



CALEDONIA
INVESTMENTS

19 May 2004

Preliminary results to 31 March 2004
and
Proposals for return of funds to shareholders



Introduction

Peter Buckley

Chairman

About Caledonia

- Investment trust from 1 April 2003
- AITC Global Growth sector
- Quoted since 1960 (FTSE 250)
- 37.8% owned by Cayzer Trust, 48.6% wider concert party
- Market cap £742m (18 May 2004)

Objectives

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

Highlights to 31 March 2004

- NAV increase in year to 31 March 2004 of 40% - 13% outperformance
- TSR increase
 - 77% over 5 years – 90% outperformance
 - 138% over 10 years – 44% outperformance
- AITC ranking
 - 3rd out of 27 trusts (1 year)
 - 2nd out of 26 trusts (3 years)
 - 2nd out of 23 trusts (5 years)
 - 3rd out of 21 trusts (10 years)

Note: NAV increase compared with FTSE All Share index and TSR increase compared with FTSE All Share TSR index

Highlights to 31 March 2004 (continued)

- £108m invested and £105m realised during the year
- Share price discount narrowed during the year from 29.8% to 20.4% (18.1% as at 30 April 2004)
- Proposed final dividend of 18.6 pence per share (27.0 pence for full year: up +3.8%)
- 37th consecutive year of annual dividend growth
- Elective return of funds proposal

