



Caledonia Investments plc

Final results for the year ended 31 March 2018

Financial highlights

	31 Mar 2018	31 Mar 2017	Change
Net asset value total return	+1.4%	+18.0%	
Net asset value	3285p	3395p	-3.2%
Net assets	£1,837m	£1,899m	-3.3%
Annual dividend per share	57.0p	54.8p	+4.0%
Special dividend per share	–	100.0p	

Highlights

- +1.4% NAV total return for the year
- +6.3% NAV total return (excl. FX)
 - Positive returns from Quoted, Unquoted and Funds pools offset by weak return from Income pool and reversal of prior year FX gains
- Continued growth in dividends to shareholders
 - 4% increase in annual dividend per share to 57p
 - 51st consecutive year of increasing dividends
 - Special dividend of 100p per share paid during the year
- Reduction in NAV for year primarily due to payment of £55m special dividend
- £307m realised from the portfolio including sale of The Sloane Club for £80m
- £217m of disciplined investment in new and follow-on opportunities
- Significant capacity to capitalise on market opportunities
 - £208m net cash available
 - Unutilised facilities of £250m at year end

Will Wyatt, Chief Executive, commented:

"Caledonia's investment portfolio has delivered a resilient performance despite a return to volatile market conditions. Whilst our portfolio was impacted by adverse foreign exchange movements in the year, we benefited from the diversification that our broad global exposure provides."

"Our performance enabled us to increase the annual dividend by 4%, our 51st year of increasing dividends. Following a strong year of successful realisations, we were pleased to reward shareholders with a 100p special dividend, paid in August 2017."

"Looking ahead, while we expect to see continued volatility in financial and commodity markets, Caledonia's portfolio is well positioned for long term capital and dividend growth."

24 May 2018

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Chairman's and Chief Executive's report

Results

Caledonia's net asset value total return ('NAVTR') for the year was 1.4% following a particularly strong year in 2017, when it increased by 18.0%. Returns have been significantly impacted by foreign exchange movements, in particular, between the US dollar and sterling. On a constant currency basis, the NAVTR for the year would have been 6.3%. However, taken over the past two years, the impact of foreign exchange movements has been minimal. Income generated from the portfolio fell slightly to £46.0m and management expenses were also down on the previous year. The net asset value of the company fell by 3.2% during the year, due to the payment of a 100p per share special dividend. The board is recommending a 4.0% increase in the final dividend for the year, the same level of increase as for the interim dividend, which would represent the 51st year of consecutive increases of the annual dividend by the company.

Investment performance

Caledonia's aim is to grow the net assets and annual dividends paid to shareholders over the long term, with careful attention paid to the risks being taken to achieve this. The portfolio, due to its large exposure to unquoted assets, is quite different in make-up and performance behaviour to any listed stock market index making direct comparison somewhat misleading. When measuring investment performance, in the short to medium term, we aim to grow NAVTR between RPI+3% to RPI+6% representing a real return commensurate with longer term market outperformance. Over a five to ten year timeframe, it is more appropriate to compare portfolio performance to the FTSE All-Share Total Return, which we aim to outperform.

	1 year %	3 years %	5 years %	10 years %
NAV total return	1.4	22.9	61.6	89.6
<i>Annualised</i>				
NAV total return	1.4	7.1	10.1	6.6
Retail Prices Index	3.3	2.7	2.3	2.8
Performance vs RPI	(1.9)	4.4	7.8	3.8
FTSE All-Share Total Return			6.6	6.7
Performance vs FTSE			3.5	(0.1)

Whilst the year under review fell short of our stated RPI target, over three, five and ten year timeframes, the NAVTR performance remains good. Over a ten year timeframe, the NAVTR performance was marginally behind the FTSE All-Share Total Return index, although within the targeted RPI+3% to RPI+6% inflation band.

Investment portfolio

The investment portfolio, managed via four differentiated pools of capital, gives shareholders a balanced exposure to a variety of asset classes, geographies and currencies.

We are attracted to the higher returns available in unquoted markets, both through investing directly and via the use of funds. Caledonia's distinct advantages of permanent capital and a reputation as a proven long term partner, allow us to differentiate our offering from those with shorter term capital within the UK. The strong performance of our Unquoted and Funds pools since inception eight years ago has supported our continued confidence in these asset classes.

