



## Caledonia Investments plc

Final results for the year ended 31 March 2010

### Highlights

- 30.5% increase in diluted NAV per share over the year vs 46.7% increase in the FTSE All-Share index
- 32.9% increase in diluted NAV per share over five years (14.4% outperformance vs FTSE All-Share index)
- 32.1% total shareholder return over five years (9.2% underperformance vs FTSE All-Share Total Return index)
- 196.7% total shareholder return over ten years (167.0% outperformance vs FTSE All-Share Total Return index)
- £116m invested and £84m realised
- 4.4% increase in annual dividend to 35.3p

	<i>31 Mar 2010</i>	<i>Year change</i>
Total equity	£1,182m	30.5%
Diluted NAV per share	2034p	30.5%
Annual dividend per share	35.3p	4.4%
Share price	1625p	26.1%
<i>Total shareholder returns</i>	<i>5 year</i>	<i>10 year</i>
Share price	32.1%	196.7%
FTSE All-Share index	41.3%	29.7%
Relative performance	-9.2%	167.0%

"Our philosophy of taking significant stakes in well run companies continues to deliver long term performance. Although we anticipate there to be continuing good investment opportunities, economic conditions are fragile, particularly in the US and UK, and we remain cautious." **Tim Ingram, Chief Executive**

### 19 May 2010

For further information please contact:  
Caledonia Investments plc  
Tim Ingram, Chief Executive  
Stephen King, Finance Director  
020 7802 8080

College Hill  
Tony Friend  
Roddy Watt  
020 7457 2020

## Chairman's statement

### Results

Caledonia's net asset value per share recovered by 30.5% in the year to 31 March 2010, having fallen by some 28% in the previous year's turbulent equity markets. The fact that this recovery lagged that of the FTSE All-Share index should be seen in the context of our relative outperformance in the previous year and, over a prolonged period, in each of the years before that.

Our share price total return has continued to outperform the index significantly over a ten year period. However, over the last five years we are now showing some underperformance due to the recent widening of our share price discount to net asset value. Tim Ingram gives a detailed analysis, in his Chief Executive's report, of Caledonia's performance track record.

### Dividend

The board declared a second interim dividend in February of 24.7p, which was paid on 30 March 2010. As stated at the time, the board believed that it was in the shareholders' interests to accelerate the timing of this year's final dividend. The second interim dividend has therefore replaced the final dividend that would normally have been paid in August 2010. The directors do not recommend the payment of a final dividend.

The second interim dividend gave a 5.1% increase of 1.2p over the 2009 final dividend, resulting in a total dividend for the year of 35.3p per share, an overall increase of 4.4%. This represents the 43rd successive year of annual dividend increases.

### Investment strategy

During the year, I have had the opportunity to visit the management teams of most of our major investee companies, accompanying the responsible Caledonia executive director. From these visits I have been able to appreciate just how much our investee companies value having Caledonia as a significant shareholder, given our good investment reputation. It is also clear to me that having a Caledonia representative as a non-executive director on most of our investee company boards gives us an invaluable insight into the affairs of those companies. It not only enables us to gain a deeper understanding of our investments, but also allows our investee companies to benefit from the skills of our investment team.

Our own board has an important role to play in reviewing Caledonia's investment strategy. We have normally found it appropriate to undertake such a review every other year, but last year we decided to hold an interim review in the light of the exceptionally difficult global economic conditions which persisted for much of the year. We examined in detail the geographic mix of our investments, where a notable change over the last several years has been our increased exposure to Asia. We re-affirmed our belief that this exposure will continue to give us good growth opportunities, while recognising that it does require a significant input of investment management resources on our part. We also examined the mix of quoted and unquoted investments in our overall portfolio and concluded that a significant weighting of unquoted investments with strong growth potential remains appropriate, but again we recognise the greater investment management time these require compared with quoted investments.

In addition, we specifically examined our experiences of investing in India, including a review of our current investments. Caledonia has been invested in India for over five years, during which we have learnt a great deal and, we believe, have built a good reputation in the Indian market. While appreciating the risks associated with investing in India, we continue to believe that India is likely to offer an attractive level of growth over the coming years.

### **AIFM Directive**

Caledonia has spent much time over the past few months seeking to persuade EU policy makers to exclude investment trusts from the scope of the proposed Alternative Investment Fund Managers Directive. The Directive was drafted in response to the EU's perception of the role played by hedge funds and private equity firms in the recent financial crisis and its main objective is to subject these to greater transparency and accountability. However, the Directive has included investment trusts within its definition of an alternative investment fund and, in doing so, has failed to recognise their totally different nature and structure, led as they are by boards fully accountable to shareholders, subject to the highest standards of corporate governance and transparency and with their shares freely tradeable on the London Stock Exchange.

Amendments to the Directive are being proposed to recognise the distinctive nature of investment trusts, but we shall continue to press for their total exclusion from its scope, since otherwise there remains a risk of significant cost and compliance burdens, with no benefits whatsoever.

### **Board**

The board has seen a number of changes over the past year. In September 2009, we were pleased to appoint Charles Gregson as an additional independent non-executive director. His experience from having been an executive director at United Business Media and from his current role as the non-executive Chairman of ICAP provides a valuable additional resource to our board.

In December 2009, Stephen King joined the board as Finance Director in succession to Jonathan Cartwright. Jonathan made a considerable contribution to Caledonia's affairs over some twenty years both as Finance Director and as a Caledonia representative on a number of investee company boards. I would like to thank him on behalf of the board and shareholders for his diligent and dedicated service. Stephen joined us from De La Rue, where he had been Group Finance Director, and has already brought to bear his wide ranging skills to Caledonia's benefit.

In January 2010, we announced that Tim Ingram will retire as Chief Executive following the AGM on 21 July after 8 years at the helm. Tim has delivered an outstanding performance for Caledonia and its shareholders - over that period the share price total return has been more than double that of the FTSE All-Share index, a tribute to his exceptionally astute investment judgement. In addition, he has successfully exercised the wider skills of a chief executive and has been an excellent communicator both with the board and the investment community. I would like to thank him very much indeed on behalf of the board and shareholders for all that he has done for Caledonia.

In his place we welcome Will Wyatt as Chief Executive. Will has been an executive director of Caledonia since 2005 and has consistently delivered an excellent investment performance from his portfolio of investee companies. We are confident that he will be a worthy successor as Chief Executive.

### **Staff**

All our staff have once more fulfilled their duties with considerable professionalism and dedication and I give them my thanks for their hard work throughout the year.

## **Outlook**

Equity markets have recovered from their steep falls of the recent past and overall market valuations now look more challenging, with the likely prospect of sluggish economic growth ahead in the developed world. In the US and much of Europe, fiscal retrenchment will need to be severe and that will be notably so in the UK. We now look forward to the new Government taking timely and appropriate steps, however hard the decisions may be, to reduce the level of public borrowing and to pursue concomitant measures to reshape our public services.

Nearly all of our investment activity last year was in existing investee companies, supporting the capital needs of sound businesses which we know well. Our focus is likely to be similar over the year ahead, though we shall remain alert for new opportunities which provide sufficient value potential.

