Preliminary Results for the 12 months ended 31 March 2008

Key points

- 4.5% increase in annual dividend to 32.5p marks 41 years of progressive dividends
- £204m invested and £114m of assets realised
- 4.6% decrease in diluted NAV per share - 6.3% outperformance vs FTSE All-Share index
- 254% growth in total shareholder return over five years - 155% outperformance vs FTSE All-Share Total Return index
- 228% growth in total shareholder return over ten years - 187% outperformance vs FTSE All-Share Total Return index

Tim Ingram, Chief Executive, commented:

"In a year which saw double-digit percentage falls in stock market levels, our minor decrease in NAV per share of 4.6% demonstrates the resilience of our business model. We are proposing a further uplift in the final dividend, making 41 years of unbroken annual dividend increases."

29 May 2008

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Chairman's statement

Results

In a difficult year for markets, it is not surprising to report that our fifth year as an investment trust has resulted in a decline of 4.6% in our net asset value per share, although this should be taken in the context of an 10.9% decline in the FTSE All-Share index. Given that the share prices of our second and fourth largest holdings, being Close Brothers and Quintain Estates, fell by 39% and 50% respectively, this outperformance reflects the sound quality of our overall portfolio. It also reinforces the validity of our long standing investment approach, which is to take significant stakes for the longer term in promising quoted and unquoted companies with management teams whom we have got to know and trust. This is similarly reflected in our continued longer term outperformance against our benchmark FTSE All-Share Total Return index over five and ten years of 155% and 187% respectively.

Share price and discount

Our share price fell by 0.8% over the year from 2066 pence to 2050 pence and, against the 5% decline in net asset value per share already mentioned, this reflected a narrowing of the share price discount from 8.5% to 4.9%. Our share price total return over one year, which assumes reinvestment of dividends, was positive at 0.8%.

Dividend

We are pleased to propose a 4.6% increase of 1.0 pence in the final dividend to 22.6 pence per share payable on 14 August 2008. This will bring the total dividends for the year to 32.5 pence, representing an increase of 4.5% over the previous year and costing £18.7m. We shall have increased our annual dividend to shareholders for forty-one consecutive years.

Portfolio and liquidity

The Chief Executive reviews the detailed changes to our portfolio in his report. In overall terms we have adopted a more cautious approach to the market over the past year, with investments made in five new situations totalling £48m, compared with 14 new situations in the previous year costing £128m. Follow-on investments totalled £156m compared with £162m last year. Together investments made exceeded realisations during the year by £89m, which, adjusted for movements in working capital, reduced our net liquidity from £109m to £24m. Whilst we remain cautious about markets, we would wish to be in a position to take advantage of the potentially interesting opportunities which are likely to arise from these difficult times and we are looking at arranging appropriate borrowing facilities.

Economic and political background

I have customarily made reference to the economic and political background and the impact it has on our business and for some years I have been strongly critical of the present Government. In the past year many of their chickens have come home to roost and what a shabby lot they look. Shorn of integrity and economic competence, Rooster Brown has even less feathers than Rooster Blair and lacks the latter's knack of preening himself. It is heartening that both the recent elections, exemplified by the change of the Mayor in London and the Crewe by-election, would suggest that the electorate is seeking change.

Fuelled by the greed of the US investment banks, the principal culprits in the sub-prime crisis, many other banks had lowered their standards to an alarming degree which the Government, through its Brown-imposed three way regulatory framework of Treasury, Bank of England and Financial Services Authority, utterly failed to spot. Over the past period of relative plenty, Brown has consistently and stealthily raised taxes and public expenditure in a way which has failed to deliver proper value. He blusters about prudent economic management when Britain is now at the lower end of a number of European economic league tables. Blair and Brown both promised a referendum on the new constitutional reforms in Europe and then reneged. What is particularly distressing in all this, is a growing politicisation of the civil service and the lack of example being set by those at the top in both politics and banking, with self interest dominating the willingness to take responsibility, which is hardly the right ethic to instil in future generations. All of this impinges on the prospects for growth in our economy.

Last year some of these factors led us to ask our shareholders for the authority to make contributions of up to £60,000 to the Conservative Party so that it can be equipped better to form an alternative government. I am pleased to report that we had a ringing endorsement in favour of this from the overwhelming majority of our shareholders. The year just past has strengthened our belief in this initiative although the Conservatives will have to be careful and consistent with their policy pronouncements. We shall ask our shareholders for permission to donate again to the Conservative Party with an increase in the contribution to £75,000 in case the next twelve months turns out to be an election year. The focus of giving will remain on building resource in the marginal seats where the past year's contributions were also targeted.

Staff

We are fortunate to have a close knit and dedicated team at Caledonia and it has been a busy year for them. Regulations, which often emanate from an unaccountable bureaucracy in Brussels or are imposed on industry in a manner which the UK Government opts out of for its own account as in the public sector pensions arena, continue to grow alarmingly and impose an unwelcome additional burden on the workload of our team and, worse, for the competitiveness of our economy in global markets. I would like to thank the Caledonia team on behalf of shareholders for their unstinting and diligent efforts.

Outlook

The financial markets have suffered unprecedented difficulties and the impact of all this is only now filtering through to the wider economy. This undoubtedly has further to go and inflation is likely to be the next issue to consider. So there is no easy road ahead but opportunities are bound to present themselves which we shall address with our traditional approach ever mindful of the difficult environment.

Peter Buckley
Chairman

Chief Executive's report

This time last year we expressed a cautious stance to investment, and the last 12 months have shown this to be right. We have seen considerable turbulence in the markets and major falls in many asset values. Over the 12 months ended 31 March 2008, the FTSE All-Share index fell by 10.9%. Against this backdrop the much smaller fall in our own diluted net asset value ('NAV') per share of 4.6%, although disappointing in absolute terms, nonetheless represented outperformance of 6.3% against the FTSE All-Share index and has demonstrated the resilience of our business model in these conditions.