Business review

Tim Ingram

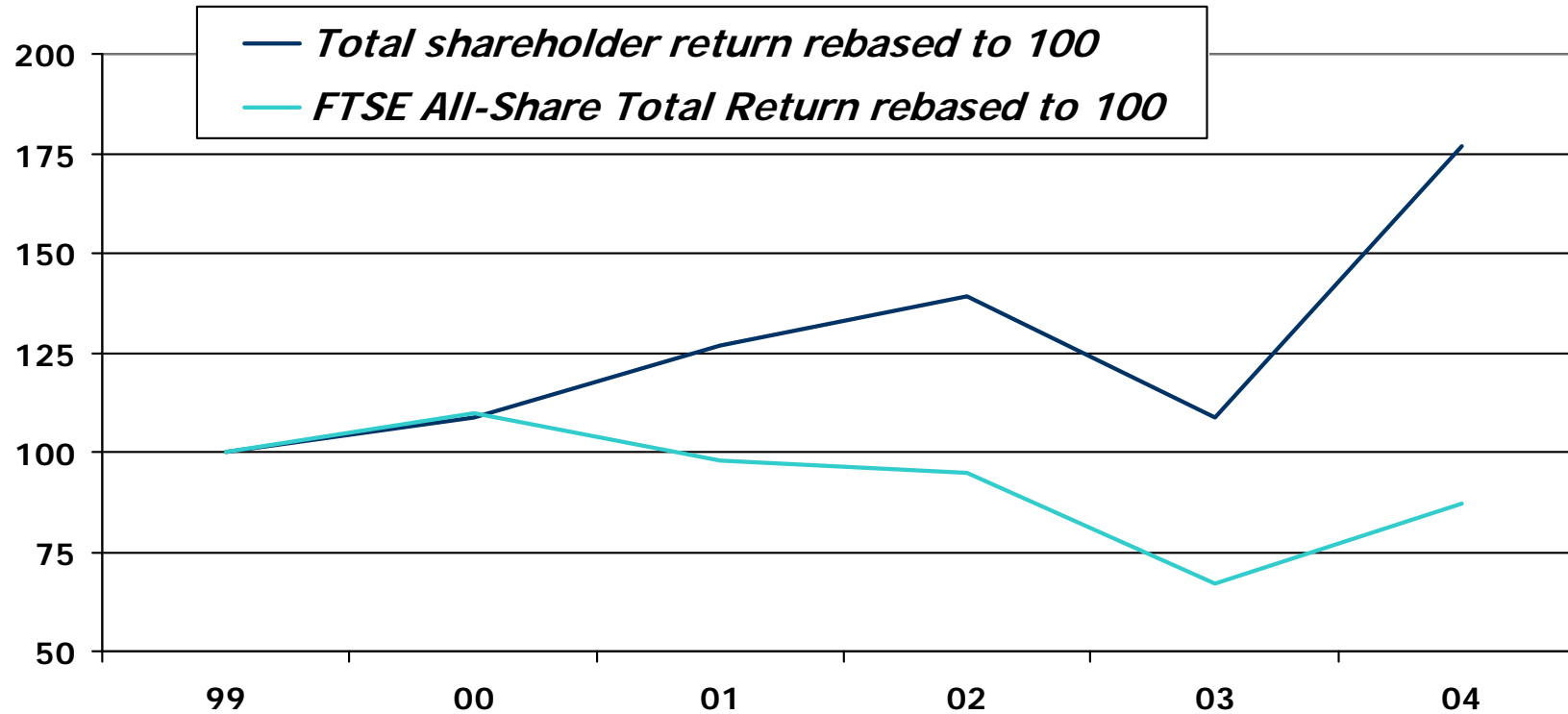
Chief Executive

Summary of the twelve months to 31 March 2004

	31.3.04	31.3.03	Change
Net asset value per ordinary share*	1278p	915p	+39.7%
Share price	1017p	642.5p	+58.3%
FTSE All-Share Index	2197.0	1735.7	+26.6%
AITC Global Growth NAV total return			+32.4%
Discount	20.4%	29.8%	narrowed