Asset classes	Allocation 31 March 2018
Listed equities	35%
Private companies	25%
Private equity funds	16%
Quoted market funds	10%
Cash and other	14%
	100%

To compensate for the lack of liquidity in unquoted markets and to give shareholders diversified exposure to high quality businesses throughout the world, we also invest in a portfolio of listed companies. This is managed in two pools, the Income pool to provide a strong underpin of dividend income, and the Quoted pool, which invests in a less constrained manner.

In addition, we believe that exposure over the long term to faster growing regions of the world, such as the US and Asia, will provide better returns than a solely UK focused portfolio. We maintain a healthy liquidity buffer to allow us to react quickly to opportunities in all markets as they arise.

Geographic breakdown	Allocation 31 March 2018
UK	32%
Europe	13%
North America	25%
Asia	16%
Cash and other	14%
Total	100%

Asset allocation

Pool	Strategic allocation %	Current allocation %	Strategic vs current	Return target %
Quoted	25-40	25	Within	10.0
Income	15-20	11	4% below	7.0
Unquoted	35-45	25	10% below	14.0
Funds	15-20	25	5% above	12.5
Cash and other	(10)-10	14	4% above	

The table above shows clearly that, in terms of our strategic asset allocation, the portfolio is under-invested in both the Income pool and the Unquoted pool, whilst the Funds pool is currently over-weight. Cash balances remain high, as we have taken advantage of attractive pricing over the past few years to sell a number of businesses and shareholdings. Whilst we aim to redeploy cash into the portfolio, we have found it increasingly difficult to source investments that meet our requirements due to high valuations in nearly all asset classes. This is particularly so in the private equity markets, where funds, bloated by fund-raising, are paying record prices to deploy capital into what we consider a sellers' market.

Asset allocation remains an important element of our risk management, as does income generation. However, we consider capital discipline to be critical in these circumstances and will continue to be patient and await appropriate opportunities at valuations which allow our investment model to work.

Portfolio

We invested £217m and divested £307m of assets during the year, thereby adding to the significant cash holding which represented 11% of the portfolio at the year end. Expenses fell slightly year on year, our ongoing charges ratio being 0.91%. The reduction in net assets of 3.3% largely reflected the payments to shareholders during the year of a special dividend of £55m together with annual dividends of £30m.

	At Mar 2017 £m	Investments £m	Realisations £m	Gains/losses £m	At Mar 2018 £m	Income £m	Return %
Pool							
Quoted	467.9	52.0	(72.3)	4.7	452.3	10.0	3.6
Income	215.9	34.4	(23.9)	(31.8)	194.6	10.6	(9.6)
Unquoted	567.8	30.6	(143.6)	8.7	463.5	15.9	4.9
Funds	404.3	100.4	(66.8)	32.6	470.5	1.5	8.0
Total pools	1,655.9	217.4	(306.6)	14.2	1,580.9	38.0	3.4
Non-pool	32.7	1.0	2.6	(7.3)	29.0	8.0	(2.6)
Investments	1,688.6	218.4	(304.0)	6.9	1,609.9	46.0	3.2
Ongoing charges							(0.9)
Cash	207.3				207.8		(0.2)
Other items	2.9				18.9		(0.7)
Net assets	1,898.8				1,836.6		1.4

1. Non-pool investments comprised legacy investments and cash and receivables in subsidiary investment entities.
2. Returns for investments are calculated using the modified Dietz methodology and the overall return is the company's NAVTR.

Quoted pool – A return of 3.6% for the year was achieved despite the portfolio being 54% invested in dollar denominated assets which suffered from foreign exchange losses. On a currency neutral basis, the return would have been 10.9%. Listed market valuations remain stretched, limiting opportunities for investment.

Income pool – A negative return of 9.6% was a disappointing result, although paid income was slightly ahead of target. General investor sentiment moved away from the defensive sectors favoured by the pool towards cyclical sectors, as the global economy recovered and bond yields increased. We do not expect this to represent a permanent loss of capital, rather short term volatility in valuation, as evidenced by the comparison of the total return of 17.0% achieved in the previous 12 months, a consequence of high yield stocks being in favour.

Unquoted pool – A return of 4.9% for the year. We sold The Sloane Club for £80m (including a £3m pre-sale dividend) during the year, which had been a core constituent of the portfolio for 26 years, underlining our long term and patient approach to investing. Gala Bingo has had a year of transition. It encountered significant trading headwinds resulting from slowing admissions and sector wide cost inflation, which negatively affected earnings. There has been a change of management during the period and it is proposed to launch an online presence to complement the physical clubs during 2018/19.