Our aim is to ensure that over rolling five year periods our total shareholder return consistently outperforms the FTSE All-Share Total Return, as well as producing positive absolute returns. To achieve that aim, we put our efforts into ensuring that our NAV per share consistently outperforms the FTSE All-Share index over the medium term. Although we cannot always expect in the shorter term period of one year to meet this objective, nonetheless it should be noted that for each of the last five years - since we converted to investment trust status and have been measuring NAV on a consistent basis - our NAV per share has outperformed the FTSE All-Share index. Our long term approach to investment is working to produce for our shareholders the results to which we aspire, and has been delivering in both upturns and downturns in the market.

Our business philosophy, which centres around being a long term supportive and constructively involved shareholder, does mean that we do not normally liquidate our shareholdings in good companies just because of anticipated downturns in the market as a whole. Instead, during the last financial year and in order to provide some downside protection of the value of our portfolio in a falling market, we invested, through a subsidiary, a total of £12m in FTSE 250 put options. The value of these put options had of course substantially grown by the end of the period as a result of both falls in the index and increased volatility and this increase (of £7.6m pre-tax) has helped in part to offset the falls in value of some of our investments.

Significant changes in value

The falls in market prices of equities in the financial and property sectors have been particularly severe and, over the 12 months, the FTSE Financial sector as a whole fell by 23.6%, while the Real Estate sector fell by 35.3%. Not surprisingly, the values of a number of our investments in these sectors also fell.

Our investment in Close Brothers fell in value by over £70m. In the short term its business was adversely affected by the unwelcome threat of a hostile bid (which never materialised) by the much smaller Cenkos Securities. Nonetheless, we believe Close Brothers is now particularly well positioned for present market conditions and we have in fact taken advantage of the low share price to invest a further £7.3m during March 2008 as we believe there should be significant potential for value creation over the medium term.

Our investment in Quintain Estates produced the other substantial fall in value with a diminution of £53.4m. Its share price fall over the year was also accentuated by the confirmation from an unwelcome bidder that its potential offer would not proceed. Notwithstanding the malaise in the property sector, we consider Quintain Estates, with its relatively low level of debt and special development situations in Wembley and Greenwich, also to be well positioned for value creation over the longer term.

Other significant falls in value within these sectors included Polar Capital (down £16.9m), Terrace Hill (down £12.6m) and Rathbone Brothers (down £12.0m). In all cases we believe these to be well run, strong companies, and are confident that they will show good gains in value over the medium term.

Substantially offsetting the various falls in value have been a number of notable gains in value including:

- Oval (£27.2m gain), our unquoted UK insurance broking investment, which has been successfully acquiring and consolidating smaller broking businesses and thereby significantly increasing profitability.
- TGE Marine (£15.5m gain), our formerly unquoted marine gas engineering investment headquartered in Bonn, which is enjoying strong revenue and profitability growth. Since our financial year end, this business has listed on the AIM market leading to further substantial value gains.
- Bristow Group (£16.2m gain), the US quoted helicopter operating company, which is benefiting from the buoyant conditions in the oil and gas industry.
- Cobepa (£12.1m gain), the unquoted Brussels based private equity investment company.
- Marketform (£10.5m gain), where we realised our investment in this UK unquoted insurance company through a trade sale.

Investment activity

The year was another one of busy activity. Our investment committee analysed 104 new investment opportunities (which compares with 130 the previous year) but, as a result of our cautious stance, only made five new investments totalling £48m (versus 14 totalling £128m in the previous year). We were however more active in follow-on situations, where we have been able to benefit from falls in market prices providing good buying opportunities in businesses we know well. We thus invested a further £144m in follow-on business investments and, as mentioned above, £12m in FTSE 250 put options, making a total investment of £204m - considerably lower than the £290m we had invested in the previous year.

More information on investments is given in the business review. It is worth noting that as at 31 March 2008 the total value of our Indian investments (including two UK quoted entities that focus exclusively on India) was £88m, representing 7.0% of shareholders' funds - up from 5.4% at the previous year end, and reflecting both further investment and growth in value.

Much effort is spent on being actively and constructively involved with the managements of our investee companies to help create long term value. It is our normal policy for Caledonia executives to join the board of an investee company where we have a significant stake and at the year end we had our executives on the boards of 26 of our top 30 investments.

Realisations totalled £114m, substantially down on the £317m realised during the previous year. The largest was the sale for £21m of our 27% stake in Marketform, an unquoted insurance company, which represented a 100% uplift in the value of this investment as at 31 March 2007. More information on realisations is given in the business review.

During the year, we purchased into treasury 277,229 of our shares at a total cost of £5.6m.

We started the year with around £109m of liquidity. Essentially as a result of the above activity this reduced to about £24m at 31 March 2008.

Costs

We continued to keep a tight rein on costs, believing that every pound spent is a pound less of our shareholders' net assets. Although our investment style is considerably more hands-on than most investment trusts, it is our continuing aim to contain our pre-tax total expense ratio ('TER') around the 1% level, and to keep it significantly below the average for the investment trust industry as a whole.

Our pre-tax TER for the year was 1.0%, which is significantly below the pre-tax weighted investment trust industry average of 1.4%. Moreover, given that our expenses contain all performance payments to executives, including bonus and share-based payments, this compares very favourably indeed with the private equity industry, which also involves a 'hands-on' investment style, but which industry is much shorter term than Caledonia and one where investors typically have to pay fees of both 2% per annum of assets managed and 20% of the gains made.

