



CALEDONIA
INVESTMENTS

Presentation of final results
for the year ended 31 March 2014





CALEDONIA
INVESTMENTS

Introduction and highlights of the year

Will Wyatt
Chief Executive

Financial highlights

Year ended 31 March 2014



- +14.9% NAV total return per share for year (+18.9% in 2013)
- 4.0% increase in annual dividend; 47th consecutive year of dividend growth
- Strong performance across the portfolio
- Sold Amber Chemicals for £23m
- Sold Oval Insurance for £70m (1 April 2014)

Summary of the year	31 Mar 2014	31 Mar 2013	Change %
NAV Total Return	+14.9%	+18.9%	n/a
NAV per share	2593p	2305p	+12.5
Discount to NAV	25.8%	20.2%	+5.7
Annual dividend per share	49.1p	47.2p	+4.0

NAV summary performance by investment pool

Year ended 31 March 2014



Investment pool	Value 31 Mar 2014 £m	Investment income £m	Total return £m	Total return %
Quoted	497.8	10.6	92.1	20.5
Unquoted	568.3	22.4	80.1	17.7
Funds	204.4	1.7	21.3	11.8
Income & Growth	189.6	7.0	0.2	0.1
Portfolio	1,460.1	41.7	193.7	15.4
Net debt	(7.1)		(0.9)	
Other items	(7.4)		(49.6)	
	1,445.6		143.2	14.9

Performance track record

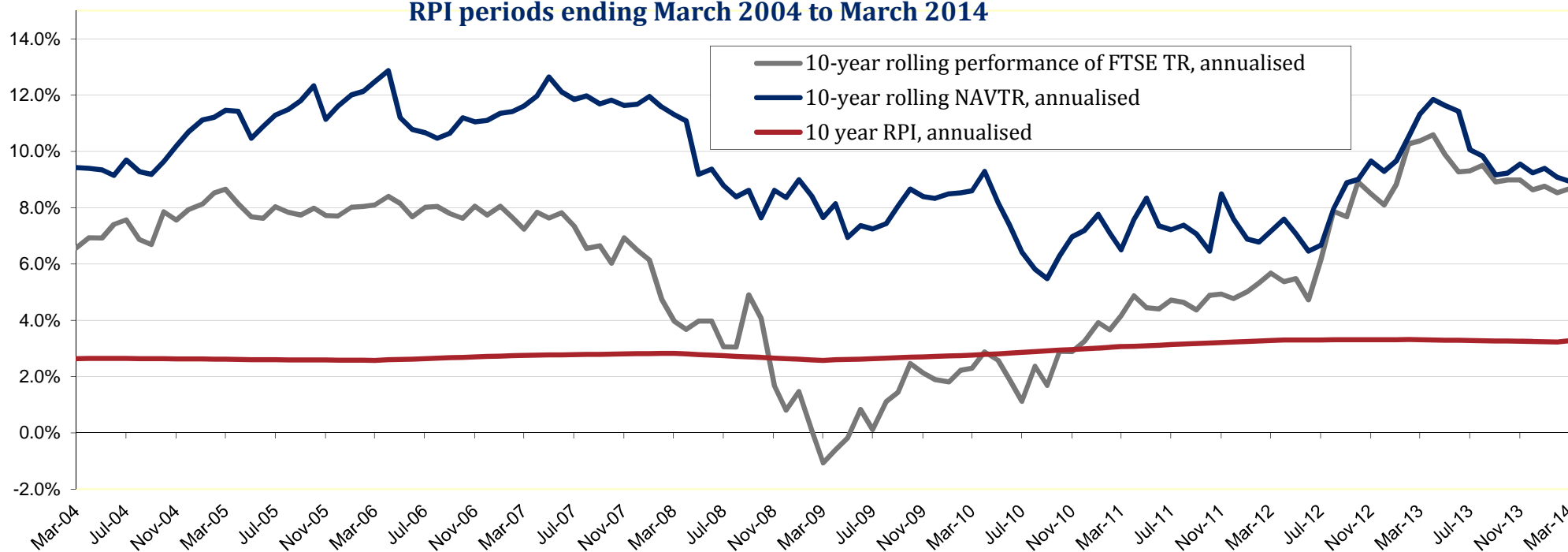
- Aim to grow capital value and income over long term measured in real terms
- Target return RPI +3% to RPI +6% outperforming FTSE over 10 years

	1 year	3 years	5 years	10 years
NAV Total Return (absolute)	+14.9%	+27.4%	+83.6%	+146.0%
NAV Total Return annualised	+14.9%	+8.4%	+12.9%	+9.4%
RPI annualised	+2.5%	+3.1%	+3.8%	+3.3%
Caledonia outperformance	+12.4%	+5.3%	+9.1%	+6.1%
FTSE All-Share Total Return annualised				+8.6%
Caledonia outperformance				+0.8%

Performance reflects embedded portfolio structure

- 10+ year investment horizon
- Return a blend of sustainable yield and longer term capital growth measured in real terms
- Invest in high quality businesses and funds in both quoted and unquoted markets, leveraging Caledonia 'brand'
- Balanced exposure to asset classes, sectors and geographies - achieved through pool structure

10-year rolling performance of NAVTR v FTSETR and RPI periods ending March 2004 to March 2014



Strategic allocation

Investment pool	£m	Allocation 31 Mar 2014 %	Description	Strategic allocation range %
Quoted	497.8	35%	Concentrated portfolio of high quality companies	35-50
Unquoted	568.3	39%*	8-10 direct stakes in private companies >£25m	20-35
Funds	204.4	14%	Quoted market and PE funds (US & Asia focus)	15-20
Income & Growth	189.6	13%	Mega cap, 5% yield, global equity portfolio	15-20
Cash and other items	(14.5)	(1)%		(10) - 10
Total	1,445.6	100%		