*Before accrual for final dividend

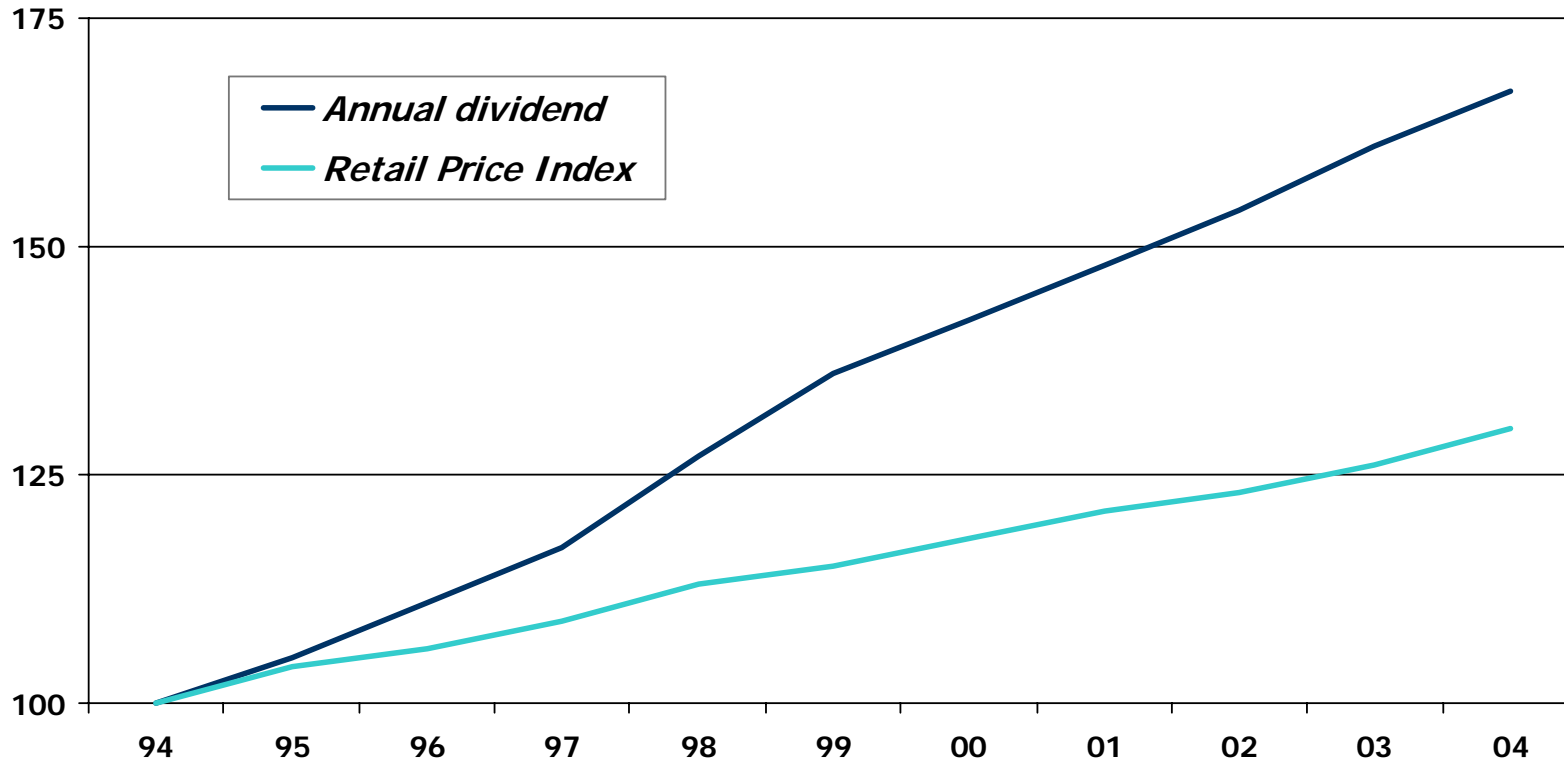
Total return: 5 years to 31 March 2004



Caledonia TR CAGR +12.1%

FTSE All-Share TR CAGR - 2.7%

Annual dividend growth*



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

Caledonia dividend CAGR **5.2%**

RPI **2.6%**

Caledonia has a 37 year record of annual dividend growth

* **Including proposed final dividend of 18.6 pence per share**

Performance attribution for the twelve months to 31.03.04

	% change	Amount (£m)
Caledonia net asset performance	39.7%	263.7
FTSE All-Share Index	26.6%	176.8
Outperformance	13.1%	86.9
Outperformance due to sector selection	7.0%	46.3
Outperformance due to stock selection	7.9%	52.2
Overhead costs as a % of NAV	-1.4%	-9.1
Exceptional costs as a % of NAV	-0.4%	-2.5
Outperformance	13.1%	86.9

Performance of top ten investments year to 31.03.04

Investment	Value 31.03.03 (£m)	Additions/ (Disposals) (£m)	Mov't in under- lying value (£m)	Value 31.03.04 (£m)	% chg in value (adj for add/disp)
Close Brothers	123.8	0	79.4	203.2	+64%
Kerzner International	83.4	0	60.5	143.9 ⁽¹⁾	+73%
British Empire Securities	47.9	0	28.7	76.6	+60%
Quintain Estates	22.1	(2.3)	18.5	38.3	+84%
Paladin Resources	21.6	4.1	11.7	37.4	+54%
Rathbone Brothers	20.7	0	14.2	34.9	+69%
Aberforth Partners fund	19.4	(2.5)	16.0	32.9	+82%
Polar Capital and funds	18.7	2.5	6.8	28.0	+36%
Offshore Logistics/Bristow ⁽²⁾	30.2	(12.9)	3.6	20.9	+12%
ISIS Asset Management	13.2	0	6.0	19.2	+45%
Sub Total	401.0	-11.1	245.4	635.3	+61%
Other	263.3	11.1	18.3	292.7 ⁽³⁾	+7%
Total NAV	664.3	0.0	263.7	928.0	+39.7%
FTSE All-Share	1735.7			2197.0	+26.6%

1. Includes value of US\$/£ hedge (£3.8m at 31.03.04)
2. US\$10m of loan stock redeemed in July 2003 and £6.6m recapitalisation receipt from Bristow in March 2004
3. Of which: cash £38.8m; unquoted investments £212.4m