Liberation Group had a busy year, adding some 25 pubs to its portfolio, as well as moving the Butcombe drinks distribution business to a new site acquired for Liberation by Brookshire Capital, another Caledonia investee company. Liberation's overall value was marked down at the year end, partly due to a reduction in comparable quoted company earnings multiples and partly due to a reduction in its own EBITDA. However, we believe the business is well set for future growth.

Seven Investment Management and Choice Care Group both performed well during the year. 7IM continued to build its AUM, enjoying material inflows, and exited the year with AUM of some £12.5bn. Choice Care Group has added to the number of beds available for occupancy following a four-year building programme, which is now being reflected in its profitability.

We realised £51m from the sale of part of our holding in Cobehold, the first time we have taken profits from this excellent Belgian investment company since we first invested in 2004. The company continues to perform successfully, with an annualised return of 13.5% and a money multiple of 3.3x capital invested since inception.

Funds pool – the return of 8.0% for the year masked an excellent performance, as the pool is over 95% invested in US dollar denominated funds. Excluding the adverse effect of foreign exchange, the return from underlying funds would have been 19.1%. Once again, Capital Today China contributed significantly to the result, distributing £24m from the sale of its remaining investment in JD.com.

Dividend and discount

The board is recommending to shareholders a final dividend of 41.5p, giving a total for the year of 57.0p, an increase of 4.0% over 2017, at a total cost of £23m. The strategy of the company is focused on maintaining and gradually increasing the annual dividend and we aim to ensure that this and the costs of the running the company are covered by current portfolio income, although we have substantial reserves should there be a shortfall. This year's payment would mark the 51st year of increases in the annual dividend.

The discount between the share price and the NAV per share at the year end of 19.3%, was marginally above where it started the year at 19.0%. No shares were purchased by the company during the year, but we will once again seek the necessary permissions to do so from shareholders at the AGM should they offer particular value.

Board

We were delighted to welcome Guy Davison to the board, who joined us on 1 January 2018 as a non-executive director. Guy brings with him a wealth of investment experience, in particular in the private equity domain, from his career as a founding partner at Cinven. We were sad to lose Harold Boël in September of last year, who had served as a non-executive director of the company for three years and provided valuable experience and expertise.

EU regulation

Recent EU regulation requires investment trust companies (and other providers of investment products) to publish a Key Information Document ('KID'). This requires the presentation of standardised illustrations of theoretical risk and returns to enable a comparison of different investment products across a wide range of financial sectors. We urge caution in using KIDs as the sole basis for investment decisions.

Outlook

Caledonia's portfolio is well diversified geographically and invested in sound companies that will continue to generate strong cash flows. We have substantial reserves of cash and the ability to draw bank facilities should market conditions turn more favourable or we encounter attractive, well-priced investments. However, with pricing in quoted and, particularly, unquoted markets remaining at elevated levels, there is no guarantee that we will be able to deploy capital in the immediate future.

We remain mindful of the continuing political and economic uncertainty, despite the strong growth seen across global stock markets. In the UK, the mechanics and implications of Brexit are unresolved, whilst higher inflation and the potential for higher borrowing costs is likely to impact consumer spending. In the US, the Federal Reserve has been increasing interest rates and has begun the process of quantitative tightening. US Treasury yields have risen accordingly, which has historically been a warning for equity investors.

Despite these uncertainties, we remain confident that our portfolio is well positioned to deliver our long term return targets, growing the net assets and annual dividend of the company. We have carefully built substantial reserves of cash, which, coupled with our bank facilities, will enable us to capitalise on future opportunities as they emerge. We will, however, remain patient and disciplined, deploying capital only where we see value to our shareholders.

David Stewart
Chairman

Will Wyatt
Chief Executive

Investments summary

Holdings over 1% of net assets at 31 March 2018 were as follows:

