



**CALEDONIA**  
INVESTMENTS

Performance driven

**Preliminary results to 31.03.03**

29 May 2003



# Introduction

Peter Buckley

Chairman

# About Caledonia

- An investment trust company from 1 April 2003
- Included in AITC Global Growth sector
- Quoted on LSE since 1960 (FTSE 250)
- 37.7% owned by Cayzer Trust, 49.9% by wider concert party
- Market capitalisation £531m (30 April 2003)

# Objectives

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

# Business review

## Tim Ingram

Chief Executive

# Highlights

- Successful investment trust conversion
- Substantial TSR<sup>1</sup> outperformance (22% over 5 years, 62% over 10 years)
- Top quartile performance over 5 and 10 years<sup>2</sup>
- NAV down 19% – outperformance of 13%<sup>3</sup>
- 36th year of annual dividend increase<sup>4</sup>, 4% for 2002/3
- £60m invested/£36m divested
- Strong balance sheet, with £49m cash<sup>5</sup>

<sup>1</sup> 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.

<sup>2</sup> Measured against the AITC Global Growth sector

<sup>3</sup> Measured against FTSE All-Share Index

<sup>4</sup> Excluding special dividends of 30p and 70p per share in relation to 1997 and 2000 respectively

<sup>5</sup> Including £9m net cash in subsidiaries

# Performance

	5 year %	10 year %
Total shareholder return <sup>1</sup>	-7.0	133.1
FTSE All-Share total return	-28.8	71.0
TSR outperformance	21.8	62.1
AITC Global Growth	-27.4	51.3
Dividend increase (excluding specials) <sup>2</sup>	26.8	73.3

<sup>1</sup> 5 year TSR to 30 April 2003 is +3.5% vs FTSE All-Share TSR –22.5%

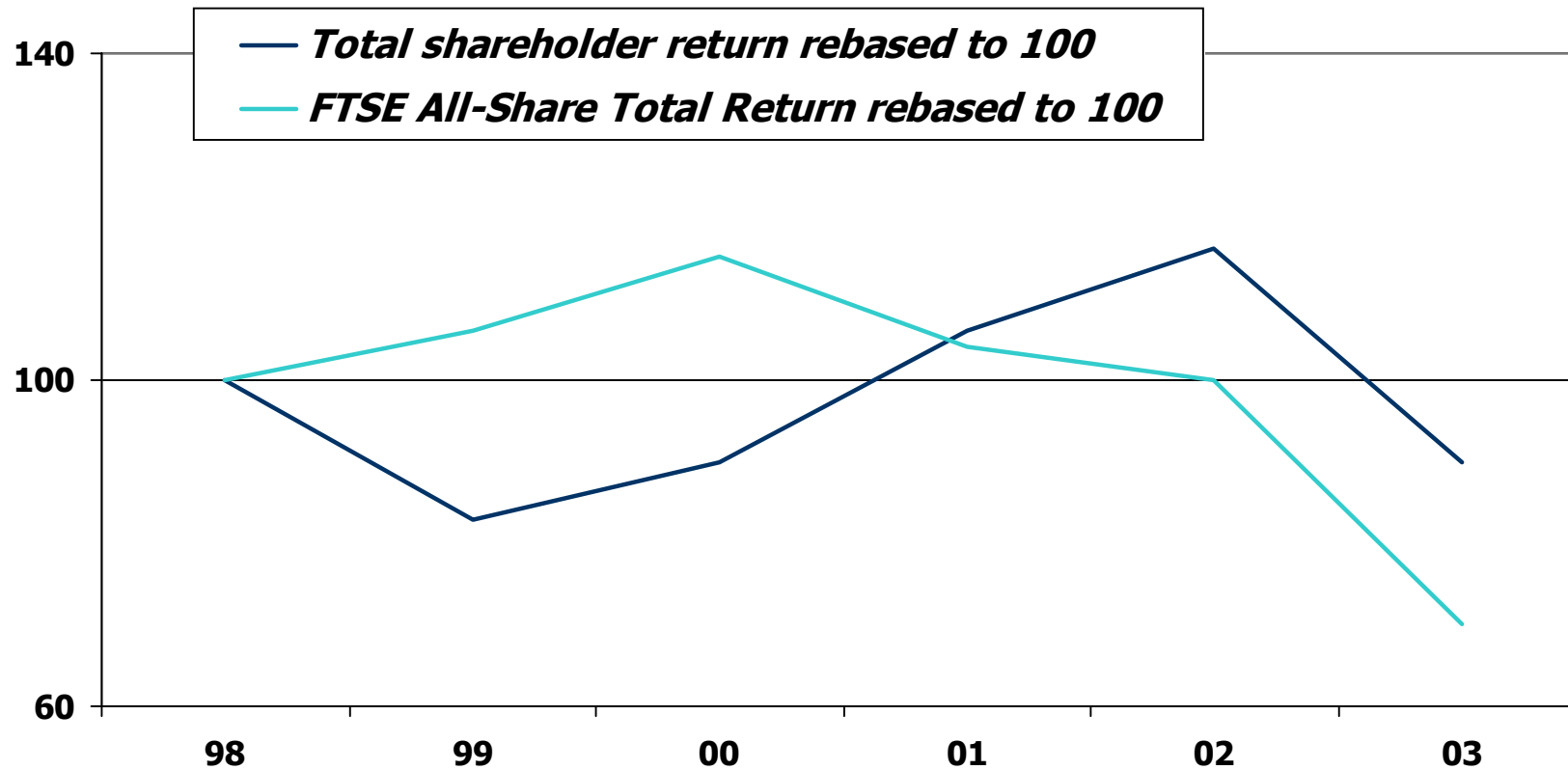
<sup>2</sup> Special dividends of 30p and 70p per share were paid in relation to 1997 and 2000 respectively, and are not included in this parameter