**James Loudon**  
**Chairman**

## Chief Executive's report

### Performance over the year

After two years of falling market values, the year ending 31 March 2010 saw a strong rebound in equity values. As a result, our own diluted net asset value ('NAV') per share increased by 30.5%, largely offsetting the previous year's fall. However it is disappointing to report that this gain nonetheless represented an underperformance of 16.2%, compared with the spectacular rise in the FTSE All-Share index of 46.7%. This is the first time that we have underperformed in the seven years since we converted to investment trust status in 2003. The principal cause for this relative underperformance has been our consistently conservative, but robust, approach to investing, specifically directed towards long term performance. Our philosophy is to take significant long term stakes, usually with a board seat, in sound, well run companies. The value of our holdings in such companies fell significantly less than the equity market as a whole during the downturn, and hence had less ground to make up in the recovery phase. Nevertheless, over the longer term we continue to expect the total shareholder returns ('TSR') of such companies to outperform their peers.

Our one year performance has also been restrained to the extent that we have held cash and other low yield liquid investments. Although such investments showed positive returns for the year, this was plainly much lower than the FTSE All-Share index gain of 46.7%. In addition, we have had no investment exposure to the clearing banks (which showed spectacular recovery gains), nor to the mining sector (whose index showed a gain of 105% in the year).

We have maintained our progressive dividend policy by increasing our annual dividend for the 43rd successive year.

### Medium and long term performance

Over the five year period to 31 March 2010, our NAV per share increased in value by 32.9%, thereby showing both a positive absolute gain, and outperformance compared with the FTSE All-Share index which increased by 18.4%. However, as at 31 March 2010, the discount of our share price to NAV had widened to 20.1% and, as a consequence, our five year TSR of 32.1% was below the FTSE All-Share TSR of 41.3%. Over ten years, our TSR of 196.7% shows 167.0% outperformance when compared with the FTSE All-Share TSR of only 29.7% over this period.

Since we converted to investment trust status in April 2003, we have measured our NAV on a consistent basis. Our diluted NAV per share over this period has significantly outperformed the FTSE All-Share index in the last six out of seven years, with NAV per share increasing by more than the index in growth years and declining by less in the two years when markets have fallen.

### Significant changes in value over the year

Most of our investments have shown substantial gains during the year. Those gains of particular significance, where there has been both a percentage gain of 50% or more, and an absolute gain of over £10m, are shown in the table below (again measured on a total return basis):

Investment	Gain in value	
	£m	%
Close Brothers	54.3	53
Avanti Communications	24.6	99
Bristow Group	24.1	66
Dewan Housing Finance	20.6	311
Alok Industries	15.6	112
Satellite Information Services	13.3	70
TGE Marine	12.9	231
AG Barr	12.7	60
Serica Energy	10.9	99

Close Brothers is a specialist financial services group active in banking, securities trading and asset management. It is our largest investment by value with a 13.6% shareholding. During the year Preben Prebensen was appointed as the new CEO, and the group has taken advantage of favourable conditions, particularly for its specialist lending activities and its trading business, Winterflood Securities.

Avanti Communications is a UK listed satellite communications business, in which we hold a 16.4% equity stake. It has advanced plans and full funding for two geo-stationary communications satellites, and with the signing of further client contracts the substantial potential value creation is becoming reflected in the share price.

Bristow Group is a US listed helicopter operating business mainly serving the offshore oil and gas sector, in which Caledonia holds a 6.6% stake. The business is progressing well with international expansion, higher oil prices and the strengthening of the US dollar against sterling all helping to increase its value.

Dewan Housing Finance, in which we have an 11.0% stake, is an Indian listed housing finance company. With strong growth in its business and earnings per share, the share price has increased. Alok Industries, in which we have a 12.1% stake, is an Indian listed business whose principal activity is textile manufacturing. The previous year had seen a significant fall in its share price, but with a large increase in its revenues and earnings as more manufacturing capacity came on stream, the share price has strengthened over the year. The gains from these two Indian investments were also aided by the relative appreciation of the Indian rupee against sterling.

Satellite Information Services, an unquoted business in which we have a 22.5% shareholding, provides outside broadcast, production and satellite transmission services to UK and overseas media customers as well as being a major supplier of data to the UK and Irish betting industries. The company delivered another year of increased profits.

We now have a 49.9% stake in TGE Marine, as a result of the company being taken private during the course of the year. TGE is a Bonn-based business specialising in the design and build of liquid gas tankers for ship owners and, with the recovering world economy and rising energy prices, the prospects for this company have increased significantly.

AG Barr is a UK listed soft drinks business in which we are an 8.8% shareholder. The company recently reported another year of strong profit growth and encouraging current trading.

Serica Energy is an oil and gas exploration and production company in which we have a 14.4% stake. During the year, the company sold down some of its Asian assets, substantially reducing its debt. This, coupled with rising oil prices, has led to a welcome gain in the share price and a reduction in its discount to net asset value.

The table below shows those investments which fell in value by £1m or more, measured on a total return basis, over the year to 31 March 2010.

Investment	Fall in value	
	£m	%
FTSE put options	14.4	84
Begbies Traynor	4.2	32
Celerant Consulting	4.0	18
Ermitage	3.7	34
Novae Group	1.6	9
Tribal Group	1.6	16

During the year, and once we were confident that the economic recovery had begun, we closed out all of our FTSE put options. We first commenced this value protection programme in June 2007 when we had major concerns over the economy as a whole. Since then we invested a total of £13.0m and realised £30.6m (both figures excluding any re-investment of realisation proceeds), producing a net pre-tax gain of £17.6m. This policy has therefore been beneficial for shareholders during these tumultuous times in both providing a degree of protection against falling markets and producing positive absolute returns. However, with hindsight, ideally we should have closed out these protective options a few months earlier.

We have a 15.7% stake in Begbies Traynor, a UK listed corporate recovery and insolvency practitioner. Over the year its share price dropped by nearly 35% as the anticipated large increased trading activity derived from corporate bankruptcies failed to materialise. However earnings from insolvency work is a protracted process and we believe the outlook for Begbies Traynor to be good.

Celerant Consulting, which is an unlisted UK-based company providing consultancy assistance in business efficiency, and in which our equity stake is 47.3%, had shown a large gain in value in our previous financial year. A marked slow-down in revenues in the European side of its business has caused the reduction in value.

Ermitage is a Jersey-based fund of hedge funds business in which we currently have an equity stake of 91.7%. Like most other similar businesses, the year saw a significant diminution in assets under management, leading to a drop in value.

Novae is a UK listed Lloyd's insurance business in which we have a 7.2% stake. Disappointing underwriting results for the first half of 2009 led to a fall in the share price.

Tribal Group is a UK listed company providing public sector services in the UK and internationally, in which we have an 11.0% stake. Uncertainty over the impact of forthcoming cutbacks in government expenditure has led to the fall in its share price.

