



Caledonia Investments plc

Final results for the year ended 31 March 2019

Financial highlights

	31 Mar 2019	31 Mar 2018	Change
Net asset value total return	+10.9%	+1.4%	
Net asset value	3582p	3285p	+9.0%
Net assets	£2,002m	£1,837m	+9.0%
Annual dividend per share	59.3p	57.0p	+4.0%

Highlights

- +10.9% NAV total return for the year (+8.1% excluding currency gains)
 - Strong returns from the Quoted, Unquoted and Funds pools and a small positive return from the Income pool; returns enhanced by the strengthening US dollar
- Continued growth in dividends to shareholders
 - 4% increase in annual dividend per share to 59.3p
 - 52nd consecutive year of increasing dividends
- Strong NAV growth over the year of +9.0%
- £491m realised from the portfolio including £92m from sale of Choice Care Group
- £560m investment in new and follow-on opportunities including £117m in Deep Sea Electronics equity and £50m in debt (subsequently repaid) and £93m in Cooke Optics
- Significant capacity to capitalise on market opportunities
 - £112m of cash available
 - Unutilised facilities of £250m at year end

Will Wyatt, Chief Executive, commented:

"Caledonia's investment portfolio delivered positive performance across all four pools, underpinning the +10.9% increase in NAV total return for the year. The Quoted pool in particular performed strongly, demonstrating the strength of Caledonia's conservative, long term approach."

"We are proposing a 4% increase in the annual dividend, marking the 52nd year of successive increases, a record of which we continue to be proud."

"Whilst we foresee a continuation of geopolitical tensions affecting markets in the coming year, we remain confident that our portfolio construction and underlying investments leave us well positioned to deliver our long term return targets and dividend growth."

29 May 2019

Enquiries

Caledonia Investments plc
Will Wyatt, Chief Executive
Tim Livett, Chief Financial Officer
+44 20 7802 8080

Tulchan Communications
Lisa Jarrett-Kerr
Martin Pengeley
+44 20 7353 4200

Chairman's and Chief Executive's report

Aim

Caledonia's objective is to grow net assets and dividends over the long term, whilst managing risk to avoid permanent loss of capital.

Results

Our net asset value per share total return ('NAVTR'), which measures how the company has performed considering both capital returns and dividends paid to shareholders, was 10.9% over the year. This was in excess of the board's annual performance target of RPI+3% to RPI+6% and reflected the healthy growth in value of both our listed and unquoted portfolios. Investors have been aided by strong market and economic fundamentals, although the sharp falls witnessed in most asset classes in the last quarter of 2018 was a sharp reminder that confidence remains fragile at what could prove to be a late stage in a long bull market cycle.

Markets and volatility

Caledonia is somewhat unusual, as its investment portfolio combines listed holdings and direct unquoted investment, together with funds. It is designed to give shareholders a less volatile journey that protects their capital, but aims to grow it over the long term without taking undue risk. This strategy was put to the test during the steep market falls in the last quarter of 2018 and I am pleased to report that the portfolio did indeed suffer proportionately less than markets in general. This gives a degree of confidence that our portfolio construction and our underlying investee companies are giving shareholders the designed risk adjusted returns. We also retain an ungeared balance sheet, although individual companies within our portfolio do have borrowings secured on their own assets.

Investment performance

In the short term, Caledonia aims to deliver NAVTR ahead of inflation, as measured by RPI, by 3% to 6%. Over ten years, the board believes it is more appropriate to compare performance against the FTSE All-Share Total Return index, which the board regards as a reasonable indicator of what UK based shareholders might consider an acceptable long term return.

The table below shows that our investment performance is currently ahead of the various measures described above, outperforming both the FTSE All-Share Total Return by 4.5% and the top end of our target range by 2.5% in the year. Caledonia has also outperformed these measures over the longer term, with the exception of a minor under-performance against the FTSE All-Share Total Return over ten years.

	1 year %	3 years %	5 years %	10 years %
NAV total return	10.9	32.7	55.6	185.9
Total shareholder return	14.8	41.2	78.2	200.2
RPI+3% to RPI+6% target	5.4-8.4	6.0-9.0	5.3-8.3	6.0-9.0
NAVTR annualised	10.9	9.9	9.2	11.1
Performance vs RPI+3%	Above	Above	Above	Above
FTSE All-Share Total Return	6.4	31.3	34.5	186.8
NAVTR vs FTSE All-Share TR	4.5	1.4	21.1	(0.9)
Performance vs FTSE	Over	Over	Over	Under

Total return for the year was £229m, consisting of £177m of capital gains and £52m of income.