## Summary of the year

	2003	2002	Change
Net asset value per ordinary share	897p	1109p <sup>1</sup>	-19.1%
Share price	642.5p	847.5p	-24.2%
FTSE All-Share index	1735.7	2557.4	-32.1%
AITC Global Growth NAV			-30%
Dividends per ordinary share	26.0p	25.0p	+4.0%

<sup>1</sup> After deducting 63p per share calculated as the amount of tax theoretically payable were the portfolio to have been realised at 31 March 2002

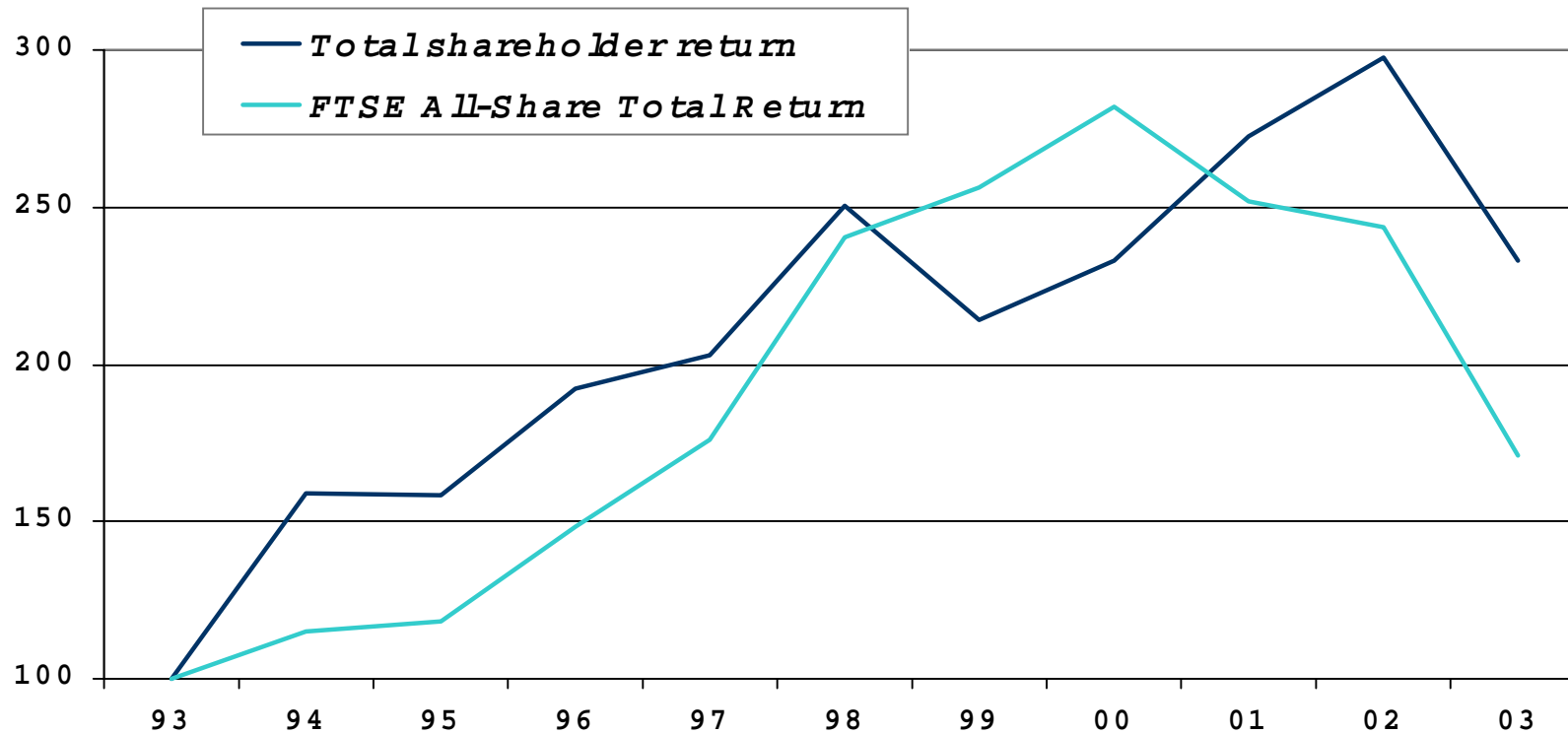
# Total return: 5 year



**Caledonia TR CAGR** **-1.4%**

**FTSE All-Share TR CAGR** **-6.6%**

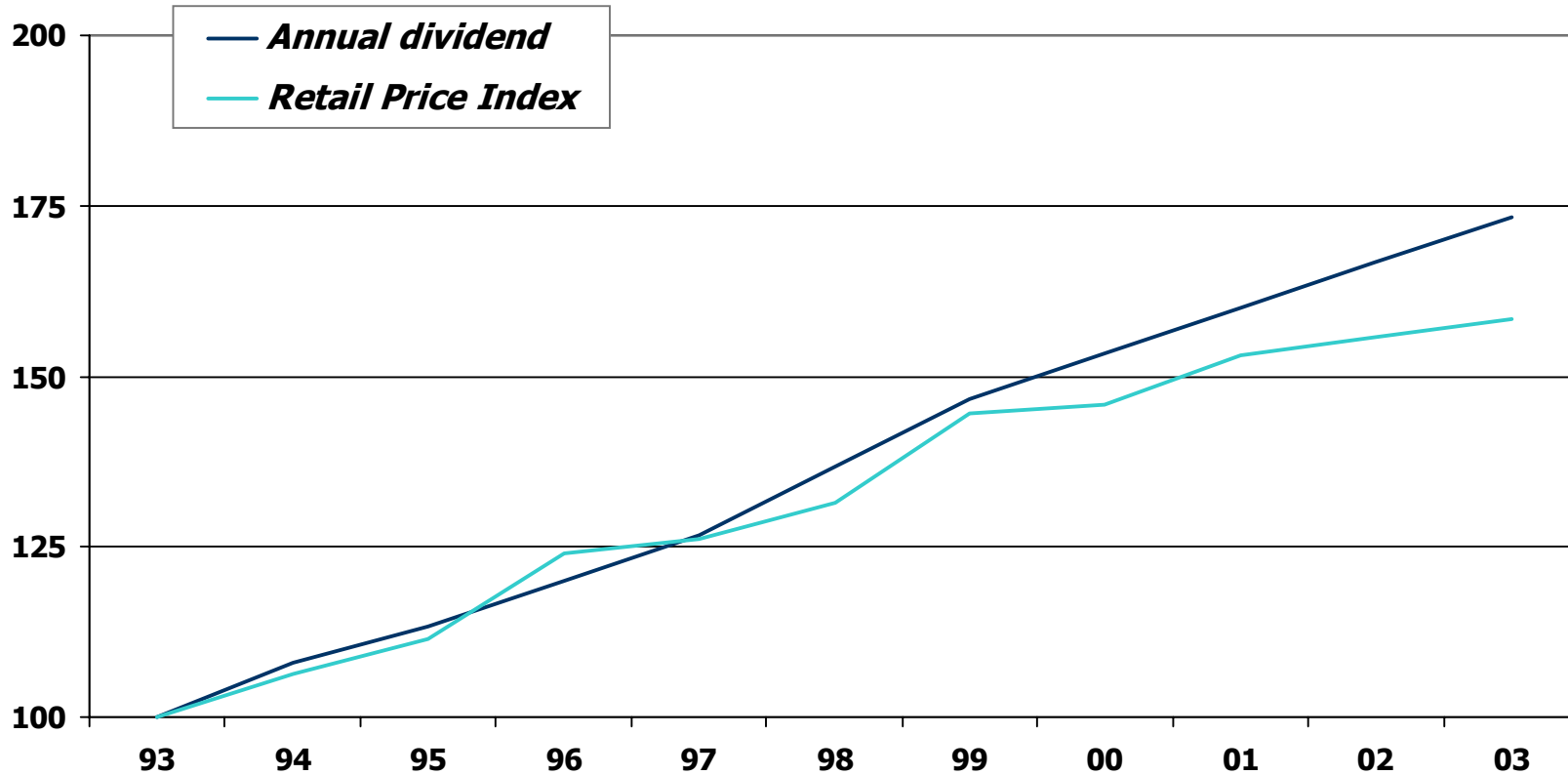