### **Investment activity**

We started the year in a strong financial position with £55m of cash and £100m of term facilities committed to July 2013. In view of the uncertain economic conditions, we believed we should give priority to investing at attractive prices in our existing portfolio investments where we know the company and management well, and where there were likely to be needs for further capital. As a consequence, we invested about £114m in follow-on investments, and although we examined 80 new opportunities, we only made one new investment at an initial cost of about £2m. This total investment figure of £116m represented a significant (84%) increase over the £63m invested in the previous year.

Most (nearly 70%) of our realisations were in the second half of our financial year when equity markets had considerably improved. Over the full 12 month period, we realised a total of around £84m which was lower than the £99m we had realised in the previous year. Further details on investments and realisations are included in the financial review.

Our cash position at the end of the financial year was approximately £8m, and the £100m of committed term bank facilities remained undrawn.

### **Costs**

We continue to keep a tight rein on costs, and once again our pre-tax total expenses ratio at 0.96% has been kept below our target of 1% and is well below the investment trust average of 1.2%.

### **Business philosophy**

Our core business philosophy of being a significant long term supportive and constructively involved shareholder has continued. During the year, we have had board representation in 18 of our top 20 investments, a demonstration of real shareholder involvement which, sadly, so often does not seem to happen elsewhere. Nonetheless, it is time consuming and can pose logistical challenges.

For some time we have believed that economic growth prospects are looking more attractive in Asia and the Far East, than in the West. As mentioned in the Chairman's statement, over the last five years we have built up considerable experience in this region, both directly and indirectly through our 40% stake in IAP Group, an investment advisory and fund management business with operations in Mumbai and London. In China, most of our investing has been through the private equity funds of Capital Today. However a Caledonia executive chairs the advisory boards of those funds, which again enhances our knowledge and understanding. We believe therefore that we are becoming better placed to take advantage of value creating opportunities in these fast growing regions.

### **Outlook**

Although we have seen a tremendous rally in equity prices, the global economy continues to look fragile. In the West, particularly the US and UK, governments are running huge deficits which are clearly unsustainable. There is simply not going to be the resurgence of economic growth in this part of the world to mask those deficits. Indeed, the necessary medicine of government expenditure cuts and/or taxation increases will have a further deleterious effect on growth. There may well in time be a resurgence of significant inflation. In Asia and the Far East, the situation looks better, but we should not forget that much of their growth has been export led and fuelled by inward foreign investment, and the rate of inflation in India remains a concern.



In short, although we anticipate there to be continuing good investment opportunities, we need to maintain our cautious stance. It will be very difficult for us to achieve the same degree of TSR in real terms over the next ten years that we have achieved over the past decade. We will, nevertheless, continue to aspire to relative outperformance over the medium to long term, while also producing positive absolute returns.

### **My retirement**

As the Chairman's statement has already mentioned, I will be retiring after the AGM in July having spent just over eight years as Caledonia's Chief Executive and therefore this will be my last report. I have particularly enjoyed this role and have been privileged to have worked with so much talent in our investee companies. I would like to take this opportunity to thank every one of my colleagues at Caledonia who, together with all the managements of our investee companies, have been the people who have created the shareholder value, and thereby made my job so enjoyable.

My successor, Will Wyatt, has worked for the Caledonia group for 13 years and has established an outstanding record in investment performance - he is an exceptionally astute investor. He will, of course, be supported by a very able and experienced management team. I will therefore be leaving the company in good hands and I would underline my confidence in its future by adding that I have no intention after my retirement of selling any of my personal shareholdings in Caledonia!

**Tim Ingram**  
**Chief Executive**

## Portfolio information

Investment portfolio holdings of over 1% of net assets at 31 March 2010:

Name	Equity holding %	Domicile	Sector	Business	Total £m	Net assets %
Close Brothers <sup>1,2</sup>	13.6	UK	Financial	Merchant banking	152.1	12.9
British Empire Securities <sup>1,2</sup>	17.1	UK	Funds	Investment trust	121.9	10.3
Cobepa <sup>2</sup>	10.1	Belgium	Funds	Investment company	72.9	6.2
Bristow Group <sup>1,2</sup>	6.6	US	Oil and gas	Helicopter services	60.7	5.1
Avanti Communications <sup>1,2</sup>	16.4	UK	Consumer	Satellite communications	55.5	4.7
Oval <sup>2</sup>	24.3	UK	Financial	Insurance broking	43.9	3.7
London & Stamford <sup>1</sup>	6.3	Guernsey	Property	Property investment	37.4	3.2
Eddington Capital funds <sup>3</sup>	-	Cayman	Funds	Funds of hedge funds	35.8	3.0
Melrose Resources <sup>1,2</sup>	10.3	UK	Oil and gas	Oil and gas E&P	35.0	3.0
AG Barr <sup>1</sup>	8.8	UK	Consumer	Soft drinks	32.3	2.7
Alok Industries <sup>1,2</sup>	12.1	India	Consumer	Textiles manufacturer	31.7	2.7
Quintain Estates <sup>1,2</sup>	10.6	UK	Property	Property development	31.4	2.6
Rathbone Brothers <sup>1,2</sup>	8.1	UK	Financial	Fund management	30.6	2.6
Satellite Info Services <sup>2</sup>	22.5	UK	Consumer	Betting information distribution	30.5	2.6
Dewan Housing Finance <sup>1,2</sup>	11.0	India	Financial	Housing finance	27.1	2.3
TGE Marine <sup>2</sup>	49.9	Germany	Industrial	Gas engineering	22.8	1.9
Nova Springboard <sup>3</sup>	-	Guernsey	Funds	Investment fund	22.8	1.9
Serica Energy <sup>1,2</sup>	14.4	UK	Oil and gas	Oil and gas E&P	21.9	1.9
Celerant Consulting <sup>2</sup>	47.3	UK	Industrial	Management consulting	18.9	1.6
The Sloane Club <sup>2</sup>	100	UK	Consumer	Residential club operator	17.0	1.4
Sterling Industries <sup>2</sup>	100	UK	Industrial	Engineering	15.6	1.3
Amber Chemicals <sup>2</sup>	100	UK	Industrial	Specialty chemicals	15.4	1.3
Novae Group <sup>1,2</sup>	7.2	UK	Financial	Insurance services	15.3	1.3
Pragma	-	France	Funds	Investment funds	12.8	1.1
Varun Shipping <sup>1,2</sup>	11.2	India	Industrial	Shipping services	12.0	1.0
Other investments <sup>4</sup>					211.3	17.9
Investment portfolio					1,184.6	100.2
Cash and other net liabilities					(3.0)	(0.2)
Net assets					1,181.6	100.0

1. Equity securities quoted on UK or overseas stock exchanges.
2. Board representation during the year.
3. Caledonia also has a shareholding in, and representation on the board of, the management company.
4. Comprised 60 investments of less than 1% of net assets each.

The following tables analyse net assets at 31 March 2010 by sector, asset class, region and currency.

**Net assets by sector**

	Value	No
Financial	25%	16
Funds	29%	18
Property	11%	18
Oil and gas	10%	3
Industrial	9%	17
Consumer	16%	13

Sector is based on the Industry Classification Benchmark grouping of the company's investments.