Income

Income from a portfolio is often perceived as less important than capital returns although, over the long term, it has a far more significant impact than is often assumed. Over the past ten years, for instance, the FTSE All-Share index increased by 100.5% on a capital basis, but on a total return basis, by 186.8%. Caledonia needs to pay its internal costs and a dividend annually and we aim to ensure that there is sufficient income flowing from our portfolio to achieve this on a covered basis. Income for the year amounted to £52m, an increase over the previous year of 13.3% and our dividend cover was 1.1x.

Asset allocation

Pool	Strategic %	Pool allocations				Return target %
		2019 %	2018 %	2017 %	2016 %	
Quoted	25-40	23	25	25	27	10.0
Income	15-20	11	11	11	12	7.0
Unquoted	35-45	33	25	30	39	14.0
Funds	15-20	24	25	21	19	12.5
Cash etc	(10)-10	9	14	13	3	

The allocation ranges expressed in the table above are a guide to ensure that our overall investment portfolio remains proportionately balanced. There will be times when the pools move outside their strategic ranges, often for extended periods, due for example to market movements, underlying performance, liquidity issues, unavailability of suitable target investments or the age profile of our existing investments.

Our portfolio is currently some 60% invested in unquoted businesses and funds and 40% in companies listed on stock exchanges. We have gradually reduced exposure to listed equities, taking profits as markets have risen over the past three years. Following a couple of years of exercising financial discipline, when no suitable new investments were found, the Unquoted pool invested in three new businesses this year and agreed a fourth, which is currently awaiting regulatory approval. Once this completes, the pool will return to within its expected allocation range. The Funds pool allocation remains above its target range, driven by its continued strong run of performance and the maturing of its private equity funds portfolio.

Pool	At Mar 2018 £m	Invest- ments £m	Realis- ations £m	Gains/ losses £m	At Mar 2019 £m	Income £m	Return %
Quoted	452	29	(96)	79	464	10	21.0
Income	195	107	(71)	(7)	224	13	2.9
Unquoted	464	315	(159)	36	660	28	11.4
Funds	470	109	(165)	69	483	1	15.0
Total pools	1,581	560	(491)	177	1,831	52	13.6
Non-pool	29	(2)	2	-	29	-	(0.4)
Investments	1,610	558	(489)	177	1,860	52	13.4
Cash	208				112		
Other items	19				30		
Net assets	1,837				2,002		10.9

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.
3. Unquoted pool realisations included the transfer of a non-core investment valued at £1m to Non-pool investments and the valuations at 31 March 2019 included accrued income of £4m.

Pool performance

The performance of the portfolio was strong across all pools with the exception of the Income pool, with its majority exposure to UK assets which remain out of favour with investors, in large part due to Brexit.

The table below shows the annualised three and five year pool performance and aggregate net cash generated including income.

	Returns annualised		Cash generated over	
	3 years %	5 years %	3 years £m	5 years £m
Quoted	14.8	7.8	171	208
Income	2.9	3.8	(13)	(2)
Unquoted	12.2	14.2	177	247
Funds	15.2	18.6	4	16
Portfolio	12.3	11.5	339	469

Quoted pool

The Quoted pool is substantially invested in high quality compounding businesses in the US (55% of the portfolio) and its return of 21.0% for the year was nothing short of exceptional, returning double its target, considering the turmoil in markets only three months before the year under review ended. The portfolio has been constructed with market volatility in mind such that the full effect of downturns is mitigated. The performance during the fourth quarter downturn demonstrated this resilience, ending the calendar year 2018 up 5.0%, compared with falls in the FTSE All-Share of 9.5% and the S&P 500 of 4.4%. Risk has been well managed with £96m of divestments made during the year when individual holdings either became too large or too highly valued. Our main concern is one of extended valuations, especially of high quality, reliable companies that produce consistently good returns. There are few opportunities to put capital to work, although we expect that this could change if interest rate expectations start to anticipate increases in base rates or other macro-economic factors unsettle markets.