# Total return: 10 year



**Caledonia TR CAGR** **8.8%**

**FTSE All-Share TR CAGR** **5.5%**

# Annual dividend growth



Excluding special dividends of 30p and 70p per share in relation to 1997 and 2000 respectively

**Caledonia dividend CAGR**                      **5.7%**

**RPI**    **4.7%**

## Major outperformers

	Value 1 Apr 02	Additions/ (Disposal)	<b>Movement in underlying value</b>	Value 31 Mar 03	Share price Movement
	£m	£m	<b>£m</b>	£m	
<b>ICAP</b>	31.0	(15.8)	<b>+4.4</b>	19.6	18.6%
<b>Paladin Resources</b>	6.5	11.1	<b>+4.0</b>	21.6	48.5%
<b>Meinl European Land</b>	6.2	(0.6)	<b>+3.0</b>	8.6	
<b>Easybox</b>	6.3	-	<b>+1.2</b>	7.5	
<b>Quintain</b>	19.8	1.5	<b>+0.8</b>	22.1	3.6%
<b>AG Barr</b>	8.3	0.1	<b>+0.4</b>	8.8	3.2%
<b>Cash</b>	57.1	(16.8)	-	40.3 <sup>1</sup>	

<sup>1</sup> Excluding £9m net cash in subsidiaries

## Major value reductions

	Value 1 Apr 02	Additions/ (Disposal)	<b>Movement in underlying value</b>	Value 31 Mar 03	Share price Movement
	£m	£m	£m	£m	
<b>Close Brothers</b>	189.2	-	<b>-65.4</b>	123.8	-34.5%
<b>Rathbones</b>	36.3	1.4	<b>-17.0</b>	20.7	-45.1%
<b>Wallem</b>	22.1	-	<b>-14.8</b>	7.3	
<b>ISIS Asset Management</b>	20.0	0.2	<b>-7.0</b>	13.2	-34.8%
<b>FTSE All-Share Index</b>					<b>-32.1%</b>
<b>Kerzner</b>	111.4	-	<b>-28.0</b>	83.4	-16.5%
<b>British Empire</b>	62.3	-	<b>-14.4</b>	47.9	-23.1%