Name	Pool	Geography	Business	Value £m	Net assets %
Cobehold	Unquoted	Belgium	Investment company	93.5	5.1
Seven Investment Management	Unquoted	UK	Investment management	91.5	5.0
Choice Care Group	Unquoted	UK	Care homes provider	81.9	4.4
Gala Bingo	Unquoted	UK	Bingo operator	74.5	4.1
Liberation Group	Unquoted	Jersey	Pubs and restaurants	72.9	4.0
Aberdeen US PE funds	Funds	US	Funds of funds	58.7	3.2
NTAsset funds	Funds	Asia	Quoted market funds	44.3	2.4
Arlington AVM Ranger fund	Funds	US	Quoted market fund	42.0	2.3
A G Barr	Quoted	UK	Soft drinks	39.8	2.2
Macquarie Asia New Stars fund	Funds	Asia	Quoted market fund	38.8	2.1
Microsoft	Quoted	US	Infrastructure technology	37.3	2.0
British American Tobacco	Quoted/ Income	UK	Tobacco	36.9	2.0
Spirax Sarco	Quoted	UK	Steam engineering	32.2	1.8
Polar Capital	Quoted	UK	Fund manager	31.3	1.7
Capital Today China Growth fund	Funds	China	Private equity fund	31.0	1.7
Flowserve	Quoted	US	Industrial engineering	30.0	1.6
Hill & Smith	Quoted	UK	Infrastructure products	28.9	1.6
Oracle	Quoted	US	Infrastructure technology	28.1	1.5
Jardine Matheson	Quoted	Singapore	Industrial engineering	27.8	1.5
JF Lehman funds	Funds	US	Private equity funds	27.7	1.5
PVAM Perlus Microcap fund	Funds	US	Quoted market fund	26.1	1.4
Thermo Fisher Scientific	Quoted	US	Biotechnology development	24.9	1.4
Becton Dickinson	Quoted	US	Medical technology	24.4	1.3
Asia Alternatives funds	Funds	Asia	Funds of funds	23.8	1.3
Overlook Partners fund	Funds	Asia	Quoted market fund	23.6	1.3
Philip Morris	Quoted/ Income	US	Tobacco	23.2	1.3
Sports Information Services	Unquoted	UK	Broadcasting services	22.6	1.2
Watsco	Quoted	US	HVAC/R distribution	20.2	1.1
Axiom Asia funds	Funds	Asia	Funds of funds	19.4	1.1
Nestlé	Quoted	Switzerland	Packaged foods	19.0	1.0
Other investments				404.6	22.0
Investment portfolio				1,580.9	86.1
Non-pool investments				29.0	1.6
Cash and other items				226.7	12.3
Net assets				1,836.6	100.0

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

<i>Pool distribution</i>		<i>Geographic distribution</i>		<i>Asset class distribution</i>	
Quoted	25%	United Kingdom	32%	Listed equities	35%
Income	11%	Europe	13%	Private companies	25%
Unquoted	25%	North America	25%	Private equity funds	16%
Funds	25%	Asia	16%	Quoted market funds	10%
Cash and other	14%	Cash and other	14%	Cash and other	14%

1. Cash and other in the distributions above included non-pool investments.

Risk management

Effective risk management is a key component of the company's business model and assists in ensuring that the different parts of the group operate within strategic risk parameters. The board has overall responsibility for setting and monitoring the company's risk appetite.

Principal risks	Mitigation	Key developments
<i>Strategic</i>		
<p>Risks in relation to the appropriateness of the business model to deliver long term growth in capital and income through the system of separately managed pools.</p> <p>Strategic risks include the allocation of capital in relation to geography, sector, currency, yield and liquidity.</p>	<p>The company's business model and strategy are reviewed periodically, against market conditions and target returns.</p> <p>The performance of the company and its key risks are monitored regularly by management and the board.</p>	<p>Caledonia reviews its investment strategy annually, taking into consideration the current and potential future investing environment and discussions with executives. The investment strategy is reviewed and approved by the board.</p>
<i>Investment</i>		
<p>Risks in respect of specific investment and realisation decisions.</p> <p>Investment risks include the appropriate research and due diligence of new investments and the timely execution of both investments and realisations for optimising shareholder value.</p>	<p>Investment opportunities are subject to rigorous appraisal and a multi-stage approval process. Pool managers have well-developed networks through which they attract proprietary deal flow. Target entry and exit events and prices are monitored and updated regularly, in relation to market conditions and strategic aims.</p>	<p>Pool managers have continued to develop their own risk management processes during the year. The board regularly reviews investment risk at both pool and company portfolio level.</p>
<i>Market</i>		
<p>Risk of losses in value of investments arising from sudden and significant movements in market prices, particularly in highly volatile markets.</p> <p>Caledonia's principal market risks are therefore equity price volatility, foreign exchange rate movements and interest rate volatility.</p>	<p>Market risks and sensitivities are reviewed weekly and actions taken, where appropriate, to balance appropriately risk and return.</p> <p>A regular review of market and portfolio volatility is conducted by the board. Reviews also consider investment concentration, currency exposure and portfolio liquidity.</p>	<p>Caledonia has continued to operate a diversified geographical portfolio that provides a longer term hedge to geographical market risk and foreign exchange.</p> <p>Caledonia has a well-developed and wide ranging contact base, which, together with formal advisers, ensures that it understands the landscape arising from the impending market changes and how this might impact its business.</p>