Outlook

The immediate economic outlook is not encouraging. In the US, consumer debt, including mortgages, has increased over the last seven years from around 65% of annual GDP to 94% - it is a similar picture in the UK with the ratio increasing from 70% to just over 100%. The UK economy is now starting to feel the adverse effects of this excessive binge-borrowing. Recession is a real possibility. However, we believe we are well positioned through being invested and involved in sound businesses that we understand well, and where usually we have board participation.

As the economic situation further unfolds, we expect a number of particularly good investment opportunities to arise and may well put in place term bank facilities for up to £100m.

Tim Ingram
Chief Executive

Business review

OBJECTIVES AND STRATEGY

Objectives

Caledonia aims to achieve a long term total shareholder return in excess of the FTSE All-Share Total Return index, whilst maintaining a progressive annual dividend, through a focused portfolio of significant stakes in companies where we believe there to be good opportunities for building value.

Caledonia measures its performance over the long term by comparing its total shareholder return against the FTSE All-Share Total Return index over five and ten year periods.

In addition, Caledonia aims to achieve a positive total return over rolling five year periods.

Strategy

Caledonia's strategy is to invest in and actively manage significant stakes in 30 to 40 companies and situations where we believe there to be good opportunities for building value. Active management will usually be achieved by working closely and constructively with the investee managements, and usually with board representation, as a long term supportive shareholder. We self-manage our portfolio, using in-house expertise, as well as using third party managers who specialise in particular asset classes or geographical areas.

Caledonia seeks new investments with a typical size of £10m to £25m, although we may invest up to £100m in exceptional circumstances. Although Caledonia usually aims to have an influential minority stake, we will, on occasion, be prepared to take a controlling interest where we believe that this will maximise shareholder value. When considering an investment opportunity, we take particular care in appraising the capabilities and commitment of the management team of the prospective investee company. The anticipated total return from the investment, the strategy in relation to it, and the overall risks, are carefully analysed as part of the investment process.

Caledonia will invest part of its portfolio in third party managed funds. Again, a core skill is our ability to assess the capabilities and commitment of the fund management team and we will often seek to obtain a significant stake in the management company, thereby potentially enhancing returns to shareholders.

Caledonia seeks to work closely and constructively with the managements of companies that it has backed and to make available the considerable experience of our own team to help the investee companies' managements to address their business issues. The strategy for each investment, including the returns and the timing of eventual disposal, is reviewed regularly. Investments are realised when we believe that the funds released can provide better long term returns, but in a manner consistent with Caledonia's reputation as a supportive, long term investor.

Whilst the source of funding for new investments generally comes from its own resources, Caledonia may at times seek to enhance returns by taking on moderate levels of gearing.

Tight control is exercised over costs, notwithstanding Caledonia's active and participative management style. Cost containment is significantly aided by managing the large majority of investments through our in-house management team.

FINANCIAL REVIEW

The financial review discusses the results of the company for the financial year and refers to the company's income statement and balance sheet. In addition to holding minority stakes in investee businesses, the company holds majority stakes in a number of companies. The results of these companies are included in the consolidated financial statements. However, management views these majority stakes as part of the company's investment portfolio and they are included in the discussion below in this context. Where appropriate, the financial review refers to aspects of the consolidated financial statements.

Key performance indicators

Our key performance indicators are as follows:

- Diluted net asset value per share growth against the movement in the FTSE All-Share over one year
- Share price total return performance against the FTSE All-Share over five and ten years
- Absolute share price total return over five years
- Total expenses ratio
- Deal flow.

Diluted net asset value per share

Net asset value ('NAV') per share, on a diluted basis, was 2155p at 31 March 2008, compared with 2258p at the same date in 2007 and 2044p in 2006. The decrease over the year of 103p (-4.6%) resulted principally from the movement in portfolio value (-11.8%) and annual dividends paid (-1.5%).

Table 1 shows the components of the movement in diluted NAV per share over the year.

Table 1: Movement in diluted NAV per share

	Net assets £m	Number of shares 000's	Dilution adjustment 000's	Diluted NAV/share p
At 31 March 2007	1,323.2	57,952	646	2258
Total return	(43.3)	-	-	(74)
Annual dividends[1]	(18.2)	-	-	(32)
Treasury shares	(10.6)	(521)	37	-
Employee share options	(0.8)	3	(12)	-
Share-based payments	1.6	-	-	3
At 31 March 2008	1,251.9	57,434	671	2155

1. NAV per share movement is taken as the dividend per share.

The company's NAV at 31 March 2008 of £1,251.9m (2007 - £1,323.2m) differs from the group's consolidated NAV of £1,247.9m (2007 - £1,311.0m) due to the inclusion of investments in subsidiaries at fair value in the company balance sheet as opposed to the underlying share of net assets in the consolidated balance sheet.

TOTAL RETURN

Caledonia incurred a negative total return for the year ended 31 March 2008 of £43.3m, which equates to -3.3% on opening equity, compared with +10.5% in 2007. The key components were net losses on investments, partially offset by investment income recognised over the year. The loss for the year and net income recognised directly in equity together comprise the company's total return, summarised in table 2.

Table 2: Total return

	2008 £m	2007 £m
Gains and losses on investments	(70.2)	96.5
Gains and losses on derivatives	0.3	5.6
Investment income	39.5	40.1
Investment income impairment	(9.3)	-
Gross portfolio return	(39.7)	142.2
Management expenses	(11.2)	(11.0)
Other expenses	(1.7)	(1.1)
Net portfolio return	(52.6)	130.1
Treasury income and expenses	3.9	3.5
Taxation	4.8	2.5
Profit/(loss) for the year	(43.9)	136.1
Gains and losses recognised in equity	0.6	1.6
Total recognised income and expense ('total return')	(43.3)	137.7

Gross portfolio return

Gross portfolio return comprises gains and losses on investments, investment income and other items. The reduced performance of -2.4% in 2008, compared with +12.4% in 2007, reflected the downturn in equity markets. The FTSE All-Share fell by 10.9% in 2008, compared with an increase of 7.7% in 2007.

