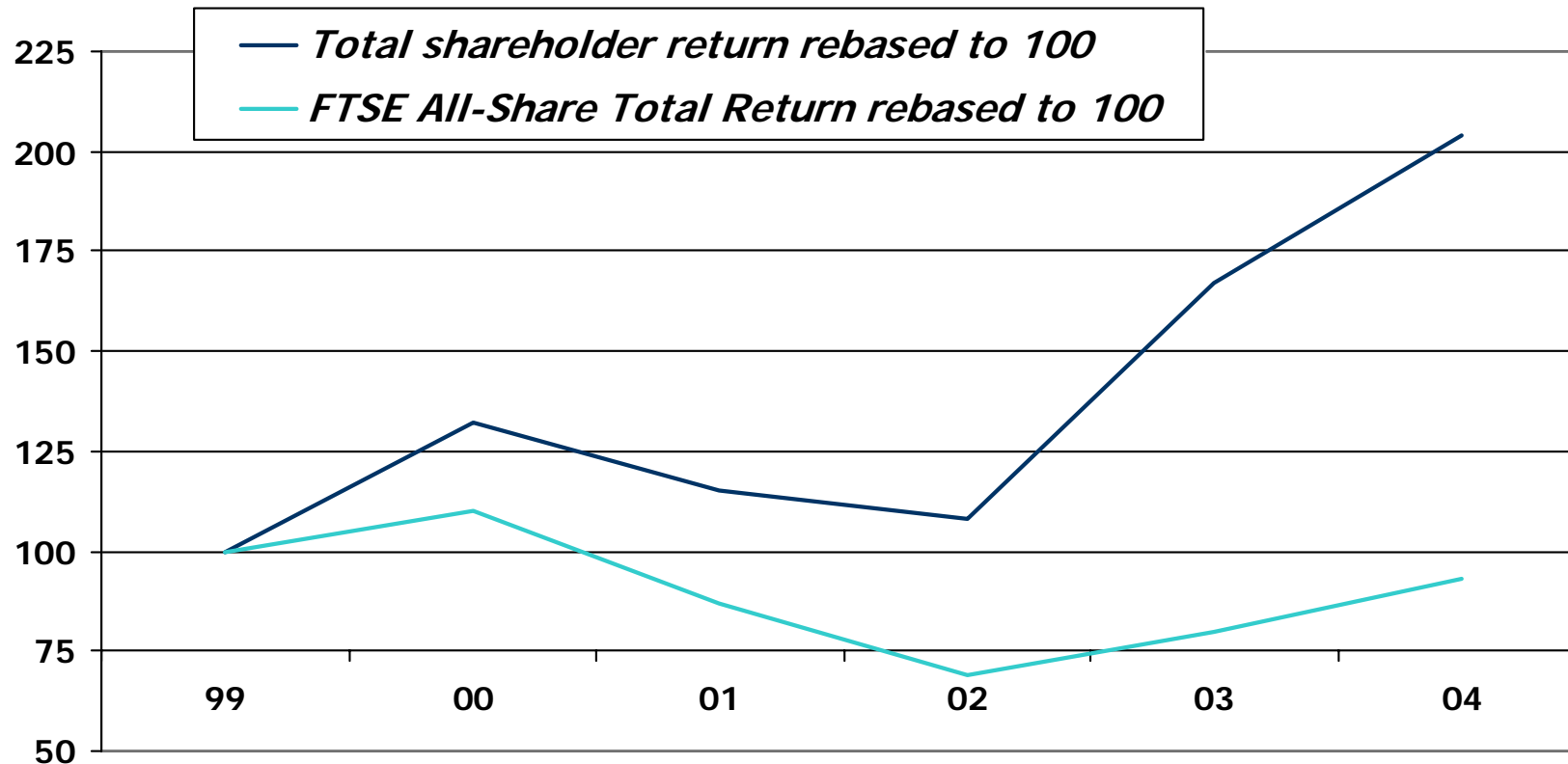
	5 year %	10 year %
Total shareholder return (gross* basis)	104.1	144.8
FTSE All-Share total return	-7.1	106.8
TSR outperformance	<u>111.2</u>	<u>38.0</u>
Total shareholder return (net* basis)	104.1	138.1
AITC Global Growth	1.2	78.5
Outperformance	<u>102.9</u>	<u>59.6</u>