Principal risks	Mitigation	Key developments
<p><i>Liquidity</i></p> <p>Risk that liabilities cannot be met or new investments made due to a lack of liquidity. Such risk can arise from not being able to sell an investment due to lack of a market or from not holding cash or being able to raise debt.</p>	<p>Detailed cash forecasting for six months ahead is updated and reviewed weekly, including the expected drawdown of capital commitments.</p> <p>Loan facilities are maintained to provide appropriate liquidity headroom. The liquidity of the portfolio is reviewed regularly.</p>	<p>We have continued to manage our investment process to ensure access to our available facilities is on a short term basis only. At 31 March 2018, we had net cash of £208m, together with undrawn, committed borrowing facilities of £250m.</p>
<p><i>Operational</i></p> <p>Risks arising from inadequate or failed processes, people and systems or from external factors.</p> <p>Operational risks arise from the recruitment, development and retention of staff, systems and procedures and business disruption.</p>	<p>Systems and control procedures are developed and reviewed regularly. They are tested to ensure effective operation.</p> <p>Appropriate remuneration and other policies are in place to encourage the retention of key staff. Business continuity plans are maintained and updated as the business evolves.</p>	<p>During the year, we completed the refurbishment of our office property in Buckingham Gate and reoccupied the building after a two year absence. The process of moving operations between temporary and permanent premises over the period provided a robust test of our business continuity processes.</p>
<p><i>Regulatory and legal</i></p> <p>Risk arising from exposure to litigation or fraud or failure to adhere to the tax and regulatory environment. Caledonia operates across a number of jurisdictions and in an industry that has been subject to increasing regulatory oversight.</p>	<p>Caledonia has internal resources to consider regulatory and tax matters as they arise. Use is made of advisers where necessary to supplement internal knowledge in specialised areas. Caledonia is a member of the Association of Investment Companies and is represented on its self-managed investment trust committee. Regular training is undertaken.</p>	<p>Caledonia produced the required Key Information Document, in compliance with the EU PRIIPs Regulation. This is available on the company's website.</p>
<p><i>Brexit</i></p> <p>Risk arising from changing consumer spending trends and impact of trade regulation and tariffs.</p> <p>Potential volatility to quoted markets due to uncertainty as to Brexit outcome and impacts.</p>	<p>Continued monitoring of directly held unquoted investment performance and business model exposure to potential Brexit impacts.</p> <p>Continued monitoring of quoted market responses to Brexit impacts.</p>	<p>Our review of the continuing business models of our directly held unquoted investments have not revealed significant exposures to European regulatory or trading environments that might be impacted by Brexit.</p> <p>We continue to monitor potential impacts to quoted markets as Brexit concludes.</p>

Group statement of comprehensive income for the year ended 31 March 2018

	2018			2017		
	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m
<i>Revenue</i>						
Investment income	46.0	–	46.0	47.3	–	47.3
Other income	0.2	–	0.2	0.2	–	0.2
Net gains and losses on fair value investments	–	6.8	6.8	–	265.7	265.7
Net gains and losses on fair value property	–	(5.9)	(5.9)	–	0.1	0.1
Total revenue	46.2	0.9	47.1	47.5	265.8	313.3
Management expenses	(16.9)	(5.9)	(22.8)	(18.5)	(7.8)	(26.3)
Other non-recurring expenses	–	–	–	(0.4)	–	(0.4)
Guarantee obligation provided	–	–	–	–	(0.1)	(0.1)
Profit before finance costs	29.3	(5.0)	24.3	28.6	257.9	286.5
Treasury interest receivable	0.6	–	0.6	0.2	–	0.2
Finance costs	(2.1)	–	(2.1)	(1.7)	–	(1.7)
Exchange movements	(0.6)	–	(0.6)	(0.5)	–	(0.5)
Profit before tax	27.2	(5.0)	22.2	26.6	257.9	284.5
Taxation	4.3	–	4.3	4.2	1.4	5.6
Profit for the year	31.5	(5.0)	26.5	30.8	259.3	290.1
<i>Other comprehensive income items never to be reclassified to profit or loss</i>						
Re-measurements of defined benefit pension schemes	–	(0.8)	(0.8)	–	(2.7)	(2.7)
Tax on other comprehensive income	–	(0.3)	(0.3)	–	0.7	0.7
Total comprehensive income	31.5	(6.1)	25.4	30.8	257.3	288.1
Basic earnings per share	57.4p	-9.1p	48.3p	56.1p	472.1p	528.2p
Diluted earnings per share	56.3p	-9.1p	47.4p	55.0p	463.4p	518.4p