Net gains and losses on investments for the year amounted to a £70.2m loss, compared with a gain of £96.5m for the previous year. An analysis of this return is given in table 3.

Table 3: Net gains and losses on investments

	2008 £m	2007 £m
Unquoted investments	91.2	54.4
Quoted investments	(161.4)	42.1
	(70.2)	96.5

Gains on unquoted investments included £27.2m for Oval, the UK regional insurance broker, £15.5m for TGE Marine, the German gas transport and storage engineering business, £12.1m for Cobepa, the Belgian investment company, and £10.5m for Marketform, the non-US medical insurance services business, the value of which was realised near the year end. Losses on unquoted investments included £17.7m relating to Incisive Media, the UK business to business publisher, and £9.7m for Ermitage, the Jersey-based funds of hedge funds manager. Losses on quoted investments included £70.7m for Close Brothers, £53.4m for Quintain Estates, £16.9m for Polar Capital, £12.6m for Terrace Hill and £12.0m for Rathbone Brothers, partially offset by gains including £16.2m for Bristow Group.

Net gains on derivatives of £0.3m comprised gains on a forward currency purchase contract, compared with £5.6m in 2007, of which £6.0m related to gains on forward currency sale contracts, to hedge our US dollar exposure, and £0.4m related to a loss on a basket of options to hedge against fluctuations in deferred proceeds on the sale of an investment.

Investment income of £39.5m was 1.5% lower than the £40.1m booked in 2007. This decrease resulted principally from the receipt in 2007 of dividends from Sterling Industries, the Sloane Club and Buckingham Gate, which were not repeated in 2008. The investment income provision in 2008 comprised a provision against interest accrued from high-yielding loan notes.

An analysis of gross portfolio returns in 2008 is shown in table 4.

Table 4: Gross portfolio returns

	Gains/ (losses) £m	Net income £m	Gross returns £m
Oval	27.2	1.1	28.3
TGE Marine	15.5	2.7	18.2
Bristow Group	16.2	0.4	16.6
Cobepa	12.1	0.8	12.9
Marketform	10.5	0.6	11.1
Rathbone Brothers	(12.0)	1.7	(10.3)
Ermitage	(9.7)	(1.8)	(11.5)
Terrace Hill	(12.6)	0.4	(12.2)
Polar Capital	(16.9)	0.7	(16.2)
Incisive Media	(17.7)	-	(17.7)
Quintain Estates	(53.4)	1.3	(52.1)
Close Brothers	(70.7)	11.5	(59.2)
Other investments	41.6	10.8	52.4
	(69.9)	30.2	(39.7)

Oval's return of £28.3m reflected improved trading and a recent arm's length market transaction. TGE Marine's increase of £18.2m reflected a substantial improvement in the offshore business. Bristow Group benefited from high levels of activity in the oil and gas industry, with firm oil prices and strong demand. Cobepa's investment portfolio showed strong gains. Marketform's uplift resulted from the sale of our stake during the year. A decline in the equity markets over the year was reflected in the reduced market prices of Rathbone Brothers, Terrace Hill, Polar Capital, Quintain Estates and Close Brothers. 'Other investments' comprised a number of investments with gross returns of less than £7.0m of gain or loss each.

Expenses

Management expenses comprised the costs incurred in managing the operations of the company and totalled £11.2m for the year, compared with £11.0m in 2007.

Other expenses of £1.7m (2007 - £1.1m) comprised transaction costs of potential and completed investments of £0.3m (2007 - £0.5m), £0.6m of performance fees to third party managers and £0.8m of other costs. In 2007, £0.6m of expenses related to the elective special dividend.

Treasury income and expenses

Treasury income and expenses, totalling £3.9m (2007 - £3.5m), reflected the net returns on treasury assets during the year. The company held net liquidity in term deposits, averaging £58.6m over the year. Also included were exchange losses of £0.2m (2007 - £0.7m), which arose from holding foreign currency balances.

Dividends

During the year, we paid dividends of 31.5p per share (2007 - 30.0p), amounting to £18.2m (2007 - £18.5m), representing the final dividend in respect of the year ended 31 March 2007 of 21.6p per share and the interim dividend in respect of the year ended 31 March 2008 of 9.9p per share. Caledonia maintains a progressive dividend policy and has an unbroken record of annual dividend increases over the last 41 consecutive years.

In July 2006, we paid £102.9m in the form of an elective special dividend of 1902.17p for each share elected subsequent to an offering to shareholders to participate in a return of funds. The elected shares were subsequently cancelled for £nil consideration.

TREASURY AND EMPLOYEE TRUST SHARES
Shares held in treasury and held by the employee share trust are excluded from the NAV per share calculations.

At 31 March 2008, 661,131 shares were accounted as held in treasury, of which 277,229 shares were bought during the year at a cost of £5.6m and 243,902 shares were subject to a buy-back arrangement whereby, for the duration of the close period from 1 April 2008 to the announcement of our preliminary results on 29 May 2008, we had given an irrevocable undertaking to our broker, JPMorgan Cazenove, to purchase the company's shares on our behalf, within certain parameters. This instruction was subject to a maximum of £5.0m or 250,000 shares. At 31 March 2008, £5.0m represented the equivalent value of 243,902 shares at the mid-market price on that day.

Caledonia operates an employee share trust to hold shares pending transfer to employees as a result of the exercise of share options or calling of deferred bonus awards. At 31 March 2008, 700,079 shares were held by the trust, decreased from 703,284 shares held at the end of the previous year. During the year, the trust transferred 68,781 shares to staff on exercise of share options and bought 65,576 shares. These transactions resulted in a net payment by the trust of £0.8m.