**Net assets by asset class**

	Value	No
Quoted equities	62%	29
Unquoted companies	25%	39
Private Equity funds	8%	12
Hedge funds	4%	3
Other investments	1%	2

**Net assets by region**

	Value
United Kingdom	59%
Continental Europe	16%
North America	7%
Asia and Far East	13%
Unallocated	5%

Region is based on the country of listing, country of domicile for unquoted investments and underlying regional analysis for funds.

**Net assets by currency**

	Value
Pounds sterling	77%
Euro	8%
US dollar	7%
Indian rupee	7%
Other currencies	1%

Currency is based on the currency in which securities are denominated or traded, net of any currency hedges.

The following tables analyse the investment portfolio at 31 March 2010 by age and valuation method.

**Portfolio by age**

	Value	No
Under 1 year	–	1
1 to 3 years	4%	8
3 to 5 years	23%	28
5 to 7 years	23%	13
Over 7 years	50%	35

At 31 March 2010, the weighted average age of the investment portfolio, measured from the date of initial investment, was 11.9 years (2009 - 10.7 years)

**Portfolio by valuation method**

	Value	No
Quoted prices	63%	29
Fund prices	4%	2
Recent transactions	2%	3
Managers' NAV	8%	13
Earnings	14%	13
Net assets	9%	25

## Financial review

The financial review discusses the results of the company for the financial year and refers to the company's statement of comprehensive income and statement of financial position. In addition to holding non-controlling stakes in investee businesses, the company holds controlling stakes in a number of companies. The results of these companies are included in the consolidated financial statements. However, management views these controlling stakes as part of the company's investment portfolio and they are included in the discussion below in this context.

### Key performance indicators

The company's key performance indicators are as follows:

- o diluted net asset value per share performance against the FTSE All-Share index over one and five years
- o share price total return performance against the FTSE All-Share Total Return index over five and ten years
- o share price total return over five years
- o total expenses ratio
- o dividends per share
- o deal flow.

### Diluted net asset value performance

As discussed in the Chief Executive's report, the underperformance in the year of 16% against the FTSE All-Share is principally due to Caledonia's conservative, but robust investment approach, which is more suited to long term performance. By comparison, in the previous year, whilst the FTSE All-Share fell by 32%, diluted NAV per share fell by only 28%.

### Share price total return performance

The company measures longer term performance by comparing its share price total return against the FTSE All-Share Total Return index over five and ten year periods. The total return measure assumes the re-investment of dividends on the ex-dividend date at the closing mid-market 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 32% over five years and 197% over ten years, compared with total returns of 41% and 30% respectively from the FTSE All-Share - relative performance of -9% and 167%.

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, the company has 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 the company's pre-tax total expenses ratio ('TER') of 0.96% (2009 - 0.95%) is based on the 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 statement of comprehensive income are adjusted to expense the fair value of equity rights granted under the 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 reduce reported management expenses by £0.8m to £11.3m (2009 - decrease by £1.0m to £8.6m).

### Dividends

Caledonia maintains a progressive dividend policy and has an unbroken consecutive record of annual dividend increases over the last 43 years.

A key measure of the company's performance is its ability to cover the dividend with revenue earnings. Annual dividends in respect of the year ended 31 March 2010 totalled 35.3p per share, compared with revenue earnings of 40.0p per share.

### Deal flow

The company's ability to access attractive investment opportunities is crucial to its strategy of being a long term, supportive investor. Deal flow is measured according to the number of opportunities that have passed an initial screening process and warrant further investigation. During the year, the company actively considered 80 new investment opportunities, the same number as in 2009.

### Diluted net asset value per share

Net asset value ('NAV') per share, on a diluted basis, was 2034p at 31 March 2010, compared with 1559p at the same date in 2009 and 2155p in 2008. The increase over the year of 475p (30.5%) resulted principally from the movement in portfolio value (31.2%) less annual dividends paid (-3.8%). The diluted NAV per share increase over the year of 30.5% compared with an increase in the FTSE All-Share index of 46.7%.

Over five years, diluted NAV per share has increased by 32.9%, compared with an increase in the FTSE All-Share index of 18.4%, an outperformance of 14.5%.

The table below shows the components of the movement in diluted NAV per share over the year.

	Net assets £m	Number of shares 000's	Dilution adjustment 000's	Diluted NAV p/share
At 31 March 2009	906.2	57,579	549	1559
Total return	311.7	-	-	523
Annual dividends	(34.0)	-	-	(59)
Treasury shares	(0.8)	(19)	17	(1)
Employee share options	(2.6)	154	(188)	10
Share-based payments	1.1	-	-	2
At 31 March 2010	1,181.6	57,714	378	2034

1. The dilution adjustment is the number of free shares equivalent to achieve the same dilution effect as issuing treasury shares at market price, exercising of share options, calling of deferred bonus shares and releasing restricted shares.
2. NAV per share movement is taken as the dividends per share.

The company's NAV at 31 March 2010 of £1,181.6m (2009 - £906.2m) differs from the group's consolidated NAV of £1,189.6m (2009 - £929.3m), due to the inclusion of investments in subsidiaries at fair value in the company statement of financial position and at share of net assets in the group.

### **Total return**

Caledonia's total return for the year ended 31 March 2010 of £311.7m equates to 34.4% on opening equity, compared with -26.3% in 2009. The key components were net gains on investments and investment income recognised over the year. Total return, which is equivalent to total comprehensive income, is summarised in the table below.

	2010 £m	2009 £m
Gains and losses on investments and derivatives, net of provisions	289.9	(341.7)
Investment and other income, net of impairment	33.0	32.1
Gross portfolio return	322.9	(309.6)
Management expenses	(12.1)	(9.6)
Other expenses	(1.0)	(0.5)
Net portfolio return	309.8	(319.7)
Treasury net income/(expenses)	(0.2)	0.3
Taxation	2.8	(6.1)
Profit/(loss) for the year	312.4	(325.5)
Other comprehensive income	(0.7)	(4.2)
<b>Total return</b>	<b>311.7</b>	<b>(329.7)</b>

### *Gross portfolio return*

Gross portfolio return principally comprises gains and losses on investments and investment income. The increased performance in 2010, compared with 2009, reflected the increase in equity prices.

Net gains on investments and derivatives, net of provisions, for the year amounted to £289.9m, compared with a net loss of £341.7m for 2009. Investment and other income of £33.0m was 2.8% higher than the £32.1m booked in 2009. The principal contributors to the gross portfolio return are discussed in the Chief Executive's report.

### *Expenses*

Management expenses comprised the costs incurred in managing the operations of the company and totalled £12.1m for the year, compared with £9.6m in 2009. The increase principally related to bonuses payable to directors and staff in 2010, which were not paid in 2009, and other staff related costs.

Other expenses of £1.0m (2009 - £0.5m) comprised transaction costs of potential and completed investments, performance fees to third party managers and other costs.

### *Treasury income and expenses*

Treasury income and expenses, totalling £0.2m net expense (2009 - £0.3m net income), principally reflected lower interest rates on cash deposits. The company held net liquidity in term deposits, averaging £17.5m over the year. Also included were exchange losses of £0.3m (2009 - £0.8m), which arose from holding foreign currency balances.