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

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

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

Statement of financial position at 31 March 2018

	Group		Company	
	2018	2017	2018	2017
	£m	£m	£m	£m
<i>Non-current assets</i>				
Investments held at fair value through profit or loss	1,609.9	1,688.6	1,613.6	1,682.2
Investments in subsidiaries held at cost	–	–	0.8	0.8
Investment property	10.4	–	–	–
Property, plant and equipment	29.2	35.5	–	–
Deferred tax assets	3.2	3.7	–	–
Employee benefits	2.3	2.8	–	–
Non-current assets	1,655.0	1,730.6	1,614.4	1,683.0
<i>Current assets</i>				
Trade and other receivables	3.9	7.8	38.0	29.0
Current tax assets	5.4	2.6	4.7	3.1
Cash and cash equivalents	207.8	207.3	207.4	205.6
Current assets	217.1	217.7	250.1	237.7
Total assets	1,872.1	1,948.3	1,864.5	1,920.7
<i>Current liabilities</i>				
Trade and other payables	(26.5)	(39.5)	(34.0)	(25.5)
Employee benefits	(2.2)	(2.5)	–	–
Current liabilities	(28.7)	(42.0)	(34.0)	(25.5)
<i>Non-current liabilities</i>				
Employee benefits	(6.6)	(7.3)	–	–
Deferred tax liabilities	(0.2)	(0.2)	–	–
Non-current liabilities	(6.8)	(7.5)	–	–
Total liabilities	(35.5)	(49.5)	(34.0)	(25.5)
Net assets	1,836.6	1,898.8	1,830.5	1,895.2
<i>Equity</i>				
Share capital	3.2	3.2	3.2	3.2
Share premium	1.3	1.3	1.3	1.3
Capital redemption reserve	1.3	1.3	1.3	1.3
Capital reserve	1,584.9	1,591.0	1,585.6	1,594.2
Retained earnings	284.1	332.9	277.3	326.1
Own shares	(38.2)	(30.9)	(38.2)	(30.9)
Total equity	1,836.6	1,898.8	1,830.5	1,895.2
Undiluted net asset value	3344p	3459p		
Diluted net asset value	3285p	3395p		

The financial statements were approved by the board and authorised for issue on 24 May 2018 and were signed on its behalf by:

Will Wyatt
Chief Executive

Stephen King
Finance Director

Statement of changes in equity for the year ended 31 March 2018

	Share capital £m	Share premium £m	Capital redemp- tion reserve £m	Capital reserve £m	Retained earnings £m	Own shares £m	Total equity £m
Group							
Balance at 31 March 2016	3.2	1.3	1.3	1,333.7	325.0	(20.2)	1,644.3
<i>Total comprehensive income</i>							
Profit for the year	–	–	–	259.3	30.8	–	290.1
Other comprehensive income	–	–	–	(2.0)	–	–	(2.0)
Total comprehensive income	–	–	–	257.3	30.8	–	288.1
<i>Transactions with owners of the company</i>							
<i>Contributions by and distributions to owners</i>							
Exercise of options	–	–	–	–	–	0.2	0.2
Share-based payments	–	–	–	–	6.4	–	6.4
Own shares purchased	–	–	–	–	–	(10.9)	(10.9)
Dividends paid	–	–	–	–	(29.3)	–	(29.3)
Total transactions with owners	–	–	–	–	(22.9)	(10.7)	(33.6)
Balance at 31 March 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
<i>Transactions with owners of the company</i>							
<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
Company							
Balance at 31 March 2016	3.2	1.3	1.3	1,335.0	316.5	(20.2)	1,637.1
Profit and total comprehensive income	–	–	–	259.2	32.5	–	291.7
<i>Transactions with owners of the company</i>							
<i>Contributions by and distributions to owners</i>							
Exercise of options	–	–	–	–	–	0.2	0.2
Share-based payments	–	–	–	–	6.4	–	6.4
Own shares purchased	–	–	–	–	–	(10.9)	(10.9)
Dividends paid	–	–	–	–	(29.3)	–	(29.3)
Total transactions with owners	–	–	–	–	(22.9)	(10.7)	(33.6)
Balance at 31 March 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
<i>Transactions with owners of the company</i>							
<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