Principal Investments in the year to 31 March 2004

i) New investments*

	£m	£m
Eddington Management (50.0%)/AAA fund	15.8	
Marketform (26.8%)	15.1	
SVB Holdings (5.3%)	14.0	
Melrose Resources (6.7%)	6.0	
MORI (16.0%)	5.8	
Oval (34.0%)	4.5	
Tribal Group (1.6%)	2.3	
	C/fwd	63.5

*figures in brackets total holding as at 31.03.04

Investments-continued in the year to 31 March 2004

ii) Follow on investments*

	£m	£m
Polar funds**	14.4	
Easybox SA (99.2%)	9.0	
Paladin Resources (11.1%)	4.1	
Savills (3.8%)	3.3	
Funds/other	13.5	
	<hr/>	44.3
New investments (b/fwd)		63.5
Total investment for the year		<hr/> 107.8 <hr/>

*figures in brackets total holding as at 31.03.04

** £14.4m gross investment - £2.5m net of divestments from Polar Funds

Divestments in the year to 31 March 2004

	£m
ICAP	26.4
Meinl European Land	14.1
Offshore Logistics / Bristow*	12.9
Polar funds	11.9
Ionian fund	9.1
Bateman Chapman	6.0
Compco	3.7
Quintain	2.3
Other	18.3
Total	104.7

*redemption of loan note on maturity plus receipt from recapitalisation.

Activity since year end

- £38.8m cash at 31 March 2004
- £210m of bank facilities available
- Principal investments and divestments since 31 March 2004

Investments*	£m
Cobepa (10.0%)	20.0
Oval (34.0%)* *	10.5
Incisive Media (6.8%)	8.3
Tribal Group (5.0%)* *	5.0

Divestments

Radio Investments Ltd.	13.5
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*figures in brackets total holding as at 18.05.04