Income pool

Income for the year, the generation of which is the primary purpose of this pool, was £13m, equating to a yield of 5.7%. Capital performance was somewhat disappointing, although this was a year in which it proved difficult to avoid the vacillations of the market. High yielding UK equities, in which 74% of the pool's assets were invested, remained at the lower end of historic valuation ranges. Our longer-term outlook allows us to weather such storms and the income generated enables greater flexibility in investment in the remainder of Caledonia's portfolio.

Unquoted pool

The Unquoted pool's total return for the year was a healthy 11.4%. The past twelve months have been exceptionally busy, with the team involved in purchasing three businesses, including a co-investment with Cobepa, and selling one. In October 2018, our investment in the residential care homes operator, Choice Care Group, was sold to a fund managed by iCON for £99m (including £7m of pre-sale dividend), which represented a return of 1.9x on our capital and an IRR of 14.3%.

In July 2018, we purchased an 89% stake in Cooke Optics, a Leicester based manufacturer of cinematography lenses, for £63m and advanced £30m of debt to this long-established business. The underlying growth in the market for lenses is being driven by the demand for new content by companies such as Netflix, Apple and Amazon, as well as the fast-developing Chinese film industry.

We also purchased in October 99% of the equity of Deep Sea Electronics ('DSE'), a world leading, Yorkshire based manufacturer of controllers for electricity generators and battery chargers, for £117m. DSE has a high share of the global market for its products and is expanding into the market for controllers for off-highway and utility vehicles.

In February, we invested £23m in BioAgilytix alongside Cobepa, owned by Cobehold. BioAgilytix is a US headquartered bioanalytical testing solutions provider.

A fourth acquisition, when completed, will be a minority shareholding in Stonehage Fleming & Partners, which provides family office services to high net worth families. Caledonia will purchase 36.7% of the equity of the business for approximately £92m, with deferred consideration of up to an additional £21m if certain financial targets are achieved. Stonehage Fleming is one of the leaders in the fast-growing ultra-high net worth market. The acquisition of this holding is dependent on receiving approval from regulators in the various jurisdictions in which the company operates.

The companies in the Unquoted pool's existing portfolio have performed in line with expectations. Seven Investment Management completed the acquisition of Tcam Asset Management, though overall profits fell in a year strongly influenced by volatile markets. Buzz Bingo completed a rebranding exercise from its previous name of Gala Bingo, which involved significant investment into its retail estate, as well as launching its online bingo platform. Liberation went through a year of consolidation of the previous year's pub acquisitions, strengthened its management team led by new CEO, Jonathan Lawson, and opened a new bottling and distribution centre in Polden, Somerset. Cobehold, the Belgian investment company, had a strong year, driven by the profitable sale of one of its portfolio companies, Exclusive Group. We exited some smaller, legacy businesses and several properties were sold profitably by Brookshire Capital, a joint venture property investment and trading group managed capably by Alex Wildman and Neil Taylor. In addition to net capital gains of £36m, the Unquoted pool produced £28m of income during the year.

Funds pool

The Funds pool returned 15.0% for the year which, compared with previous years, was driven by a wider base of funds as the pool matures. The US and Asian private equity portfolios are driving growth in valuations, although we are still some way from seeing substantial net receipts of cash. Particularly strong growth came from JF Lehman, our fund of funds investments and also from Boyne Capital, a Florida-based private equity firm focused on investments in lower middle market companies. We reduced our holdings in quoted market funds to provide cash flow for the private equity portfolio and it is likely this pattern will continue in subsequent years.

It is worth noting that the extraordinarily successful Capital Today China fund, which has been the backbone of our Asian portfolio, has made a return of over 10x the commitment of \$20m made in 2006.

Discount and dividend

Our share price rose by some 12.5% over the year and our discount reduced by 2.5% to 16.8%. The month end discounts have ranged between 22.1% and 13.9%, the latter being reached during the stock market falls in late 2018.

The board is recommending a final dividend of 43.2p per share to shareholders at the AGM in July. Together with the interim dividend of 16.1p per share this will give a total for the year of 59.3p at a cost of £32.5m. This would represent an increase of 4.0% over 2018 and would be our 52nd year of consecutive growth of the dividend, a considerable achievement. Although Caledonia's dividend yield, which averaged about 2% for the year, is not particularly high, our history of sharing with shareholders via occasional special dividends periodic gains from investing brings the overall pay-out levels to above 3% taken over a ten year period.

Board

After almost ten years as our Finance Director, Stephen King stepped down from the board at the end of November last year to pursue a non-executive career. We would like to extend our thanks to Stephen for his contribution to Caledonia over that time and to wish him well in his future roles.