### *Taxation*

The tax credit of £2.8m included prior year and deferred tax credits of £1.0m. The charge in 2009 included £6.5m for one-off items.

### ***Dividends***

During the year, the company paid dividends of 58.8p per share (2009 - 32.9p), amounting to £34.0m (2009 - £19.0m), representing the final dividend in respect of the year ended 31 March 2009 of 23.5p per share and the interim and second interim dividends in respect of the year ended 31 March 2010 of 10.6p and 24.7p per share respectively. The second interim dividend was paid in the year instead of proposing a final dividend, as the company believed that it was in the shareholders' interests to accelerate the timing of the dividend payment.

### ***Treasury and employee trust shares***

Shares held in treasury, by the employee share trust and as 'restricted' shares are excluded from the undiluted NAV per share calculations.

At 31 March 2010, 686,306 shares were accounted as held in treasury, of which 51,001 shares were bought during the year at a cost of £0.8m and 123,076 shares were subject to a buy-back arrangement whereby, for the duration of the close period from 1 April to 18 May 2010, being the day before the final results announcement, the company had given an irrevocable undertaking to J.P. Morgan Securities to purchase Caledonia's shares on its behalf, within certain parameters. This instruction was subject to a maximum of £2.0m or 250,000 shares. At 31 March 2010, £2.0m represented the equivalent value of 123,076 shares at the closing 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 2010, 350,293 shares were held by the trust, decreased from 547,910 shares held at the end of the previous year. During the year, the trust transferred 586,024 shares to staff on exercise of share options and calling of deferred bonus shares and bought 388,407 shares. These transactions resulted in a net payment by the trust of £2.6m.

During the year, employees waived their rights to certain deferred bonus awards for no consideration and were subsequently granted vested restricted share awards over an equivalent number of Caledonia shares, with sufficient shares being sold to discharge tax liabilities and dealing costs. The remaining restricted shares must be retained until the vesting date of the original deferred share awards to which they relate. At 31 March 2010, there were 43,672 restricted shares held by employees.

### ***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 2010, re-issuing the 686,306 shares (2009 - 667,388 shares) accounted as held in treasury at the closing mid-market price would have yielded proceeds of £11.2m (2009 - £8.6m). In addition, the exercise of the 502,308 (2009 - 691,275) in-the-money executive share options would have yielded proceeds of £7.1m (2009 - £4.1m).

The NAV dilution adjustment of 378,000 (2009 - 549,000) represented the equivalent number of shares for no consideration to achieve the same dilution effect.

### ***Cash flows***

The principal cash flows during the year comprised an aggregate inflow of £81.1m (2009 - £110.3m) from the realisation of investments and outflow of £109.9m (2009 - £63.6m) for the purchase of investments.

At the year end, the company held cash equivalents totalling £8.3m (2009 - £55.5m).

## Gearing

The company itself had no debt at 31 March 2010 or 2009 and did not draw on its facilities during the year.

Subsidiary companies had borrowings totalling £86.2m at 31 March 2010 (2009 - £81.4m) to finance operations. Caledonia provided bank guarantees and letters of comfort in respect of £76.7m of these borrowings (2009 - £76.7m).

## Investment portfolio

The value of the investment portfolio (including derivatives) at 31 March 2010 was £1,184.6m, compared with £856.3m at 31 March 2009.

## Movement

Movement in the value of investments including FTSE put options, over the year was as follows:

	2010 £m	2009 £m
Opening investment portfolio	856.3	1,248.1
Investment	116.1	63.3
Realisation proceeds	(83.9)	(99.0)
Gains and losses on investments and derivatives	295.3	(351.7)
Rolled-up interest	0.8	(4.4)
Closing investment portfolio	1,184.6	856.3

## Investment

Caledonia invested a total of £116.1m in the year, compared with £63.3m in 2009. A summary of the principal investments is given in the table below.

Name	Category	Country of domicile	Business	Cost £m
<i>New investments</i>				
Brookshire	Capital	UK	Property trading/investment	2.0
				2.0
<i>Follow-on investments</i>				
Quintain Estates	Equity	UK	Property developer	20.3
London & Stamford	Equity	Guernsey	Property investment	12.6
Alok Industries	Equity	India	Textiles	11.8
Avanti Communications	Equity	UK	Satellite communications	11.5
Oval	Loans	UK	Insurance broking	7.5
Cobepa	Equity	Belgium	Investment company	7.1
TGE Marine	Equity	Germany	Gas engineering	6.7
Ermitage	Loans	Jersey	Funds management	5.5
Other investments				31.1
				114.1
				116.1

'Other investments' comprised a number of follow-on investments of less than £5.0m each.



**Realisations**

Caledonia made full and partial realisations of holdings during the year with total proceeds of £83.9m (2009 - £99.0m), a summary of which is given in the table below.

Name	Nature of realisation	Proceeds £m	Realised gain £m
Polar Capital funds	Redemptions	13.5	3.3
FTSE put options	Close-out of options	10.8	2.9
Rathbone Brothers	Part sale of equity	9.0	5.5
Caledonia EL Distribution	Capital distribution	6.5	6.5
GIC Housing Finance	Sale of equity	6.4	3.4
Novera Energy	Sale of equity	6.4	0.1
British Empire	Part sale of equity	6.3	5.5
Cazenove Group	Sale of equity	6.0	1.9
Other realisations		19.0	2.6
		83.9	31.7

'Other realisations' comprised a number of realisations with proceeds or realised gains or losses of less than £5.0m each.

## Risks and uncertainties

Caledonia has a risk management framework that provides a structured process for identifying, assessing and managing risks associated with the company's business objectives and strategy. The principal risks and uncertainties are set out below.

### External risk

External risks arise from political, legal, regulatory and economic changes. Failure to comply with regulations could result in the company losing its listing and/or being subjected to UK corporation tax on its capital gains.

The company seeks to operate within applicable legal and regulatory frameworks. The Compliance Committee meets weekly and reviews current business for regulatory compliance, as well as considering investment proposals from a compliance perspective. The board reviews regular reports on the controls in place to ensure compliance by the company with rules and regulations.

### Strategic risk

Strategic risks arise from the conception, design and implementation of the company's business model and key decisions on investment levels and capital allocations. An inappropriate investment strategy could result in poor returns for shareholders. The board reviews strategy periodically.

### Investment risk

Investment risk occurs in respect of specific investment decisions, subsequent performance of an investment or concentration of exposure to an economic sector or geographical region.

In addition to financial, legal and market due diligence, investment appraisal includes a rigorous assessment of investee management's track record of success, commitment to growing their business and ethical standards. All potential investments are presented to the Investment Management Committee, which comprises executive directors and other senior managers and meets weekly. Any individual investment of £20m or more, or follow-on investment where the existing holding is valued at over £20m, requires board approval.