**follow on investments

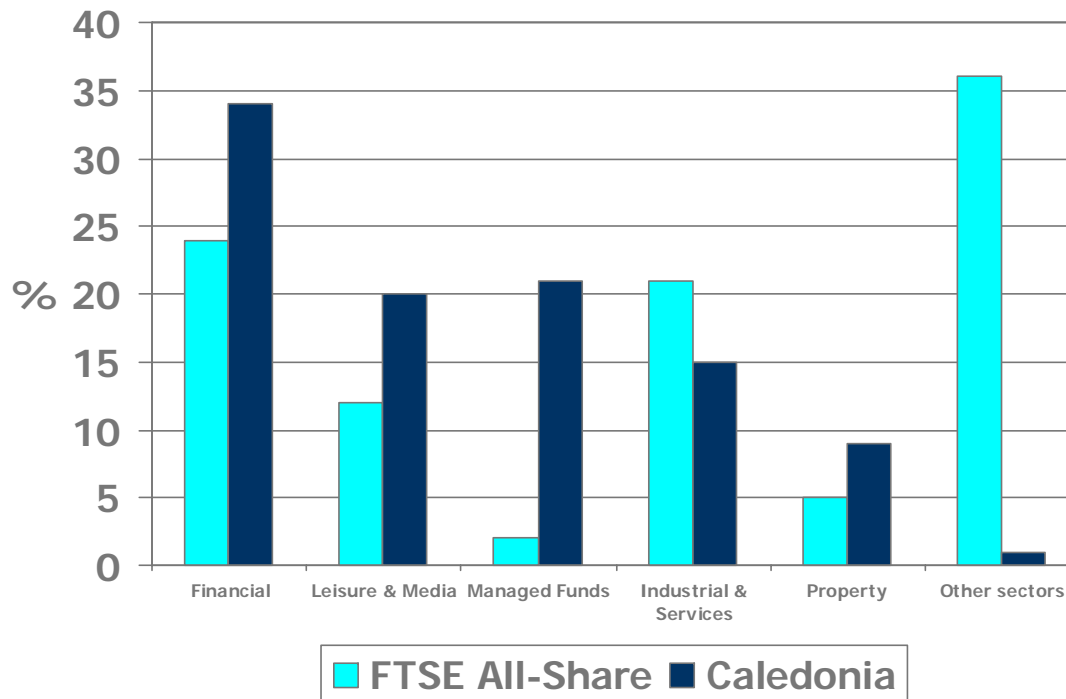
Finance Review

Jonathan Cartwright

Finance Director

Portfolio Information

Sector distribution as at 31 March 2004



Sector	FTSE All-Share %	Caledonia %	Board Policy Limit %
Financial	24	34	40
Leisure & Media	12	20	30
Managed Funds	2	21	30
Ind'l & Services	21	15	30
Property	5	9	20
Other sectors	36	1	10
	<hr/> 100	<hr/> 100	

Portfolio Information (continued)

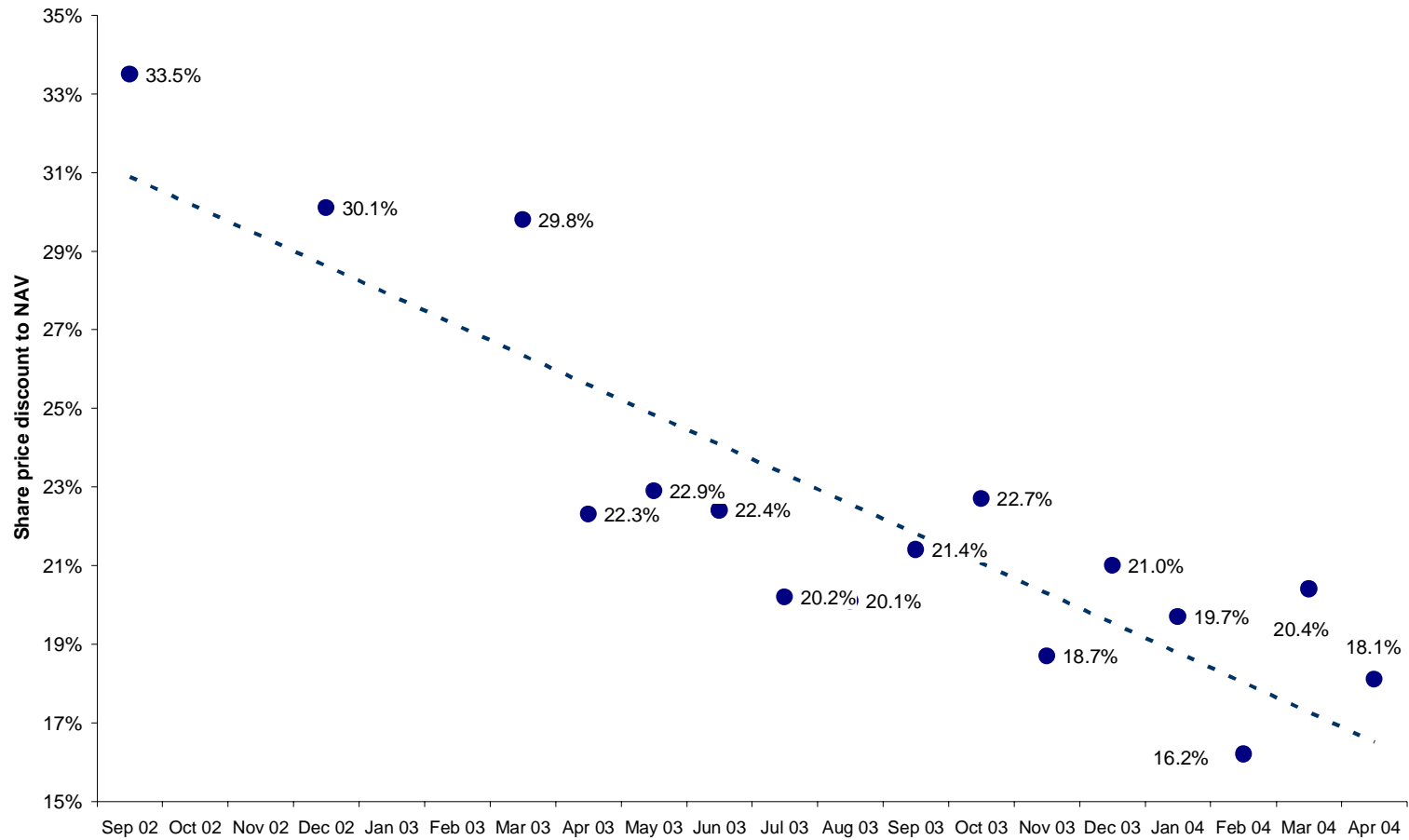
- Split of total assets as at 31 March 2004