In March, we welcomed Tim Livett to the board as Chief Financial Officer. Tim joined us from a similar position at the Wellcome Trust, where his knowledge and insight gained from overseeing the risk and performance of its asset management division, responsible for the Trust's £23bn mixed asset portfolio, should greatly assist our own investment team.

Outlook

There is an unavoidable sense of 'fin de siècle' with this bull market in equities, now in its tenth year. The strongest influence on investor confidence seems to be the direction of interest rates, particularly in the US. There is, of course, a direct effect on earnings of companies should the cost of capital increase. The Federal Reserve, having been gradually raising interest rates to their current 2.5%, signalled that it would not raise rates further in the near future. This provided the impetus for the market recovery in January. It will be worth following closely the signals coming from both the US and UK central banks, as they have a direct effect on listed markets. With US tax cuts now in the past and trade talks with China showing no signs of resolution, there is much of which the investor should be wary.

We have been active over the past year in UK unquoted markets and have been fortunate to find companies that value our differentiated proposition over the simple measure of price. We have a relatively immature unquoted portfolio that will take a combination of time and further capital to develop and grow. In the meantime, our portfolio of fund assets and high-quality listed companies offers prospects for further growth. Whilst we anticipate continued periods of turbulence, especially in quoted markets, over the medium term we are confident that our portfolio and measured, long term approach will continue to achieve the aims set by the board.

David Stewart
Chairman

Will Wyatt
Chief Executive

Investments summary

Holdings over 1% of net assets at 31 March 2019 were as follows:

Name	Pool	Geography	Business	Value £m	Net assets %
Deep Sea Electronics	Unquoted	UK	Control systems	117.2	5.9
Seven Investment Management	Unquoted	Jersey	Investment management	107.7	5.4
Cobehold	Unquoted	Belgium	Investment company	104.9	5.2
Cooke Optics	Unquoted	UK	Cine lens manufacturer	92.5	4.6
Buzz Bingo	Unquoted	UK	Bingo operator	89.9	4.5
Aberdeen US PE funds	Funds	US	Funds of funds	86.5	4.3
Liberation Group	Unquoted	Jersey	Pubs and restaurants	83.2	4.2
Microsoft	Quoted	US	Infrastructure technology	43.2	2.2
AG Barr	Quoted	UK	Soft drinks	40.4	2.0
Spirax Sarco	Quoted	UK	Steam engineering	40.3	2.0
JF Lehman funds	Funds	US	Private equity funds	38.2	1.9
Axiom Asia funds	Funds	Asia	Funds of funds	34.4	1.7
Asia Alternatives funds	Funds	Asia	Funds of funds	33.2	1.7
Oracle	Quoted	US	Infrastructure technology	31.5	1.6
Thermo Fisher Scientific	Quoted	US	Biotechnology development	31.3	1.6
Becton Dickinson	Quoted	US	Medical technology	30.2	1.5
Arlington AVM Ranger fund	Funds	US	Quoted market fund	29.7	1.5
Polar Capital	Quoted	UK	Fund manager	29.1	1.5
British American Tobacco	Quoted/Inc	UK	Tobacco	27.8	1.4
Charter Communications	Quoted	US	Cable telecommunications	27.4	1.4
Hill & Smith	Quoted	UK	Infrastructure products	27.1	1.4
Nestlé	Quoted	Switzerland	Packaged foods	24.7	1.2
Overlook Partners fund	Funds	Asia	Quoted market fund	24.7	1.2
Waters	Quoted	US	Chemical testing services	24.5	1.2
BioAgilytix	Unquoted	US	Bioanalytical testing services	23.0	1.1
Sports Information Services	Unquoted	UK	Broadcasting services	20.7	1.0
Pacific Alliance fund	Funds	Asia	Private equity fund	20.6	1.0
Other investments				547.2	27.3
Investment portfolio				1,831.1	91.5
Non-pool investments				28.9	1.4
Cash and other				142.0	7.1
Net assets				2,002.0	100.0

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

Pool distribution

Quoted	23%
Income	11%
Unquoted	33%
Funds	24%
Cash and other	9%

Geographic distribution

United Kingdom	35%
Europe	19%
North America	27%
Asia	10%
Cash and other	9%

Asset class distribution

Listed equities	34%
Private companies	33%
Private equity funds	20%
Quoted market funds	4%
Cash and other	9%