# Investments

for the year to 31 March 2003

## i) New investments

	£m	£m
Polar Japan fund	4.9	
Polar Capital Market Neutral Absolute Return fund	3.1	
GPI/GPG	3.1	
Ashby Park	3.0	
FCPR Pragma Fund	2.0	
Savills	1.3	
Nova Capital	0.8	
	C/fwd	18.2

# Investments-continued

for the year to 31 March 2003

## ii) Follow on investments

	£m	£m
Aberforth <sup>1</sup>	12.5	
Paladin	11.1	
Rathbones	1.4	
Funds/Other	16.8	
	<hr/>	41.8
New investments (b/fwd)		18.2
Total investment in year		<hr/> 60.0 <hr/>

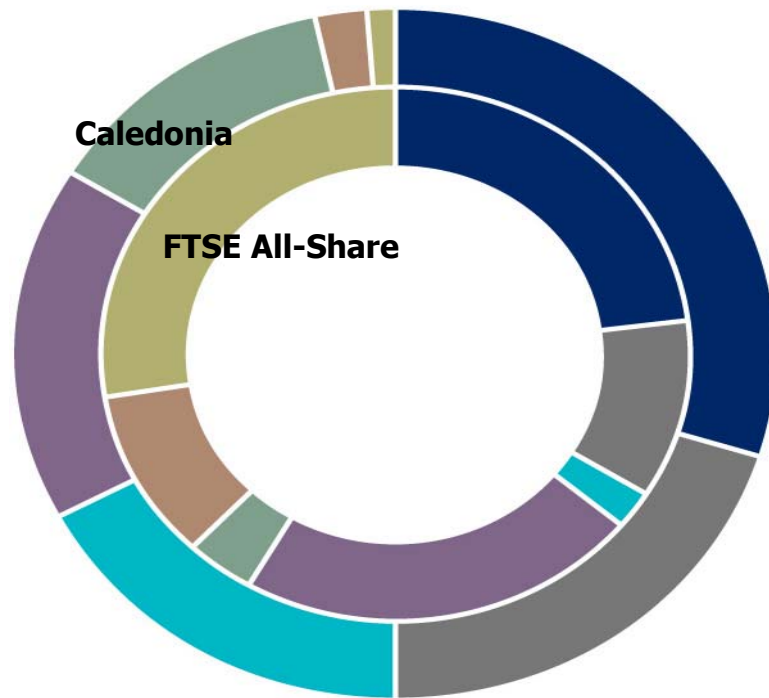
<sup>1</sup> Net of £3m distributed to partners as a result of net realised gains by the fund

# Disposals

for the year to 31 March 2003

	£m
ICAP	15.8
Shell	4.9
Structural Polymers	6.0
Northgate	3.5
Other	5.8
	<hr/>
	36.0
	<hr/>

## Sector distribution vs FTSE All-Share



Sector	Caledonia %	FTSE %
Financial	29	23
Leisure and media	20	11
Managed Funds	17	2
Industrial and services	18	22
Property	13	4
Technology	2	10
Other sectors	1	28

Caledonia % weighting versus FTSE All-share % weighting

## Principal investments since year end

- £49m cash<sup>1</sup> at 31 March 2003
- £62m of bank facilities available
- Investments since 31 March 2003
  - Easybox (£8m)
  - Paladin (£4m)
  - SVB (£6m)

<sup>1</sup> Includes £9m net cash in subsidiaries and excludes a further £6m in respect of investment disposal proceeds at 31 March 2003

## Finance review

Jonathan Cartwright

Finance Director

## Company balance sheet (proforma)

	2003 £m	2002 £m
Investments	656.4	865.2 <sup>1</sup>
Cash	40.3	57.1
Net current liabilities	(40.7)	(60.9)
	<hr/>	<hr/>
	656.0	861.4
Loan notes	(4.8)	(4.8)
	<hr/>	<hr/>
Shareholders' funds	651.2	856.6
	<hr/>	<hr/>
Net asset value per ordinary share	897p	1109p <sup>2</sup>

<sup>1</sup> Shown net of balance due to subsidiaries arising from reorganisation for investment trust status.