Having made the investment decision, a process is put in place for managing the relationship with the investee company for the period through to realisation. This will usually include board representation by an investment executive. The executive will make regular reports to the Investment Management Committee on issues relevant to the investments for which they are responsible and there is an annual process of cyclical reporting to the board.

Caledonia invests in a range of economic sectors and regions. The portfolio is monitored monthly against board approved guidelines to ensure that there is no undue exposure.

Investment values may fall as a result of market factors, including equity prices, interest rates and currency exchange rates. In seeking to achieve its investment objectives, the company, from time to time, may seek to reduce its exposure to price risk by taking positions in index futures and options. These instruments are used for the purpose of hedging some or all of the existing exposure within the investment portfolio.

### Treasury and funding risk

Treasury risks principally comprise counterparty risk, uncertainty in market prices and rates and the requirement to access adequate funds to meet investment needs or other obligations as they fall due.

The main funding risks faced by Caledonia are liquidity availability, interest rate risk, exchange rate risk and counterparty risk. The level of these risks is addressed by the overall funding objective and the board regularly reviews and approves policies on the approach to each of these risks.

Liquidity risk is managed through the maintenance of committed facilities, which are reviewed to ensure a continuous access to funds.

The exposure to interest rate movements on treasury assets is managed through the use of term deposits and other treasury instruments. Where there are group borrowings, exposure to interest rate movements is managed through the use of derivatives, such as caps and collars, where appropriate.

Caledonia's foreign exchange risk management policy allows for exposure to structural and transactional currency movements. In the event that there is an exit plan for a foreign currency denominated investment, a view will be taken of likely currency movements over the period to expected realisation and part or all of the exposure may be hedged using foreign currency contracts or currency derivatives.

Counterparty risk is managed through an approved list of counterparties with maximum exposures agreed by the board.

Management of treasury activities is delegated to executive directors and to the Group Treasurer. A report on liquid assets and cash flow projections is submitted to the Investment Management Committee on a weekly basis. Monthly reports on the funding position and cash flow forecasts are considered by the board.

### **Operational risk**

Operational risk arises from potentially inadequate or failed controls, processes, people and systems, or from external factors.

Inadequate or failed processes could result in the misappropriation of assets, loss of income and recovery of receivables and misreporting of NAV per share. The board regularly reviews internal controls and risk management procedures and subjects the books and records of the company to an annual external audit. In addition, the Audit Committee regularly reviews risks and the appropriateness of the control environment.

The ability to recruit, develop and retain capable people is of fundamental importance to Caledonia's strategy and the loss of key staff could adversely affect investment returns. The company operates in a competitive industry and aims to remunerate staff in line with market practice, to provide development opportunities and to encourage staff motivation and retention.

A business continuity strategy is in place to ensure that operations can continue in the event of disruption.

## Statement of comprehensive income for the year ended 31 March 2010

	Company		Group	
	2010 £m	2009 £m	2010 £m	2009 £m
Gains and losses on investments held at fair value through profit or loss	302.8	(350.4)	294.2	(350.8)
Gains and losses on derivatives used to hedge the fair value of investments	(7.5)	(1.3)	(19.2)	26.1
Investment provisions	(5.4)	10.0	-	10.0
Investment and other income	33.0	34.6	34.1	38.9
Investment income impairment	-	(2.5)	-	(2.5)
<b>Gross portfolio return</b>	<b>322.9</b>	<b>(309.6)</b>	<b>309.1</b>	<b>(278.3)</b>
Management expenses	(12.1)	(9.6)	(12.1)	(9.6)
Other expenses	(1.0)	(0.5)	(1.0)	(0.5)
<b>Net portfolio return</b>	<b>309.8</b>	<b>(319.7)</b>	<b>296.0</b>	<b>(288.4)</b>
Revenue from sales of goods and services	-	-	116.0	131.0
Operating expenses	-	-	(111.5)	(135.5)
Gain/(loss) on disposal of operations	-	-	1.4	(0.3)
Gain on investment property	-	-	0.3	0.3
Share of results of joint ventures	-	-	(0.3)	0.8
<b>Profit/(loss) before finance costs</b>	<b>309.8</b>	<b>(319.7)</b>	<b>301.9</b>	<b>(292.1)</b>
Treasury interest receivable	0.5	1.6	0.3	1.7
Exchange movements	(0.3)	(0.8)	(0.5)	1.2
Finance costs	(0.4)	(0.5)	(2.6)	(4.7)
<b>Profit/(loss) before tax</b>	<b>309.6</b>	<b>(319.4)</b>	<b>299.1</b>	<b>(293.9)</b>
Taxation	2.8	(6.1)	(0.7)	(6.9)
<b>Profit/(loss) for the year</b>	<b>312.4</b>	<b>(325.5)</b>	<b>298.4</b>	<b>(300.8)</b>
<i>Other comprehensive income</i>				
Exchange differences on translation of foreign operations	-	-	(1.2)	6.9
Transfer to profit or loss on disposal of foreign operation	-	-	(1.1)	(0.4)
Actuarial losses on defined benefit pension schemes	(1.0)	(3.5)	(0.4)	(8.6)
Tax on other comprehensive income	0.3	(0.7)	-	0.6
<b>Total comprehensive income</b>	<b>311.7</b>	<b>(329.7)</b>	<b>295.7</b>	<b>(302.3)</b>
<i>Profit/(loss) for the period attributable to</i>				
Equity holders of the parent	312.4	(325.5)	299.3	(300.6)
Non-controlling interests	-	-	(0.9)	(0.2)
	<b>312.4</b>	<b>(325.5)</b>	<b>298.4</b>	<b>(300.8)</b>
<i>Total comprehensive income attributable to</i>				
Equity holders of the parent	311.7	(329.7)	296.6	(302.6)
Non-controlling interests	-	-	(0.9)	0.3
	<b>311.7</b>	<b>(329.7)</b>	<b>295.7</b>	<b>(302.3)</b>
Basic earnings per share	541.0p	-564.1p	518.4p	-521.0p
Diluted earnings per share	539.6p	-564.1p	517.0p	-521.0p