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>		
Risks in relation to the appropriateness of the business model to deliver long term growth in capital and income.	The company's business model and strategy are reviewed periodically, against market conditions and target returns.	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.
Strategic risks include the allocation of capital in relation to geography, sector, currency, yield and liquidity.	The performance of the company and its key risks are monitored regularly by management and the board.	
<i>Investment</i>		
Risks in respect of specific investment and realisation decisions.	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.	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.
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.		
<i>Market</i>		
Risk of losses in value of investments arising from sudden and significant movements in market prices, particularly in highly volatile markets.	Market risks and sensitivities are reviewed weekly and actions taken, where appropriate, to balance appropriately risk and return.	Caledonia has continued to operate a diversified geographical portfolio that provides a longer term hedge to geographical market risk and foreign exchange.
Caledonia's principal market risks are therefore equity price volatility, foreign exchange rate movements and interest rate volatility.	A regular review of market and portfolio volatility is conducted by the board. Reviews also consider investment concentration, currency exposure and portfolio liquidity.	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.

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 that access to our available facilities is on a short term basis only. At 31 March 2019, we had net cash of £112m, 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>Caledonia has implemented a policy addressing GDPR requirements in the year. It has also updated the staff handbook ensuring compliance with the 'speak up about company concerns' provisions of the 2018 UK Corporate Governance Code.</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>Potential Brexit scenarios</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 any 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 scenarios.</p> <p>We continue to monitor potential impacts to quoted markets as the potential Brexit position develops.</p>

Group statement of comprehensive income for the year ended 31 March 2019

	2019			2018		
	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m
<i>Revenue</i>						
Investment income	52.1	–	52.1	46.0	–	46.0
Other income	0.1	0.9	1.0	0.2	–	0.2
Net gains and losses on fair value investments	–	176.7	176.7	–	6.8	6.8
Net gains and losses on fair value property	–	(5.3)	(5.3)	–	(5.9)	(5.9)
Total revenue	52.2	172.3	224.5	46.2	0.9	47.1
Management expenses	(17.9)	(8.6)	(26.5)	(16.9)	(5.9)	(22.8)
Profit before finance costs	34.3	163.7	198.0	29.3	(5.0)	24.3
Treasury interest receivable	0.5	–	0.5	0.6	–	0.6
Finance costs	(2.1)	–	(2.1)	(2.1)	–	(2.1)
Exchange movements	0.5	–	0.5	(0.6)	–	(0.6)
Profit before tax	33.2	163.7	196.9	27.2	(5.0)	22.2
Taxation	1.4	(0.1)	1.3	4.3	–	4.3
Profit for the year	34.6	163.6	198.2	31.5	(5.0)	26.5
<i>Other comprehensive income items never to be reclassified to profit or loss</i>						
Gain on acquisition of pension scheme	1.4	–	1.4	–	–	–
Re-measurements of defined benefit pension schemes	–	(0.1)	(0.1)	–	(0.8)	(0.8)
Tax on other comprehensive income	–	0.2	0.2	–	(0.3)	(0.3)
Total comprehensive income	36.0	163.7	199.7	31.5	(6.1)	25.4
Basic earnings per share	63.0p	297.9p	360.9p	57.4p	-9.1p	48.3p
Diluted earnings per share	61.9p	292.8p	354.7p	56.3p	-9.1p	47.4p

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 2019

	Group		Company	
	2019	2018	2019	2018
	£m	£m	£m	£m
<i>Non-current assets</i>				
Investments held at fair value through profit or loss	1,860.0	1,609.9	1,864.2	1,613.6
Investments in subsidiaries held at cost	–	–	0.9	0.8
Investment property	6.7	10.4	–	–
Property, plant and equipment	28.4	29.2	–	–
Deferred tax assets	3.6	3.2	–	–
Employee benefits	2.6	2.3	–	–
Non-current assets	1,901.3	1,655.0	1,865.1	1,614.4
<i>Current assets</i>				
Trade and other receivables	21.3	3.9	50.8	38.0
Current tax assets	5.3	5.4	5.2	4.7
Cash and cash equivalents	112.3	207.8	111.3	207.4
Current assets	138.9	217.1	167.3	250.1
Total assets	2,040.2	1,872.1	2,032.4	1,864.5
<i>Current liabilities</i>				
Trade and other payables	(28.1)	(26.5)	(34.3)	(34.0)
Employee benefits	(2.8)	(2.2)	–	–
Current liabilities	(30.9)	(28.7)	(34.3)	(34.0)
<i>Non-current liabilities</i>				
Employee benefits	(7.3)	(6.6)	–	–
Deferred tax liabilities	–	(0.2)	–	–
Non-current liabilities	(7.3)	(6.8)	–	–
Total liabilities	(38.2)	(35.5)	(34.3)	(34.0)
Net assets	2,002.0	1,836.6	1,998.1	1,830.5
<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	1,748.4	1,584.9	1,754.2	1,585.6
Retained earnings	292.4	284.1	282.7	277.3
Own shares	(44.6)	(38.2)	(44.6)	(38.2)
Total equity	2,002.0	1,836.6	1,998.1	1,830.5
Undiluted net asset value	3645p	3344p		
Diluted net asset value	3582p	3285p		