NAV PER SHARE DILUTION
The NAV per share dilution adjustment measures the effect of re-issuing treasury shares at a discount to NAV per share and from the exercise of executive share options and the calling of deferred bonus shares by assuming that these events take place at the year end. The adjustment is expressed as a free shares equivalent.

At 31 March 2008, re-issuing the 661,131 shares (2007 - 140,000 shares) accounted as held in treasury at the closing mid-market price would have yielded proceeds of £13.6m (2007 - £2.9m). In addition, the exercise of the 1,205,896 in-the-money executive share options and calling of deferred bonus shares (2007 - 1,217,383) would have yielded proceeds of £12.3m (2007 - £12.9m).

The NAV dilution adjustment of 671,000 (2007 - 646,000) represents the issue of an equivalent number of shares for £nil consideration to achieve the same dilution effect.

Share price total return
We measure our longer term performance by comparing our share price total return against the FTSE All-Share Total Return index over five and ten year periods and also by our absolute share price total return over rolling five year periods. The total return measure assumes the re-investment of dividends on the ex-dividend date at the closing share price on that date.

Whilst the share price total return provides an accurate measure of investors' returns, it should be noted that it is based on the company's share price, which is not within the company's direct control.

Shares in Caledonia have produced a total return to investors of 254% over five years and 228% over ten years, compared with total returns of 99% and 41% respectively from the FTSE All-Share - outperformance of 155% and 187%.

As well as seeking to outperform the FTSE All-Share Total Return index over five and ten year periods, the company also aims to deliver positive total return on a rolling five year basis.

Over the last ten years, we have made a positive total return over rolling five year periods, except for a short period in late March and early April 2003.

Total expenses ratio

The calculation of our pre-tax total expenses ratio ('TER') is based on our adjusted annualised management expenses, divided by closing net assets. Management expenses reflect the cost of managing the investment portfolio and exclude third party performance fees, investment transaction costs and restructuring costs.

For the purposes of calculating the TER, management expenses reported in the income statement are adjusted to expense the fair value of equity rights granted under our deferred bonus plan in the year to which the awards relate. This differs from the accounting treatment, which expenses some of the entitlements over the three year vesting period. The effect of this adjustment is to increase reported management expenses by £1.7m to £12.9m in 2008, by £0.1m to £11.1m in 2007 and by £1.4m to £12.2m in 2006.

Deal flow

Our ability to access attractive investment opportunities, through our extensive network, is crucial to our strategy of being a long term, supportive investor. We measure our deal flow according to the number of opportunities that have passed our initial screening process and warrant further investigation as opportunities in which we might be interested in investing. During the year, we actively considered 104 new investment opportunities, compared with 130 in 2007.

Cash flows

The key cash flows during the year comprised an aggregate inflow of £115.0m (2007 - £309.5m) from the realisation of investments and outflow of £199.7m (2007 - £290.4m) for the purchase of investments. In addition, in 2007, there was a cash outflow of £102.9m in respect of the elective special dividend paid in July 2006.

At the year end, we held cash equivalents totalling £23.5m (2007 - £108.6m).

Gearing

Caledonia had no debt at 31 March 2008 (2007 - £nil). During 2007, borrowings rose to £43.0m for a short period to finance in part the elective special dividend. Those borrowings were repaid between July and September 2006 from the proceeds of investment realisations.

Subsidiary companies of Caledonia had borrowings totalling £67.8m at 31 March 2008 (2007 - £66.0m) to finance operations. Caledonia provided bank guarantees in respect of £63.7m of these borrowings (2007 - £51.5m).

Investment portfolio

The value of the investment portfolio at 31 March 2008 was £1,248.1m, compared with £1,228.9m at 31 March 2007.

MOVEMENT

Table 5 illustrates the movement in the value of the portfolio over the year.

Table 5: Movement in value of the investment portfolio

	2008 £m	2007 £m
Opening investment portfolio	1,228.9	1,148.0
Investment	203.8	290.0
Realisation proceeds[1]	(114.4)	(316.8)
Gains and losses on investments[1]	(70.2)	102.1
Rolled-up interest	-	5.2
Limited partnership current accounts	-	0.4
Closing investment portfolio	1,248.1	1,228.9

1. 2007 comparatives included £5.6m of net gains on derivatives

Investment

Caledonia invested a total of £203.8m in the year, compared with £290.0m in 2007. A summary of the principal investments, analysed between new and follow-on situations, is given in table 6.

Table 6: Investment

Name	Resulting equity holding %	Category	Country of Domicile	Business	Cost £m
New investments					
London & Stamford Property	6.8	Equity	Guernsey	Property investment	19.5
Retif	15.4	Equity/loans	France	Shop fittings supplier	12.9
Vietnamese portfolio		Equity	Vietnam	Various	9.7
Celona[1]		Loans	UK	Telecoms	5.0
Arihant	3.3	Equity	India	Property development	1.0
					48.1
Follow-on investments					
Quintain Estates	10.0	Equity	UK	Property investment/ development	27.5
Incisive Media		Capital	UK	Business publisher	15.6
Hedging subsidiary[2]	100	Loans	UK	FTSE 250 put options	12.0
Polar Capital funds		Shares	Cayman	Hedge funds	10.0
Eddington Capital fund		Shares	Cayman	Fund of hedge funds	10.0
Serica Energy	13.2	Equity	UK	Oil/gas exploration	9.8
Oval	24.1	Equity/loans	UK	Insurance broking	9.1
Avanti Communications	24.4	Equity/loans	UK	Satellite communic-ations services	8.0
Close Brothers	12.9	Equity	UK	Merchant banking	7.3
Other investments					46.4
					155.7
Total					203.8

1. The company also holds warrants to subscribe for shares representing up to 49.9% of the equity.
2. Subsidiary company used to purchase FTSE 250 put options.

During the year, we appraised 104 new opportunities and invested £48.1m in five of these. Of the new investments, £10.7m was invested in Asia, in line with our strategy of increasing our investment exposure to this region.