## Statement of financial position at 31 March 2010

	Company		Group	
	2010	2009	2010	2009
	£m	£m	£m	£m
<i>Non-current assets</i>				
Investments held at fair value through profit or loss	1,183.8	848.9	1,105.7	773.2
Investments in subsidiaries held at cost	0.8	0.8	-	-
Available for sale investments	-	-	0.8	0.8
Intangible assets	-	-	25.0	28.8
Property, plant and equipment	-	-	87.0	90.4
Investment property	-	-	12.3	0.5
Interests in joint ventures	-	-	7.6	8.1
Deferred tax assets	-	2.0	6.0	7.9
<b>Non-current assets</b>	<b>1,184.6</b>	<b>851.7</b>	<b>1,244.4</b>	<b>909.7</b>
<i>Current assets</i>				
Inventories	-	-	14.7	17.3
Derivatives	-	6.6	-	29.2
Trade and other receivables	5.2	4.0	32.5	38.5
Current tax assets	0.7	-	2.6	0.4
Money market funds held at fair value	-	-	-	1.0
Cash and cash equivalents	8.3	55.5	30.5	74.2
<b>Current assets</b>	<b>14.2</b>	<b>66.1</b>	<b>80.3</b>	<b>160.6</b>
<b>Total assets</b>	<b>1,198.8</b>	<b>917.8</b>	<b>1,324.7</b>	<b>1,070.3</b>
<i>Current liabilities</i>				
Bank overdrafts	-	-	-	(0.3)
Interest-bearing loans and borrowings	-	-	-	(1.6)
Trade and other payables	(7.3)	(2.4)	(27.9)	(32.8)
Employee benefits	-	-	(3.9)	(3.5)
Current tax liabilities	-	(4.0)	(0.5)	(3.8)
Provisions	(8.9)	(3.5)	(4.0)	(4.2)
<b>Current liabilities</b>	<b>(16.2)</b>	<b>(9.9)</b>	<b>(36.3)</b>	<b>(46.2)</b>
<i>Non-current liabilities</i>				
Interest-bearing loans and borrowings	-	-	(86.2)	(79.5)
Employee benefits	-	(1.5)	(9.0)	(11.1)
Deferred tax liabilities	(1.0)	(0.2)	(2.2)	(1.5)
<b>Non-current liabilities</b>	<b>(1.0)</b>	<b>(1.7)</b>	<b>(97.4)</b>	<b>(92.1)</b>
<b>Total liabilities</b>	<b>(17.2)</b>	<b>(11.6)</b>	<b>(133.7)</b>	<b>(138.3)</b>
<b>Net assets</b>	<b>1,181.6</b>	<b>906.2</b>	<b>1,191.0</b>	<b>932.0</b>
<i>Equity</i>				
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	932.1	643.5	-	-
Retained earnings	271.7	281.5	1,206.4	940.4
Foreign exchange translation reserve	-	-	5.4	7.7
Own shares	(28.0)	(24.6)	(28.0)	(24.6)
<b>Equity attributable to owners of the parent</b>	<b>1,181.6</b>	<b>906.2</b>	<b>1,189.6</b>	<b>929.3</b>
Non-controlling interests	-	-	1.4	2.7
<b>Total equity</b>	<b>1,181.6</b>	<b>906.2</b>	<b>1,191.0</b>	<b>932.0</b>
Undiluted net asset value per share	2047p	1574p		
Diluted net asset value per share	2034p	1559p		

## Statement of changes in equity for the year ended 31 March 2010

	Capital accounts (note 1) £m	Capital reserve £m	Retained earnings £m	Currency translate reserve £m	Own shares £m	Non-con- trolling interests £m	Total equity £m
<i>Company</i>							
Balance at 1 April 2008	5.8	998.1	274.3	-	(26.3)	-	1,251.9
Total comprehensive income	-	(354.6)	24.9	-	-	-	(329.7)
Share-based payments	-	-	1.3	-	-	-	1.3
Exercise of share options	-	-	-	-	2.2	-	2.2
Own shares repurchased	-	-	-	-	(3.5)	-	(3.5)
Share buy-back arrangements	-	-	-	-	3.0	-	3.0
Dividends to shareholders	-	-	(19.0)	-	-	-	(19.0)
Balance at 31 March 2009	5.8	643.5	281.5	-	(24.6)	-	906.2
Total comprehensive income	-	288.6	23.1	-	-	-	311.7
Share-based payments	-	-	1.1	-	-	-	1.1
Exercise of share options	-	-	-	-	3.8	-	3.8
Own shares repurchased	-	-	-	-	(7.2)	-	(7.2)
Dividends to shareholders	-	-	(34.0)	-	-	-	(34.0)
Balance at 31 March 2010	5.8	932.1	271.7	-	(28.0)	-	1,181.6
<i>Group</i>							
Balance at 1 April 2008	5.8	-	1,266.7	1.7	(26.3)	3.4	1,251.3
Total comprehensive income	-	-	(308.6)	6.0	-	0.3	(302.3)
Share-based payments	-	-	1.3	-	-	-	1.3
Exercise of share options	-	-	-	-	2.2	-	2.2
Own shares repurchased	-	-	-	-	(3.5)	-	(3.5)
Share buy-back arrangements	-	-	-	-	3.0	-	3.0
Dividends to shareholders	-	-	(19.0)	-	-	(1.0)	(20.0)
Balance at 31 March 2009	5.8	-	940.4	7.7	(24.6)	2.7	932.0
Total comprehensive income	-	-	298.9	(2.3)	-	(0.9)	295.7
Share-based payments	-	-	1.1	-	-	-	1.1
Exercise of share options	-	-	-	-	3.8	-	3.8
Own shares repurchased	-	-	-	-	(7.2)	-	(7.2)
Capital contribution	-	-	-	-	-	0.5	0.5
Dividends to shareholders	-	-	(34.0)	-	-	(0.9)	(34.9)
Balance at 31 March 2010	5.8	-	1,206.4	5.4	(28.0)	1.4	1,191.0

1. Capital accounts at 1 April 2008, 31 March 2009 and 31 March 2010 comprised £3.3m of share capital, £1.3m of share premium and £1.2m of capital redemption reserve.

## Statement of cash flows for the year ended 31 March 2010

	Company		Group	
	2010	2009	2010	2009
	£m	£m	£m	£m
<i>Operating activities</i>				
Dividends received	27.2	27.3	24.9	25.3
Interest received	3.3	9.2	3.3	8.6
Cash received from customers	-	-	125.8	134.1
Cash paid to suppliers and employees	(12.0)	(16.3)	(119.9)	(130.3)
Taxes received/(paid)	0.7	(6.7)	(3.5)	(13.7)
Group relief received/(paid)	(0.4)	0.7	-	-
<b>Net cash flow from operating activities</b>	<b>18.8</b>	<b>14.2</b>	<b>30.6</b>	<b>24.0</b>
<i>Investing activities</i>				
Purchases of investments	(109.9)	(63.6)	(100.3)	(55.0)
Proceeds from disposal of investments	81.1	110.3	66.0	62.7
Purchases of money market funds	-	-	-	(1.0)
Proceeds from disposal of money market funds	-	-	1.0	-
Net receipts/(payments) from derivatives	(0.9)	(7.9)	9.2	17.7
Purchases of property, plant and equipment	-	-	(3.4)	(6.2)
Purchases of investment property	-	-	(12.1)	-
Proceeds from disposal of property, plant and equipment	-	-	-	2.4
Proceeds from disposal of joint ventures	-	-	0.2	0.4
Proceeds from disposal of investment property	-	-	-	6.3
Purchases of subsidiaries net of cash acquired	-	-	(3.1)	(4.3)
Proceeds from disposal of subsidiaries net of cash disposed	-	-	0.7	(0.2)
<b>Net cash flow from/(used in) investing activities</b>	<b>(29.7)</b>	<b>38.8</b>	<b>(41.8)</b>	<b>22.8</b>
<i>Financing activities</i>				
Interest paid	(0.3)	(0.7)	(2.2)	(4.5)
Distributions paid to holders of equity shares	(34.0)	(19.0)	(34.0)	(19.0)
Dividends paid to non-controlling interests	-	-	(0.9)	(1.0)
Proceeds from new borrowings	-	50.0	8.2	60.0
Repayment of borrowings	-	(50.0)	(1.5)	(52.9)
Purchase of treasury stock	-	(50.4)	-	(50.4)
Proceeds from disposal of treasury stock	-	50.4	-	50.4
Capital contribution by non-controlling interests	-	-	0.5	-
Exercise of share options	3.8	2.2	3.8	2.2
Repurchase of own shares	(5.8)	(3.5)	(5.8)	(3.5)
<b>Net cash flow used in financing activities</b>	<b>(36.3)</b>	<b>(21.0)</b>	<b>(31.9)</b>	<b>(18.7)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(47.2)</b>	<b>32.0</b>	<b>(43.1)</b>	<b>28.1</b>
Cash and cash equivalents at year start	55.5	23.5	73.9	42.7
Exchange movements on cash and cash equivalents	-	-	(0.3)	3.1
<b>Cash and cash equivalents at year end</b>	<b>8.3</b>	<b>55.5</b>	<b>30.5</b>	<b>73.9</b>