Statement of cash flows for the year ended 31 March 2018

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
<i>Operating activities</i>				
Dividends received	46.6	45.1	46.6	45.1
Interest received	0.9	2.3	0.5	1.6
Cash received from customers	0.2	0.3	–	–
Cash paid to suppliers and employees	(17.2)	(19.7)	(23.3)	(23.1)
Taxes received	0.2	–	0.2	–
Taxes paid	(0.1)	(0.1)	(0.1)	(0.1)
Group tax relief received	1.6	4.9	2.0	5.2
Net cash flow from operating activities	32.2	32.8	25.9	28.7
<i>Investing activities</i>				
Purchases of investments	(218.4)	(256.2)	(215.9)	(245.8)
Proceeds from disposal of investments	305.3	433.5	288.3	431.2
Purchases of property, plant and equipment	(10.9)	(9.7)	–	–
Net cash flow from investing activities	76.0	167.6	72.4	185.4
<i>Financing activities</i>				
Interest paid	(2.7)	(1.2)	(2.3)	(1.1)
Dividends paid to owners of the company	(85.3)	(29.3)	(85.3)	(29.3)
Loan receipts from subsidiaries	–	34.4	24.7	53.0
Loan payments to subsidiaries	(12.4)	(9.2)	(26.3)	(44.2)
Exercise of share options	0.2	0.2	0.2	0.2
Purchase of own shares	(7.5)	(10.9)	(7.5)	(10.9)
Net cash flow used in financing activities	(107.7)	(16.0)	(96.5)	(32.3)
Net increase in cash and cash equivalents	0.5	184.4	1.8	181.8
Cash and cash equivalents at year start	207.3	22.9	205.6	23.8
Cash and cash equivalents at year end	207.8	207.3	207.4	205.6

Notes to the final results announcement

1. General information

Caledonia Investments plc is an investment trust company domiciled in the United Kingdom and incorporated in England in 1928, under the Companies Acts 1908 to 1917. 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.

The financial information included in this announcement has been prepared using accounting policies consistent with International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

In the current year the group has not adopted any new standards or interpretations.

2. Dividends

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

	2018		2017	
	p/share	£m	p/share	£m
Final dividend for the year ended 31 March 2017 (2016 second interim dividend)	39.9	21.9	38.3	21.1
Special dividend for the year ended 31 March 2017	100.0	54.9	–	–
Interim dividend for the year ended 31 March 2018 (2017)	15.5	8.5	14.9	8.2
	155.4	85.3	53.2	29.3

Amounts proposed after the year end and not recognised in the financial statements:

Proposed final dividend for the year ended 31 March 2018	41.5	22.8
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The proposed final dividend for the year ended 31 March 2018 was not included as a liability in these financial statements. This dividend, if approved by shareholders at the annual general meeting to be held on 19 July 2018, will be payable on 9 August 2018 to holders of shares on the register on 29 June 2018. The ex-dividend date will be 28 June 2018.

For the purposes of section 1158 of the Corporation Tax Act 2010 and associated regulations, the dividends payable for the year ended 31 March 2018 are the interim and final dividends for that year, amounting to £31.3m (2017 – interim, final and special £85.0m).

3. Earnings per share

Basic and diluted earnings per share

The calculation of basic earnings per share of the group was based on the profit attributable to shareholders and the weighted average number of shares outstanding during the year. The calculation of diluted earnings per share included an adjustment for the effects of dilutive potential shares.