\*See Appendix for notes and definitions

## Summary of the six months to 30 September 2004

	30.09.04	31.03.04	Change
Net asset value per ordinary share	1349p	1282p	+5.2%
Share price	1088p	1017p	+7.0%
FTSE All-Share Index	2271.7	2197.0	+3.4%
Net asset value per ordinary share – total return			+6.7%
AITC Global Growth change in NAV total return			+1.9%
Interim dividend per ordinary share	8.7p	8.4p	+3.6%

## Total return: 5 year to 30 September 2004



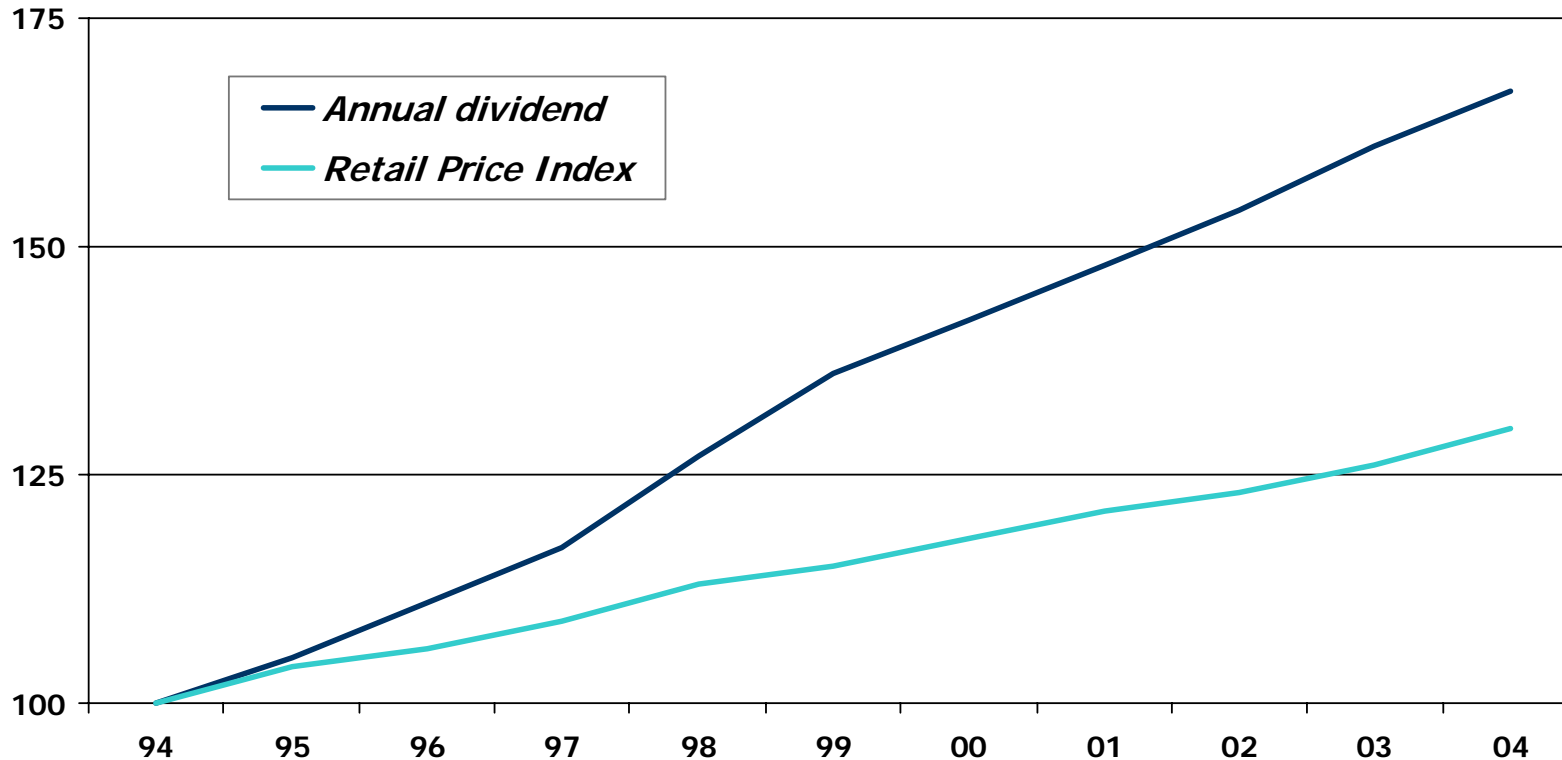
Caledonia TR CAGR

+15.3%

FTSE All-Share TR CAGR

-1.5%

# Annual dividend growth

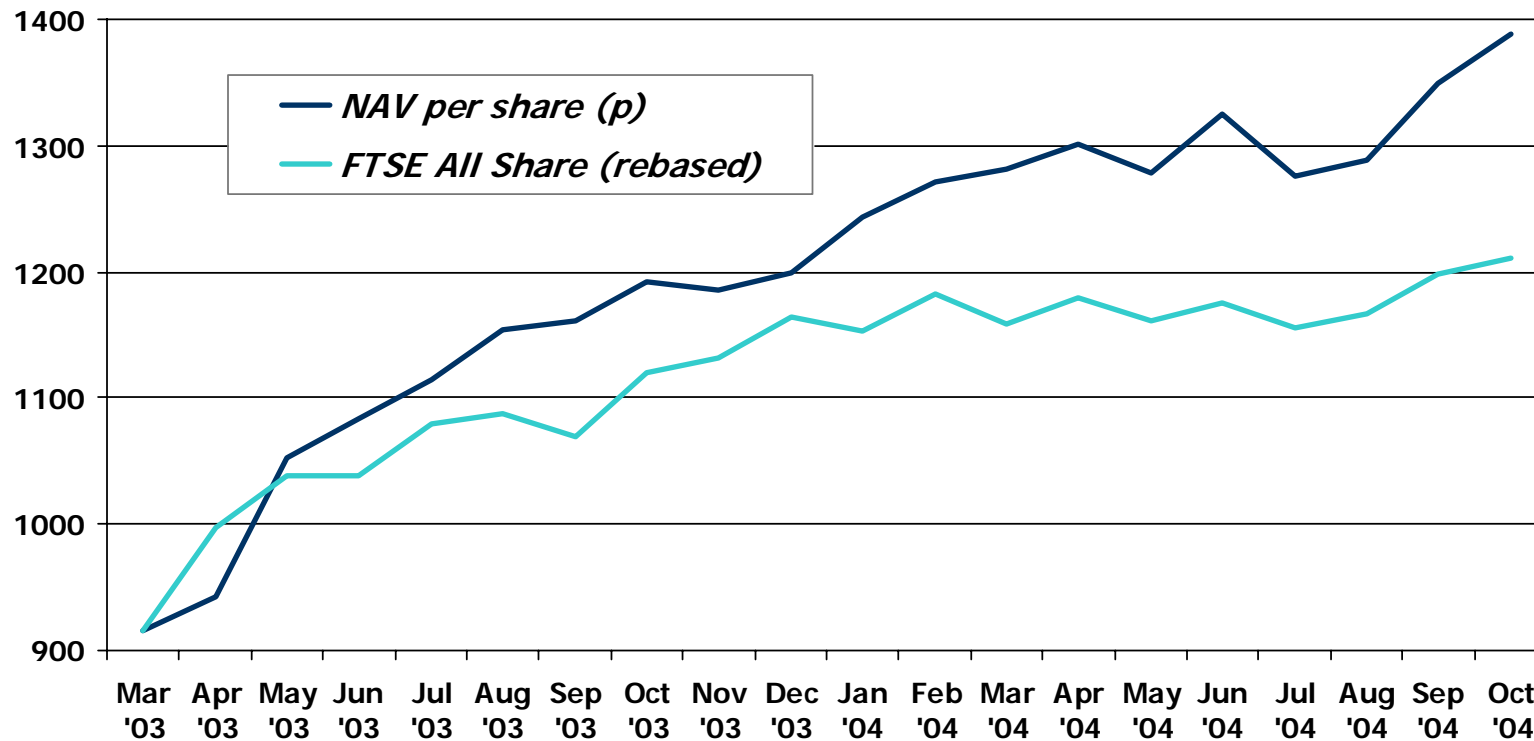


Caledonia dividend CAGR 5.2%

RPI 2.6%

**Caledonia has a 37 year record of annual dividend growth**

# NAV performance since conversion



## Performance attribution for the 6 months to 30.09.04 and 18 months since conversion

	6 month change (%)	Since conversion (%)
Caledonia net asset performance	5.2%	47.4%
FTSE All-Share Index	3.4%	30.9%
<b>Outperformance</b>	<b>1.8%</b>	<b>16.5%</b>
Outperformance due to sector selection	-1.2%	5.7%
Outperformance due to stock selection*	1.2%	10.8%