Realisations

Caledonia made full and partial realisations of holdings during the year with total proceeds of £114.4m (2007 - £316.8m), a summary of which is given in table 7.

Table 7: Realisations

Name	Nature of realisation	Proceeds £m	Realised gain £m
Polar Capital funds	Redemptions	23.3	1.6
Marketform	Full sale of holding	21.0	5.8
CF AVI Global Fund	Redemption	9.3	2.3
BIA Pacific Fund	Redemption	6.0	1.9
Kandia	Capital distribution	5.8	1.2
Pragma	Capital distribution	5.7	4.1
Conduit Latin American Power fund	Capital distributions	5.4	1.6
Other realisations		37.9	13.7
		114.4	32.2

We sold our stake in Marketform, the non-US medical insurance services company, for £21.0m, realising a gain over cost of £5.8m.

ANALYSIS

Portfolio value by business sector

Table 8 below analyses the investment portfolio by business sector. Over the year, there has been a shift in the weighting of our portfolio from financial, reflecting the overall decline in market values of financial stocks in the wake of the US sub-prime mortgage crisis, and into industrial, with the investment in Retif and increase in the valuation of TGE Marine.

Table 8: Portfolio value by business sector

	2008 %	2007 %
Financial	26	30
Funds	28	28
Property	13	14
Oil and gas	9	9
Industrial	13	8
Consumer	11	11
	100	100

Portfolio value by security type

Table 9 below shows the analysis by security type. The reduction in quoted equities resulted from the overall decline in equity markets over the year and the increased percentage in unquoted equities reflected an increase in values resulting from improved trading prospects and recent transactions in specific investments.

Table 9: Portfolio value by security type

	2008 %	2007 %
Equities quoted	55	62
Equities unquoted	20	15
Loans and fixed income	12	9
Hedge and other funds	13	14
	100	100

Portfolio value by currency

The analysis by currency of the investment instruments is shown in table 10 below. The principal changes over the year were a reduced percentage in sterling, reflecting the general fall in UK equity prices and an increase in the euro as a result of the investment in Retif, increased valuation of European investments and the strength of the euro currency.

Table 10: Portfolio value by currency

	2008 %	2007 %
Pound sterling	77	83
Euro	10	6
US dollar	7	6
Indian rupee	5	4
Other	1	1
	100	100

Portfolio value by age

Table 11 below analyses the investment portfolio value by the age of investments, measured from the date of initial investment. The value of investments held for under one year has reduced this year as the rate of new investment has slowed.

Table 11: Portfolio value by age

	2008 %	2007 %
Under 1 year	5	11
1 to 3 years	20	17
3 to 5 years	23	14
5 to 7 years	5	9
Over 7 years	47	49
	100	100

As at 31 March 2008, the weighted average age of the investment portfolio, measured from the date of initial investment, was 9.5 years (2007 – 9.8 years).

Portfolio value by geography

Table 12 below analyses the investment portfolio value by geographical region, based on the country of listing for quoted securities, country of registration for unquoted securities and underlying geographical allocation for funds. Over the year, there has been a reduction in UK interests, reflecting the general fall in UK equity prices, and an increase in Europe, with new investments and increasing valuations.

Table 12: Portfolio value by geography

	2008 %	2007 %
United Kingdom	60	67
Continental Europe	16	11
North America	7	7
Asia and Far East	11	12
Other countries	1	1
Unallocated	5	2
	100	100

Significant holdings

Table 13 lists our investment portfolio holdings of over 1% of net assets.

Table 13: Significant holdings

Name	Equity holding %	Country of domicile	Business sector	Nature of business	Total £m	Proportion of net assets %
British Empire Securities[1,2]	18.5	UK	Funds	Investment trust	140.0	11.2
Close Brothers[1,2]	12.9	UK	Financial	Merchant banking	118.7	9.5
Oval[2]	24.1	UK	Financial	Insurance broking	65.9	5.3
Quintain Estates[1]	10.0	UK	Property	Property investment and development	58.6	4.7
Bristow Group[1,2]	6.8	US/UK	Oil and gas	Helicopter services	55.0	4.4
Cobepa[2]	9.9	Belgium	Funds	Investment company	48.0	3.8
Rathbone Brothers[1,2]	10.7	UK	Financial	Fund management	47.8	3.8
Eddington Capital funds[2]		Cayman	Funds	Funds of hedge funds	39.7	3.2
TGE Marine[2,3]	49.9	Germany	Industrial	Gas engineering	38.0	3.0
Melrose Resources[1,2]	9.7	UK	Oil and gas	Oil and gas exploration	35.0	2.8
Polar Capital funds[2]		Ireland/Cayman	Funds	Hedge/long-only funds	34.1	2.7
Satellite Information Services[2]	22.5	UK	Consumer	Betting information distribution	24.6	2.0
Sterling Industries[2]	100	UK	Industrial	Engineering	23.2	1.8
Avanti Communications[1,2]	24.4	UK	Consumer	Satellite communications services	22.6	1.8
AG Barr[1]	9.4	UK	Consumer	Soft drinks	20.5	1.6
Alok Industries[1,2]	14.9	India	Consumer	Textiles manufacturer	19.9	1.6
London & Stamford Property[1]	6.8	Guernsey	Property	Property investment	19.5	1.6
Serica Energy[1,2]	13.2	UK	Oil and gas	Oil and gas exploration	18.6	1.5
Novae Group[1,2]	7.2	UK	Financial	Insurance services	18.4	1.5
Union-Castle[2]	100	UK	Financial	Hedging subsidiary	17.3	1.4
The Sloane Club[2]	100	UK	Consumer	Residential club owner and operator	16.8	1.3
Buckingham Gate[2]	100	UK	Property	Property investment	15.4	1.2
India Capital Growth Fund[1,2]	24.0	Guernsey	Funds	Investment company	15.3	1.2
Nova Springboard[2]		Guernsey	Funds	Investment fund	15.2	1.2
Varun Shipping[1,2]	11.0	India	Industrial	Shipping services	14.9	1.2
Retif[2]	15.4	France	Industrial	Shop fittings supplier	14.8	1.2
Incisive Media[2]		UK	Consumer	Business publisher	14.4	1.1
Edinmore[2]	100	UK	Property	Property trading	13.3	1.1
Other investments[4]					262.6	21.0
Total investments					1,248.1	99.7
Cash and other net assets					3.8	0.3
Net assets					1,251.9	100.0