The financial statements were approved by the board and authorised for issue on 28 May 2019 and were signed on its behalf by:

Will Wyatt
Chief Executive

Tim Livett
Chief Financial Officer

Statement of changes in equity for the year ended 31 March 2019

	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 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 share 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
<i>Total comprehensive income</i>							
Profit for the year	–	–	–	163.6	34.6	–	198.2
Other comprehensive income	–	–	–	0.1	1.4	–	1.5
Total comprehensive income	–	–	–	163.7	36.0	–	199.7
<i>Transactions with owners of the company</i>							
<i>Contributions by and distributions to owners</i>							
Share-based payments	–	–	–	–	3.9	–	3.9
Own shares cancelled	–	–	–	(0.2)	–	–	(0.2)
Own shares purchased	–	–	–	–	–	(6.4)	(6.4)
Dividends paid	–	–	–	–	(31.6)	–	(31.6)
Total transactions with owners	–	–	–	(0.2)	(27.7)	(6.4)	(34.3)
Balance at 31 March 2019	3.2	1.3	1.3	1,748.4	292.4	(44.6)	2,002.0
Company							
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 share 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
Profit and total comprehensive income	–	–	–	168.8	33.1	–	201.9
<i>Transactions with owners of the company</i>							
<i>Contributions by and distributions to owners</i>							
Share-based payments	–	–	–	–	3.9	–	3.9
Own shares cancelled	–	–	–	(0.2)	–	–	(0.2)
Own shares purchased	–	–	–	–	–	(6.4)	(6.4)
Dividends paid	–	–	–	–	(31.6)	–	(31.6)
Total transactions with owners	–	–	–	(0.2)	(27.7)	(6.4)	(34.3)
Balance at 31 March 2019	3.2	1.3	1.3	1,754.2	282.7	(44.6)	1,998.1

Statement of cash flows for the year ended 31 March 2019

	Group		Company	
	2019	2018	2019	2018
	£m	£m	£m	£m
<i>Operating activities</i>				
Dividends received	45.9	46.6	45.9	46.6
Interest received	1.6	0.9	1.6	0.5
Cash received from customers	0.1	0.2	–	–
Cash paid to suppliers and employees	(19.2)	(17.2)	(25.9)	(23.3)
Taxes received	–	0.2	–	0.2
Taxes paid	(0.1)	(0.1)	(0.1)	(0.1)
Group tax relief received	2.5	1.6	2.5	2.0
Group tax relief paid	(1.5)	–	(1.5)	–
Net cash flow from operating activities	29.3	32.2	22.5	25.9
<i>Investing activities</i>				
Purchases of investments	(558.2)	(218.4)	(558.2)	(215.9)
Proceeds from disposal of investments	473.7	305.3	476.9	288.3
Purchases of property, plant and equipment	(2.0)	(10.9)	–	–
Net cash flow from/(used in) investing activities	(86.5)	76.0	(81.3)	72.4
<i>Financing activities</i>				
Interest paid	(1.8)	(2.7)	(1.8)	(2.3)
Dividends paid to owners of the company	(31.6)	(85.3)	(31.6)	(85.3)
Loan receipts from subsidiaries	1.7	–	7.0	24.7
Loan payments to subsidiaries	–	(12.4)	(4.3)	(26.3)
Exercise of share options	–	0.2	–	0.2
Purchase of own shares	(6.6)	(7.5)	(6.6)	(7.5)
Net cash flow used in financing activities	(38.3)	(107.7)	(37.3)	(96.5)
Net increase/(decrease) in cash and cash equivalents	(95.5)	0.5	(96.1)	1.8
Cash and cash equivalents at year start	207.8	207.3	207.4	205.6
Cash and cash equivalents at year end	112.3	207.8	111.3	207.4

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 adopted IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. Neither adopted IFRS impacted the financial position of the group.