Overhead costs as a % of NAV	-0.5%	-1.9%
Special advisory costs as a % of NAV	-	-0.4%
NAV enhancement (elective special dividend)	2.3%	2.3%
<b>Outperformance</b>	<b>1.8%</b>	<b>16.5%</b>

# Major outperformers – 6 months to 30 September 2004 and 18 months since conversion

	6 month period		Since conversion	
	Movement in underlying value (£m)	Movement (%)	Movement in underlying value (£m)	Movement (%)
Paladin Resources	15.3	41%	27.0	125%
Offshore Logistics	8.5	41%	12.1	40%
British Empire Securities	7.7	10%	36.4	76%
Aberforth Ltd Partnership	5.9	18%	21.9	113%
Wallem Group	5.7	53%	9.1	125%
Melrose Resources	4.7	49%	8.4	n.a.
Kerzner International*	3.1	2%	63.6	76%
Quintain Estates	2.7	7%	21.2	96%
Cobepa	2.7	14%	2.7	n.a.
Bioquell	2.5	45%	4.0	98%
<b>Total (c/fwd)</b>	<b>58.8</b>		<b>206.4</b>	
FTSE All-Share Index		3%		31%

\*See Appendix for notes and definitions

## Relative underperformers – 6 months to 30 September 2004 and 18 months since conversion

	6 month period		Since conversion	
	Movement in underlying value (£m)	Movement (%)	Movement in underlying value (£m)	Movement (%)
Close Brothers	-21.5	-11%	57.9	47%
SVB Holdings	-6.5	-42%	-5.0	n.a.