1. Equity securities quoted on UK or overseas stock exchanges.
2. Board representation.
3. Listed on 15 May 2008.
4. Comprised investments of less than 1% of net assets each.

Income statement
for the year ended 31 March 2008

	Company		*Group*	
	2008	2007	*2008*	*2007*
	£m	£m	*£m*	*£m*
Gains and losses on investments held at fair value through profit or loss	(70.2)	96.5	*(80.7)*	*66.0*
Gains and losses on derivatives used to hedge the fair value of investments	0.3	5.6	*7.9*	*5.9*
Provisions	-	-	*-*	*(3.1)*
Investment income	39.5	40.1	*35.7*	*25.5*
Investment income impairment	(9.3)	-	*(5.1)*	*-*
Gross portfolio return	(39.7)	142.2	*(42.2)*	*94.3*
Management expenses	(11.2)	(11.0)	*(11.2)*	*(11.0)*
Other expenses	(1.7)	(1.1)	*(1.7)*	*(1.1)*
Net portfolio return	(52.6)	130.1	*(55.1)*	*82.2*
Revenue from sales of goods and services	-	-	*120.5*	*135.0*
Operating expenses	-	-	*(106.6)*	*(120.0)*
Gain/(loss) on disposal of operations	-	-	*(0.1)*	*4.4*
Gain on investment property	-	-	*4.4*	*-*
Share of results of joint ventures	-	-	*0.4*	*6.1*
Profit / (loss) before finance costs	(52.6)	130.1	*(36.5)*	*107.7*
Gains on money market funds held at fair value through profit or loss	-	1.0	*-*	*1.0*
Treasury interest receivable	4.1	3.5	*4.5*	*4.3*
Exchange movements	(0.2)	(0.7)	*(1.0)*	*(0.7)*
Finance costs	-	(0.3)	*(4.2)*	*(4.1)*
Profit / (loss) before tax	(48.7)	133.6	*(37.2)*	*108.2*
Taxation	4.8	2.5	*(1.7)*	*(0.3)*
Profit / (loss) for the year	(43.9)	136.1	*(38.9)*	*107.9*
Attributable to				
Equity holders of the parent	(43.9)	136.1	*(38.1)*	*106.1*
Minority interest	-	-	*(0.8)*	*1.8*
	(43.9)	136.1	*(38.9)*	*107.9*
Basic earnings per ordinary share	-76.0p	228.6p	*-65.9p*	*178.3p*
Diluted earnings per ordinary share	-76.0p	226.9p	*-65.9p*	*176.9p*

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Statement of recognised income and expense
for the year ended 31 March 2008

	Company		*Group*	
	2008	2007	*2008*	*2007*
	£m	£m	*£m*	*£m*
Exchange differences on translation of foreign operations	-	-	*2.5*	*(1.2)*
Actuarial gains and losses on defined benefit pension schemes	1.5	(0.3)	*1.5*	*0.2*
Tax on items recognised directly in equity	(0.9)	1.9	*(0.9)*	*1.7*
Net income recognised directly in equity	0.6	1.6	*3.1*	*0.7*
Profit/(loss) for the year	(43.9)	136.1	*(38.9)*	*107.9*
Total recognised income and expense	(43.3)	137.7	*(35.8)*	*108.6*
Attributable to				
Equity holders of the parent	(43.3)	137.7	*(35.1)*	*106.8*
Minority interest	-	-	*(0.7)*	*1.8*
	(43.3)	137.7	*(35.8)*	*108.6*

Balance sheet
at 31 March 2008

	Company		*Group*	
	2008	2007	*2008*	*2007*
	£m	£m	*£m*	*£m*
Non-current assets				
Investments held at				
fair value through profit or loss	1,247.3	1,228.1	*1,127.7*	*1,125.9*
Investments in subsidiaries held at cost	0.8	0.8	*-*	*-*
Available for sale investments	-	-	*0.5*	*0.5*
Intangible assets	-	-	*39.5*	*40.7*
Property, plant and equipment	-	-	*88.3*	*78.6*
Investment property	-	-	*5.4*	*5.8*
Interests in joint ventures	-	-	*7.7*	*11.6*
Deferred tax assets	1.7	5.8	*4.7*	*8.0*
Employee benefits	2.0	-	*2.0*	*-*
Non-current assets	1,251.8	1,234.7	*1,275.8*	*1,271.1*
Current assets				
Inventories	-	-	*16.2*	*19.5*
Trade and other receivables	4.2	6.5	*49.6*	*29.0*
Current tax assets	-	-	*0.3*	*0.2*
Money market funds held at				
fair value through profit or loss	-	-	*-*	*0.3*
Cash and cash equivalents	23.5	108.6	*42.7*	*123.2*
Current assets	27.7	115.1	*108.8*	*172.2*
Total assets	1,279.5	1,349.8	*1,384.6*	*1,443.3*
Current liabilities				
Bank overdrafts	-	-	*-*	*(1.5)*
Interest-bearing loans and borrowings	-	-	*(16.5)*	*(1.3)*
Trade and other payables	(9.7)	(4.8)	*(32.7)*	*(27.1)*
Employee benefits	-	-	*(3.9)*	*(3.1)*
Current tax liabilities	(3.3)	(5.2)	*(6.9)*	*(6.6)*
Provisions	(13.5)	(13.5)	*(14.1)*	*(14.1)*
Current liabilities	(26.5)	(23.5)	*(74.1)*	*(53.7)*
Non-current liabilities				
Interest-bearing loans and borrowings	-	-	*(51.3)*	*(64.7)*
Employee benefits	(1.1)	(0.9)	*(5.2)*	*(5.4)*
Deferred tax liabilities	-	(2.2)	*(2.7)*	*(3.6)*
Non-current liabilities	(1.1)	(3.1)	*(59.2)*	*(73.7)*
Total liabilities	(27.6)	(26.6)	*(133.3)*	*(127.4)*
Net assets	1,251.9	1,323.2	*1,251.3*	*1,315.9*