	%
Quoted investments	69
Unquoted investments	26
Cash	5
	100

- 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 total assets
 - Bank facilities presently £210m*

* Including committed bank facilities relating to proposals for a return of funds to ordinary investors, as announced on 15 March 2004.

Share price discount to NAV



Company cash flow year to 31 March 2004

	£m
Cash at 1 April 2003*	40.3
Acquisitions	(107.3)
Disposals	132.7
Dividends	(19.1)
Investment Income	18.0
Others**	(25.8)
Cash at 31 March 2004	38.8

*cash in hand plus short term deposits

**of which: overheads £8.3m; repayment of short-term borrowings £8.6m; IT conversion £1.4m

Company total return year to 31 March 2004

	£m	£m
Gains on investments	274.3	
Income from investments	21.5	
	<hr/>	295.8
Expenses – management	(9.1)	
Other costs	(2.5)	
Interest/charges	(1.0)	
	<hr/>	(12.6)
		<hr/>
		283.2
Taxation		(0.4)
		<hr/>
		282.8
		<hr/>
Total return per share		391.5p

Company total return – realised capital gains

year to 31 March 2004

	£m
	Gain / (Loss)
ICAP	21.0
Meinl	8.2
Bristow Aviation	2.5
Others*	(11.6)
	<hr/>
	20.1

*rationalisation of portfolio following strategic review

Closing Remarks

Tim Ingram

Chief Executive

Investment trust....performance driven

Key differentiators

- Valued reputation ⇒ strong deal flow (very choosy)
- Added value of constructive active management
- Largely self-managed



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Proposal for Return of Funds to Shareholders



Proposal

- Circular to be sent to shareholders 19 May 2004
- Shareholders can elect to receive special dividend on 2 shares for every 9 held.
- Shares on which special dividend paid will be cancelled for nil consideration.
- Special dividend will be equal to 82% of NAV per share* (i.e. 18% discount).
- CTC has conditionally undertaken to elect for special dividend/share cancellation in respect of all of its 37.8% shareholding.
- Similar effect (pre-tax) to elective share buy-back on two ninths of shareholding at 18% discount to NAV.
- “Whitewash” resolution
- Treasury share resolution

*calculated as set out in shareholder circular

Advantages

Elective Special Dividend

- Offer available on identical terms to all Caledonia shareholders.
- Enhances NAV/share for all remaining shares (by 1.6% to 4.7% depending on uptake).
- Removes de-stabilising element within CTC (37.8% shareholder of Caledonia).
- No stamp duty costs.

Advantages

“Whitewash” resolution

- Allows potential further share buybacks by company
- Buybacks can further enhance NAV per share
- Concert Party limited to 49.9% as before
- Concert party will not vote on resolution

Advantages

Treasury shares

- Enhances liquidity of stock
- With buyback can enhance NAV per share
- Reissue only when in interest of shareholders

Expected Timetable

19 May	Posting of Circular to shareholders
11 June	EGM
25 June	NAV calculation date
End June	Court hearings
Early July	Payment of special dividend & cancellation of associated shares
Mid July	AGM
End July	Final dividend paid



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Performance driven