Rathbone Brothers	-2.9	-8%	11.3	55%
<b>Total</b>	<b>-30.9</b>		<b>64.2</b>	
Total (b/fwd)	58.8		206.4	
Other	-5.8		11.2	
<b>Total</b>	<b>22.1</b>		<b>281.8</b>	
FTSE All-Share Index		3%		31%

# Investments

for the six months to 30 September 2004

## i) New investments

	Percentage held	£m	£m
Cobepa	10.0%	20.0	
Incisive Media	8.8%	10.6	
Berkshire Capital	30.0%	5.1	
Omniport	37.8%	5.0	
Terrace Hill	7.5%	4.1	
		<hr/>	
		<b>C/fwd</b>	<b>44.8</b>

# Investments-continued

for the six months to 30 September 2004

## ii) Follow on investments

	Aggregate held	£m	£m
Oval	34.0%	10.5	
Tribal Group	7.3%	8.4	
Redleaf V	48%	4.9	
Polar funds*	n.a.	3.3	
Other	n.a.	10.6	
			37.7
New investments (b/fwd)			44.8
<b>Total investment in six months</b>			<b>82.5</b>

\*See Appendix for notes and definitions

## Divestments for the six months to 30 September 2004

	£m
Close Brothers (rebalancing 17.6% to 12.5%)	57.1
Kerzner International (rebalancing 20.2% to 12.8%)	33.6
Radio Investments	13.8
Polar funds*	8.1
Redleaf II	7.0
Paladin (rebalancing 11.1% to 9.4%)	6.5
Aberforth (distribution)	5.8
Other	13.3
<b>Total</b>	<b>145.2</b>