The profit attributable to shareholders (basic and diluted) was as follows:

	2018	2017
	£m	£m
Revenue	31.5	30.8
Capital	(5.0)	259.3
Total	26.5	290.1

The weighted average number of shares was as follows:

	2018 000's	2017 000's
Issued shares at the year start	55,381	55,381
Effect of shares held by the employee share trust	(464)	(455)
Basic weighted average number of shares in the year	54,917	54,926
Effect of performance shares, share options and deferred bonus awards	984	1,035
Diluted weighted average number of shares in the year	55,901	55,961

4. Operating segments

The following is an analysis of the profit before tax for the year and assets analysed by primary operating segments:

	Profit before tax		Total assets	
	2018 £m	2017 £m	2018 £m	2017 £m
Quoted pool	16.3	82.4	452.3	467.9
Income pool	(21.2)	32.0	194.6	215.9
Unquoted pool	24.5	125.1	463.5	567.8
Funds pool	34.1	73.9	470.5	404.3
Investment portfolio	53.7	313.4	1,580.9	1,655.9
Other investments	(6.6)	(0.1)	29.0	32.7
Total revenue/investments	47.1	313.3	1,609.9	1,688.6
Cash and cash equivalents	0.6	0.2	207.8	207.3
Other items	(25.5)	(29.0)	54.4	52.4
Reportable total	22.2	284.5	1,872.1	1,948.3

5. Share-based payments

In the year to 31 March 2018, participating employees in the performance share scheme were awarded options over 222,068 shares at nil-cost (2017 – 220,825 shares).

Also in the year to 31 March 2018, participating employees received deferred awards over 52,664 shares (2017 – 10,655 shares). In the prior year, matching awards of 10,655 shares were granted, which depend on company performance.

The IFRS 2 expense included in profit or loss for the year was £5.0m (2017 – £6.4m).

6. Provisions

There were no provisions held at the year end. During the prior year, the solvency guarantee provision was increased based on a review of the obligations and fully utilised in settlement of those obligations. The solvency guarantee provision related to a subsidiary that had a claim against it, but insufficient resources to settle any such obligations. The provision was estimated based on the amount of the claim against the subsidiary.

The solvency guarantee provision was allocated to the capital reserve. As the matter that gave rise to the provision was expected to be resolved over the next year, the provision was classified as a current liability.

7. Net asset value

The group's undiluted net asset value is based on the net assets of the group at the year end and on the number of ordinary shares in issue at the year end less ordinary shares held by the Caledonia Investments plc Employee Share Trust. The group's diluted net asset value assumes the exercise of all outstanding in-the-money share options and the calling of performance share and deferred bonus awards.

	2018			2017		
	Net assets £m	Number of shares 000's	NAV p/share	Net assets £m	Number of shares 000's	NAV p/share
Undiluted	1,836.6	54,927	3344	1,898.8	54,894	3459
Share options	–	984	(59)	0.3	1,044	(64)
Diluted	1,836.6	55,911	3285	1,899.1	55,938	3395

Net asset value total return is calculated in accordance with AIC guidance, as the change in NAV from the start of the period, assuming that dividends paid to shareholders are reinvested at NAV at the time the shares are quoted ex-dividend.

	2018 p	2017 p
Diluted NAV at year start	3395	2890
Diluted NAV at year end	3285	3395
Dividends payable in the year	155	15
Reinvestment adjustment	2	1
	3442	3411
NAVTR over the year	1.4%	18.0%

1. The reinvestment adjustment is the gain or loss resulting from reinvesting the dividends in NAV at the ex-dividend date.

8. Capital commitments

At the reporting date, the group and company had entered into unconditional commitments to limited partnerships, commitments to other investment funds and loan facilities to portfolio companies, as follows:

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
<i>Investments</i>				
Contracted but not called	320.1	301.5	324.8	307.3
Conditionally contracted	24.8	27.5	24.8	27.5
	344.9	329.0	349.6	334.8

9. 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. Principal performance measures are as follows:

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.

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.

Total shareholder return ('TSR')

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

10. Financial information

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2018 or 2017 but is derived from those accounts. Statutory accounts for 31 March 2017 have been delivered to the Registrar of Companies, and those for 31 March 2018 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 31 March 2018 will be delivered to shareholders on 19 June 2018 and made available for download from the company's website on that date. Also, a copy will be delivered to the Registrar of Companies in accordance with section 441 of the Act, following approval by shareholders.

The statutory accounts for the year ended 31 March 2018 include a 'Directors' statement of responsibility' as follows:

We confirm that, to the best of our knowledge:

- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the group
- the strategic report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the board by:

Will Wyatt
Chief Executive
24 May 2018

Stephen King
Finance Director
24 May 2018

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END

Copies of this statement are available at the company's registered office, Cayzer House, 30 Buckingham Gate, London SW1E 6NN, United Kingdom, or from its website at www.caledonia.com. Neither the contents of the company's website nor the contents of any website accessible from hyperlinks on the company's website (or any other website) is incorporated into, or forms part of, this announcement.