2. Dividends

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

	2019		2018	
	p/share	£m	p/share	£m
Final dividend for the year ended 31 March 2018 (2017)	41.5	22.8	39.9	21.9
Special dividend for the year ended 31 March 2017	–	–	100.0	54.9
Interim dividend for the year ended 31 March 2019 (2018)	16.1	8.8	15.5	8.5
	57.6	31.6	155.4	85.3

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

Proposed final dividend for the year ended 31 March 2019	43.2	23.7
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The proposed final dividend for the year ended 31 March 2019 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 24 July 2019, will be payable on 8 August 2019 to holders of shares on the register on 28 June 2019. The ex-dividend date will be 27 June 2019.

The deadline for elections under the dividend reinvestment plan offered by Link Asset Services will be the close of business on 18 July 2019.

For the purposes of section 1158 of the Corporation Tax Act 2010 and associated regulations, the dividends payable for the year ended 31 March 2019 are the interim and final dividends for that year, amounting to £32.5m (2018 – £31.3m).

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:

	2019	2018
	£m	£m
Revenue	34.6	31.5
Capital	163.6	(5.0)
Total	198.2	26.5

The weighted average number of shares was as follows:

	2019 000's	2018 000's
Issued shares at the year start	55,381	55,381
Effect of shares cancelled	(6)	–
Effect of shares held by the employee share trust	(451)	(464)
Basic weighted average number of shares in the year	54,924	54,917
Effect of performance shares, share options and deferred bonus awards	960	984
Diluted weighted average number of shares in the year	55,884	55,901

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	
	2019 £m	2018 £m	2019 £m	2018 £m
Quoted pool	88.9	16.3	464.4	452.3
Income pool	6.7	(21.2)	224.5	194.6
Unquoted pool	63.4	24.5	659.5	463.5
Funds pool	69.9	34.1	482.7	470.5
Investment portfolio	228.9	53.7	1,831.1	1,580.9
Other investments	(4.4)	(6.6)	28.9	29.0
Total revenue/investments	224.5	47.1	1,860.0	1,609.9
Cash and cash equivalents	0.5	0.6	112.3	207.8
Other items	(28.1)	(25.5)	67.9	54.4
Reportable total	196.9	22.2	2,040.2	1,872.1

5. Share-based payments

In the year to 31 March 2019, participating employees in the performance share scheme were awarded options over 261,816 shares at nil-cost (2018 – 222,068 shares).

Also in the year to 31 March 2019, participating employees received deferred awards over 493 shares (2018 – 52,664 shares).

The IFRS 2 expense included in profit or loss for the year was £6.6m (2018 – £5.0m).

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 calling of performance share and deferred bonus awards.

	2019			2018		
	Net assets £m	Number of shares 000's	NAV p/share	Net assets £m	Number of shares 000's	NAV p/share
Undiluted	2,002.0	54,929	3645	1,836.6	54,927	3344
Share options	–	960	(63)	–	984	(59)
Diluted	2,002.0	55,889	3582	1,836.6	55,911	3285

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.

	2019	2018
	p	p
Diluted NAV at year start	3285	3395
Diluted NAV at year end	3582	3285
Dividends payable in the year	58	155
Reinvestment adjustment	3	2
	3643	3442
NAVTR over the year	10.9%	1.4%

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, committed loan facility agreements and a conditional loan and purchase agreement, as follows:

	Group		Company	
	2019	2018	2019	2018
	£m	£m	£m	£m
<i>Investments</i>				
Contracted but not called	330.6	320.1	339.0	324.8
Conditionally contracted	167.6	24.3	167.6	24.3
	498.2	344.4	506.6	349.1

Conditionally contracted commitments at 31 March 2019 included £142.6m in respect of the acquisition of a minority holding in Stonehage Fleming, subject to regulatory approval.

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 2019 or 2018 but is derived from those accounts. Statutory accounts for 31 March 2018 have been delivered to the Registrar of Companies, and those for 31 March 2019 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 2019 will be delivered to shareholders on 18 June 2019 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 2019 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
28 May 2019

Tim Livett
Chief Financial Officer
28 May 2019

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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.