<sup>2</sup> After deducting 63p per share calculated as the amount of tax theoretically payable were the portfolio to have been realised at 31 March 2002

## Company balance sheet (proforma)

### Cashflow

	£m
Cash at 1 April 2002	57.1
Acquisitions	(60.0)
Disposals	36.0
Dividends	(18.2)
Investment Income	20.0
Others <sup>1</sup>	5.4
Cash at 31 March 2003 <sup>2</sup>	40.3

<sup>1</sup> including cash received from subsidiaries

<sup>2</sup> excludes net cash of £9m in subsidiaries

## Company total return (proforma)

year to 31 March 2003

	£m
Revenue ( before restructuring costs and expenses)	20.0
Capital	
- realised	17.1
- unrealised	(221.8)
Management costs	(8.3)
Restructuring costs	(4.0)
Tax provision release (net)	17.9
Other	(4.1)
Total return	<u>(183.2)</u>
Total return per share – basic	-254.0p
Total return per share – adjusted for costs of conversion	-238.9p

## Company total return (proforma)

year to 31 March 2003

Realised capital gains

£m

Gain/(Loss)

ICAP

10.8

Shell

4.7

Northgate

3.0

Structural Polymers

2.0

Other net disposals

(3.4)

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17.1

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## Investment trust- cost of conversion

	£m
Tax arising on restructuring <sup>1</sup>	5.5
Professional fees	4.0
	<hr/>
	9.5
Tax on securities sold during restructuring	4.2
	<hr/>
	13.7
	<hr/>

<sup>1</sup> Subject to final agreement with Inland Revenue.

# Closing remarks

**Tim Ingram**

Chief Executive

# Investment trust advantages

- More efficient tax structure
- Clearer understanding of Caledonia
- NAV published monthly (based on BVCA guidelines) \*
- Potential enhanced appeal to retail investors


\* NAV per share at end May 2003 planned for publication on Friday 6<sup>th</sup> June 2003

## Investment trust advantages - continued

- No CGT liability:
  - no actual CGT payable
  - avoids costly tax planning
  - purer divestment decisions

# Investment trust...performance driven

## ■ Key Differentiators

- Valued reputation  strong deal flow
- Added value of constructive active management
- Largely self-managed
- £462m of distributable reserves



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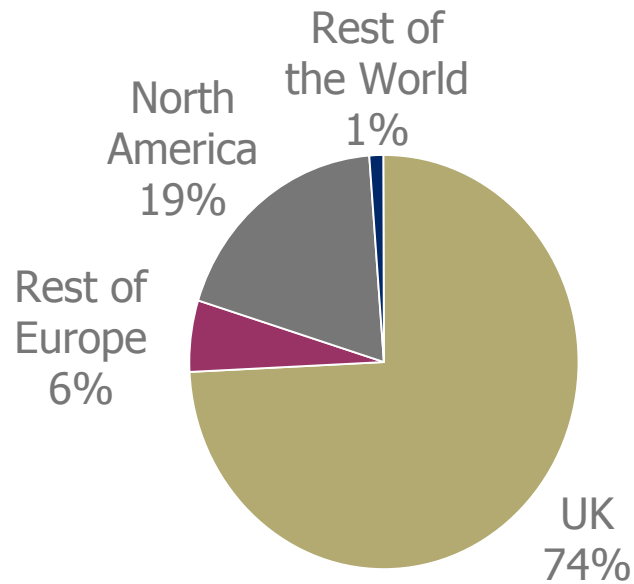
## Appendix