## 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, 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 listed on the London Stock Exchange and the New Zealand Exchange.

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

### 2. Dividends

Amounts recognised as distributions to equity holders in the year were as follows:

	2010 p/share	2010 £m	2009 p/share	2009 £m
Final dividend for the year ended 31 March 2009 (2008)	23.5	13.6	22.6	13.0
Interim dividend for the year ended 31 March 2010 (2009)	10.6	6.1	10.3	6.0
Second interim dividend for the year ended 31 March 2010 (2009)	24.7	14.3	-	-
	58.8	34.0	32.9	19.0

For the purposes of section 1159 of the Corporation Tax Act 2010, the dividends payable for the year ended 31 March 2010 are the interim and second interim dividends paid for that year, amounting to £20.4m (2009 - £19.6m).

### 3. Earnings and net asset value per share

#### *Basic and diluted earnings per share*

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

The profit attributable to shareholders was as follows:

	Company		Group	
	2010 £m	2009 £m	2010 £m	2009 £m
Profit/(loss) attributable to shareholders (basic and diluted)	312.4	(325.5)	299.3	(300.6)



The weighted average number of shares was as follows:

	Company		Group	
	2010 000's	2009 000's	2010 000's	2009 000's
Issued shares at year start	58,795	58,795	58,795	58,795
Effect of shares held in treasury	(563)	(487)	(563)	(487)
Effect of shares held by the employee share trust	(489)	(608)	(489)	(608)
Shares held by a subsidiary	-	-	(3)	(3)
Basic weighted average number of shares during the year	57,743	57,700	57,740	57,697
Effect of share options and deferred bonus awards	151	-	151	-
Diluted weighted average number of shares during the year	57,894	57,700	57,891	57,697

*Net asset value per share*

The company's undiluted net asset value per share is based on the net assets of the company at the year end and on the number of shares in issue at the year end less shares held by the Caledonia Investments plc Employee Share Trust, restricted shares and shares held by a subsidiary or accounted as held in treasury. The company's diluted net asset value per share assumes the re-issue of shares accounted as held in treasury at the closing mid-market price on the reporting date, the exercise of all outstanding in-the-money share options and the calling of deferred bonus awards.

	Net	Number	NAV	Net	Number	NAV
	assets	of shares		assets	of shares	
	2010	2010	2010	2009	2009	2009
	£m	000's	p/share	£m	000's	p/share
Undiluted	1,181.6	57,714	2047	906.2	57,579	1574
Adjustments	18.3	1,278	(13)	12.7	1,359	(15)
Diluted	1,199.9	58,992	2034	918.9	58,938	1559

**4. Operating segments**

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

	Profit or loss before tax		Assets	
	2010 £m	2009 £m	2010 £m	2009 £m
Financial	95.1	(70.2)	299.9	232.9
Funds	70.7	(52.0)	339.9	284.5
Property	28.2	(82.3)	125.1	55.5
Consumer	79.0	(39.3)	190.4	95.5
Oil and gas	44.4	(45.2)	117.6	74.1
Industrial	19.9	(45.4)	111.7	89.6
FTSE options	(14.4)	24.8	-	24.2
Gross portfolio	322.9	(309.6)	1,184.6	856.3
Other items	(13.3)	(9.8)	(3.0)	49.9
Reportable total	309.6	(319.4)	1,181.6	906.2
Eliminations	(10.5)	25.5	143.1	164.1
Group total	299.1	(293.9)	1,324.7	1,070.3

## 5. Impairment of assets

The impairment charge for the year was £1.9m (2009 - £16.5m).

## 6. Share based payments

In the year to 31 March 2010, participating employees in the executive share option scheme were awarded options over 286,501 shares at a price of 1446p per share (2009 – 207,517 shares at 1980p per share). The weighted average fair value of these shares at the date of grant was estimated at 392p per share (2009 - 523p per share).

In the year to 31 March 2010, no awards were made under the deferred bonus plan. In 2009, participating employees deferred a proportion of their annual bonuses into 60,660 shares. Matching awards of 60,660 shares were also granted, which depend on company performance. The fair value of the share awards was measured directly as the bonus foregone and was equivalent to 1980p per share. The fair value of the matching shares was 1980p per share, on a market neutral valuation basis.

The IFRS 2 expense charged to the income statement for the year was £1.1m (2009 - £1.3m).

## 7. Provisions

During the year, the company recognised an investment provision of £5.4m relating to a solvency guarantee given to a subsidiary. In 2009, a investment provision of £10.0m relating to a disposal in 2007 was released.

## 8. Capital commitments

At the reporting date, the company had entered into unconditional loan commitments to limited partnerships, commitments to other investment funds and loan facilities to portfolio companies. In addition, other group companies had committed to incur capital expenditure, as follows:

	Company		Group	
	2010 £m	2009 £m	2010 £m	2009 £m
<i>Investments</i>				
Contracted but not called	66.4	82.2	66.4	82.2
Conditionally contracted	19.6	13.8	19.6	13.8
<i>Property, plant and equipment</i>				
Contracted but not delivered	-	-	-	0.1
	86.0	96.0	86.0	96.1

## 9. Related parties

Caledonia Group Services Ltd, a wholly owned subsidiary of the company, provides management services to the company. During the year, £11.9m was charged to the company (2009 - £10.2m).

## 10. Financial information

The information in this final results announcement does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006 (the 'Act'), but has been derived from the statutory accounts for the year ended 31 March 2010. The auditors have reported on those statutory accounts and their report was not qualified and did not contain statements under section 498 of the Act.

The statutory accounts for the year ended 31 March 2010 will be posted to shareholders on 14 June 2010 and made available for download from the company's website on 15 June 2010. 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 2010 include a "Responsibility statement of the directors" as follows:

We confirm that, to the best of our knowledge:

1. the financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole
2. the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Signed on behalf of the board:

Tim Ingram  
Chief Executive  
19 May 2010

Stephen King  
Finance Director  
19 May 2010

*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](http://www.caledonia.com).*