\*See Appendix for notes and definitions

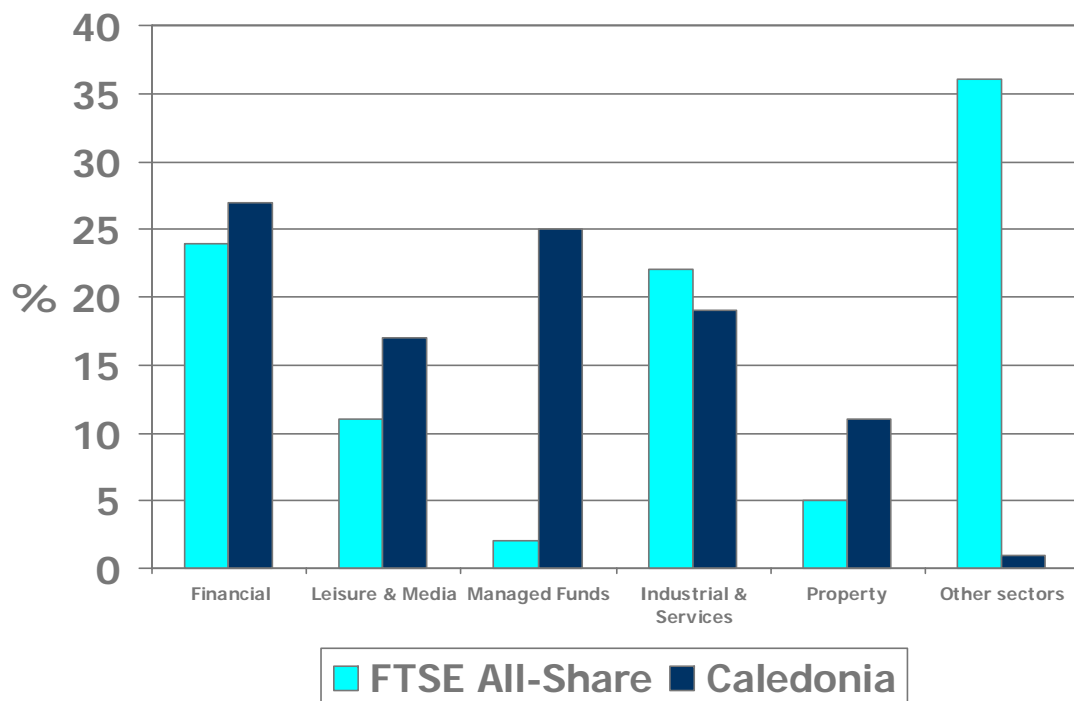
# Finance Review

Jonathan Cartwright

Finance Director

# Portfolio Information

Sector distribution as at 30 September 2004



Sector	FTSE All-Share %	Caledonia %	Board Policy Limit* %
Financial	24	27	40
Leisure & Media	11	17	30
Managed Funds	2	25	30
Ind'l & Services	22	19	30
Property	5	11	20
Other sectors	36	1	10
	100	100	

\*No sector minimum requirement

## Portfolio Information (continued)

- Split of total assets as at 30 September 2004

	%
Quoted investments	67
Unquoted investments	33
	<hr/>
	100
	<hr/>

- Not less than 50% of total assets to be held in quoted investments or liquid assets
- Scope for gearing to enhance shareholders' returns
  - Board policy: maximum 20% of net assets
  - Term bank facilities £70m at 30 September 2004

## Cashflow six months to 30 September 2004

	£m
Cash at 1 April 2004*	38.8
Acquisitions	(85.9)
Disposals	151.4
Ordinary dividends	(13.4)
Elective special dividend	(88.0)
Investment income	9.7
Overheads	(4.9)
Special advisory costs	(0.4)
Other	(4.7)
Cash at 30 September 2004*	<u>2.6</u>

See Appendix for notes and definitions

## Company total return six months to 30 September 2004

	£m	£m
Gains on investments	35.1	
Income from investments	7.2	
	<hr/>	42.3
Expenses – management	(4.9)	
Special advisory costs	(0.4)	
Interest/charges	(0.6)	
	<hr/>	(5.9)
		<hr/>
		36.4
Taxation		0.1
		<hr/>
		36.5
		<hr/>
Total return per share (basic)		53.9p

# Caledonia Investments plc [CLDN]

- Key advantages
  - Distinctive business model
    - Long term approach
    - Favoured access to opportunities
    - Added value of active management
      - Board representation/advisory position on c.80% of portfolio by value
    - Stable management team
  - ⇒ Top ranked performance
  - Dividend
    - £360m of distributable reserves
    - 37 year record of increases