	Company		*Group*	
	2008	2007	*2008*	*2007*
	£m	£m	*£m*	*£m*
Equity				
Share capital	3.3	3.3	*3.3*	*3.3*
Share premium	1.3	1.3	*1.3*	*1.3*
Capital redemption reserve	1.2	1.2	*1.2*	*1.2*
Capital reserve	998.1	1,063.5	*-*	*-*
Retained earnings	274.3	268.8	*1,266.7*	*1,320.8*
Foreign exchange translation reserve	-	-	*1.7*	*(0.7)*
Own shares	(26.3)	(14.9)	*(26.3)*	*(14.9)*
Equity attributable to owners of the parent	1,251.9	1,323.2	*1,247.9*	*1,311.0*
Minority interest	-	-	*3.4*	*4.9*
Total equity	1,251.9	1,323.2	*1,251.3*	*1,315.9*
Undiluted net asset value per ordinary share	2180p	2283p		
Diluted net asset value per ordinary share	2155p	2258p		

Cash flow statement
for the year ended 31 March 2008

	Company		*Group*	
	2008	2007	*2008*	*2007*
	£m	£m	*£m*	*£m*
Operating activities				
Dividends received	25.6	29.7	*25.3*	*12.8*
Interest received	7.5	7.9	*7.3*	*7.2*
Cash received from customers	-	-	*127.6*	*144.8*
Cash paid to suppliers	(13.5)	(10.1)	*(116.5)*	*(130.5)*
Taxes received/(paid)	2.9	-	*1.7*	*(4.5)*
Group relief received	1.4	0.4	*-*	*-*
Net cash flow from operating activities	23.9	27.9	*45.4*	*29.8*
Investing activities				
Purchases of investments held at fair value through profit or loss	(199.7)	(290.4)	*(188.3)*	*(253.3)*
Proceeds on disposal of investments held at fair value through profit or loss	115.0	309.5	*108.1*	*251.0*
Proceeds on disposal of money market funds held at fair value through profit or loss	-	76.8	*0.3*	*76.8*
Net receipts/(payments) from derivatives	0.3	4.4	*(11.3)*	*5.1*
Purchases of property, plant and equipment	-	-	*(9.5)*	*(18.9)*
Proceeds from disposal of property, plant and equipment	-	-	*1.1*	*0.7*
Proceeds on disposal of joint ventures	-	-	*4.0*	*4.0*
Proceeds on disposal of investment property	-	-	*4.8*	*-*
Purchases of subsidiaries net of cash acquired	-	-	*(0.7)*	*(17.1)*
Proceeds on disposal of subsidiaries net of cash disposed	-	-	*(1.5)*	*3.0*
Net cash flow from/(used in) investing activities	(84.4)	100.3	*(93.0)*	*51.3*
Financing activities				
Interest paid	-	(0.3)	*(3.9)*	*(2.7)*
Distributions paid to holders of equity shares	(18.2)	(18.5)	*(18.2)*	*(18.5)*
Dividends paid to minority interests	-	-	*(0.1)*	*(0.4)*
Elective special dividend paid	-	(102.9)	*-*	*(102.0)*
Proceeds from new borrowings	-	43.0	*6.0*	*83.8*
Repayment of borrowings	-	(43.0)	*(9.5)*	*(73.9)*
Net purchase of own shares	(6.4)	(1.7)	*(6.4)*	*(1.7)*
Net cash flow used in financing activities	(24.6)	(123.4)	*(32.1)*	*(115.4)*
Net increase/(decrease) in cash and cash equivalents	(85.1)	4.8	*(79.7)*	*(34.3)*
Cash and cash equivalents at year start	108.6	103.8	*121.7*	*156.5*
Exchange gains/(losses) on cash and cash equivalents	-	-	*0.7*	*(0.5)*
Cash and cash equivalents at year end	23.5	108.6	*42.7*	*121.7*

Notes to the preliminary results

Note 1

The information in this news release does not constitute statutory accounts within the meaning of Schedule 240 of the Companies Act 1985 (the 'Act'). The statutory accounts for the year ended 31 March 2008 will be delivered to the Registrar of Companies in England and Wales in accordance with Section 242 of the Act. The auditor has reported on those accounts; the report was unqualified and did not contain a statement under Section 237(2) or (3) of the Act.

Copies of this statement are available at the company's registered office, Cayzer House, 30 Buckingham Gate, London SW1E 6NN.

Note 2

Subject to approval by shareholders at the annual general meeting to be held on 29 July 2008, the final dividend of 22.6p per share will be payable on 14 August 2008 to holders of shares on the register on 27 June 2008. The ex-dividend date will be 25 June 2008.

Note 3

Whilst the financial information included in this preliminary results announcement has been computed in accordance with International Financial Reporting Standards ('IFRSs'), this announcement does not itself contain sufficient information to comply with IFRSs. The company expects to publish financial statements that comply with IFRSs on 18 June 2008.