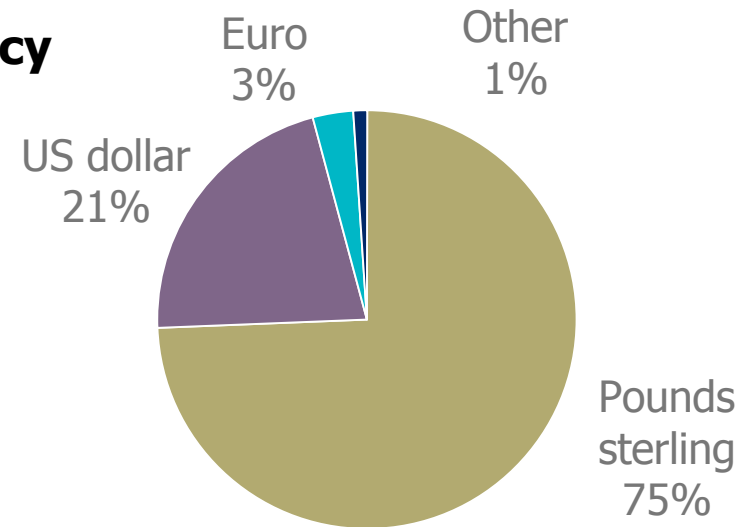
# Total assets distribution

at 31 March 2003

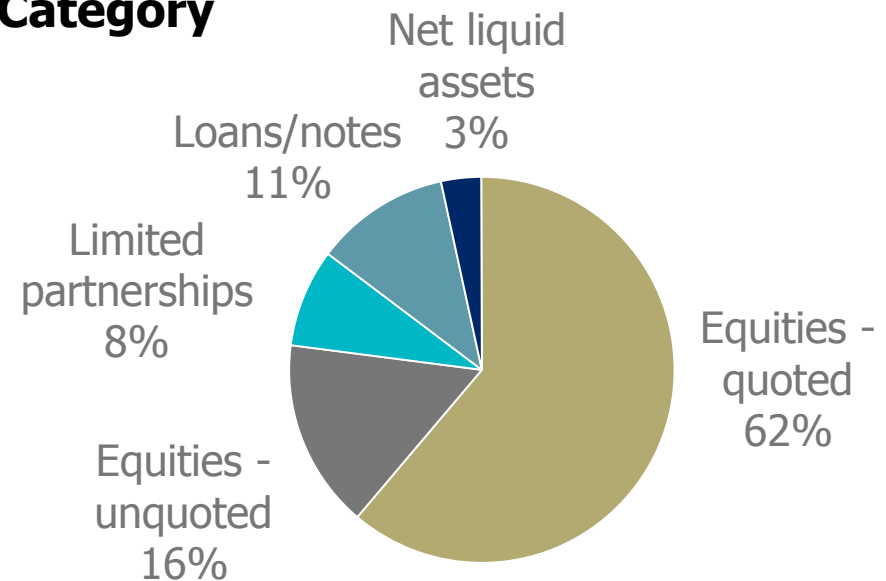
## Geography



## Currency



## Category



# Company total return (proforma)

year to 31 March 2003

	Revenue £m	Capital £m	Total £m
Gains/(losses) on investments			
- Realised	—	17.1	17.1
- Unrealised	—	(221.8)	(221.8)
Income from investments	20.0	—	20.0
Management costs	(8.3)	—	(8.3)
Restructuring costs	(4.0)	—	(4.0)
Interest payable and similar charges	(0.2)	—	(0.2)
<b>Return before tax</b>	<b>7.5</b>	<b>(204.7)</b>	<b>(197.2)</b>
Tax on ordinary activities	1.5	12.5 <sup>1</sup>	14.0
<b>Total Return</b>	<b>9.0</b>	<b>(192.2)</b>	<b>(183.2)</b>
<b>Total return per share - basic</b>			<b>-254.0p</b>
<b>Total return per share - adjusted</b>			<b>-238.9p</b>

<sup>1</sup> including tax provision release, net £17.9m