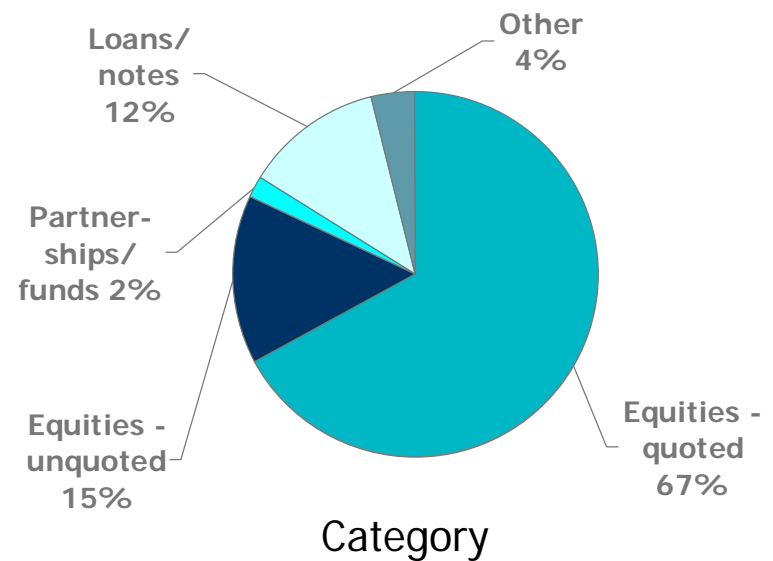
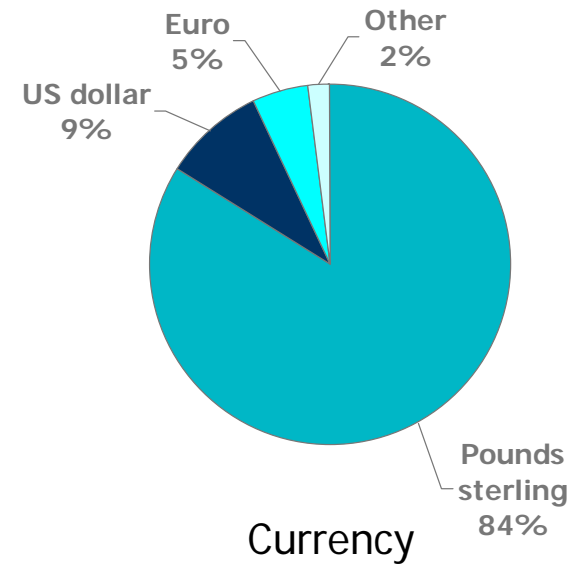
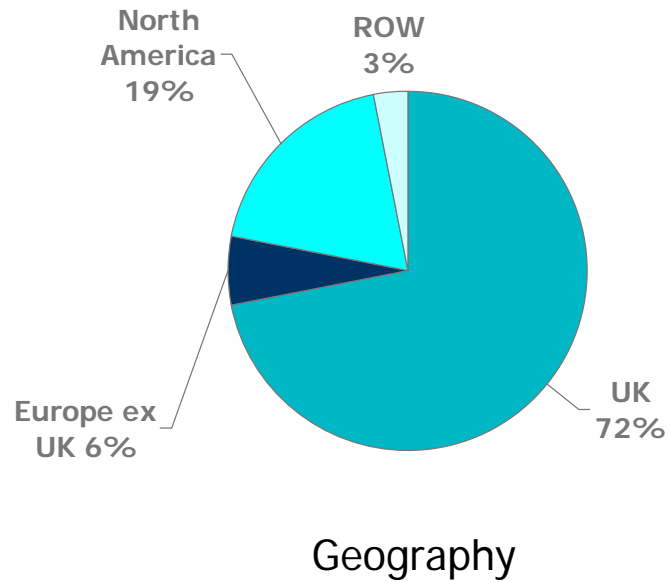


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INVESTMENTS

## Appendix



# Total assets distribution at 30 September 2004



# Notes and definitions

## Page 5

- TSR represents total shareholder return, being the theoretical growth in the value of a Caledonia shareholding assuming that dividends are reinvested at the prices prevailing on their ex-dividend dates. Performance measured against FTSE All-Share Total Return Index.
- Measured against the AITC Global Growth sector

## Page 8

- 10 year figures gross and net of ACT for comparability

## Page 14

- Includes value of US\$ hedge

## Page 17 and 18

- Net divestment in Polar funds of £4.8m

## Page 22

- Cash in hand plus short term deposits