* Unquoted pool 34% as at 1 April 2014, following completion of Oval Insurance disposal

Quoted pool

- Total NAV return +21%
- Income of £10.6m
- Strong performance driven from established long term investments:

	£m	%
Close Brothers	23.7	+37
Polar Capital	16.1	+69
Quintain Estates	18.0	+62

- Active top-slicing of outperforming investments into market strength:

	£m
Close Brothers	43.4
Bristow Group	35.2
LondonMetric	23.2
Quintain Estates	13.4
Other	12.6
Total	127.8

Quoted pool

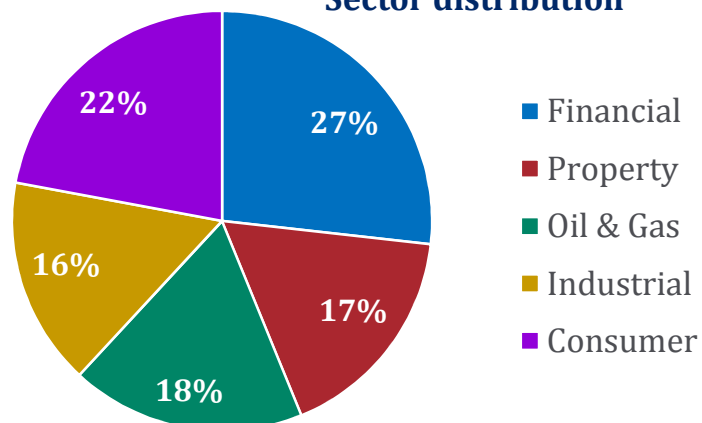
- Limited investments made during the year
- FTSE 250 valuations currently high, offering little value
- P/E of 19x, dividend yield of 2.5%
- Will continue to take profits into market strength
- New holdings established – Rolls-Royce, Atlas Copco and Diageo



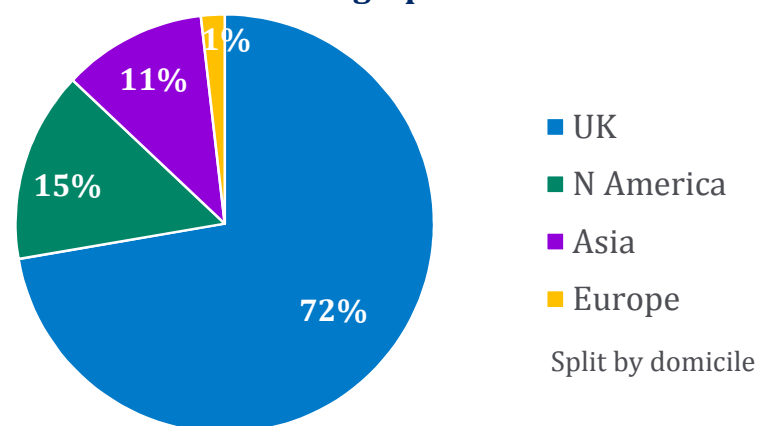
Quoted pool

Significant investments	Years held in portfolio	Value 31 Mar 2014 £m	Value 31 Mar 2013 £m	Income £m	Capital gain/(loss) £m	Total return %
Bristow Group	23	74.5	105.7	1.0	4.0	+4
Close Brothers	27	64.6	86.7	2.5	21.2	+37
AG Barr	37	57.7	51.5	0.3	6.1	+13
Avanti Communications	9	46.8	47.2	-	(0.5)	-1
Quintain Estates	20	41.2	36.7	-	18.0	+62
Polar Capital	13	39.0	24.1	1.2	14.9	+69
Other		174.0	165.3	5.6	17.8	
Total		497.8	517.2	10.6	81.5	21

Sector distribution



Geographic distribution



Unquoted pool – two significant realisations

- **Amber £23m (chemicals):**
 - First invested in 1967
 - Divested German and automotive businesses in 2011 for £18m, focussing on silicones business
 - Sale of remaining silicones business for £23m in March 2014
 - Total proceeds over £40m since 2011
 - +65% uplift to last reported NAV

- **Oval £70m (insurance broking) sale completed 1 April 2014:**
 - Initial investment of £15m in 2003 and 2004 taking a 30% stake and providing finance to allow expansion
 - Further £27m net invested to 2008 as Oval acquired 37 regional insurance brokers
 - £11m of revenue income over life of investment
 - Divested for £70m
 - Net asset value increased to sale value at 31 March 2014
 - +64% uplift to last reported NAV
 - 1.9x money

Unquoted pool – two major new investments

- **Park Holidays**
 - UK's fourth largest caravan park operator
 - £88m equity investment , which with bank finance, acquired business with enterprise value of £172m
 - 100% owned, with management participation if hurdles met
 - EBITDA £20.9m; gross assets £221m (December 2013)
 - Asset backed, high income generating investment providing an excellent total return opportunity over 5 – 10 years

- **Choice Care**
 - Company owns and operates 49 residential care homes providing support services focussed on adults with learning disabilities, mental health disorders and complex needs
 - £89.5m acquisition in August 2013, with £0.7m added in December 2013
 - Caledonia subscribed £49.5m in cash for 97.7% of the equity enterprise value of £90m
 - EBITDA £9.7m: gross assets £39m (March 2014)
 - Well invested, asset backed investment with strong cashflows and an established platform for growth

- 5 follow-on investments into existing portfolio businesses (£17m)

Unquoted pool

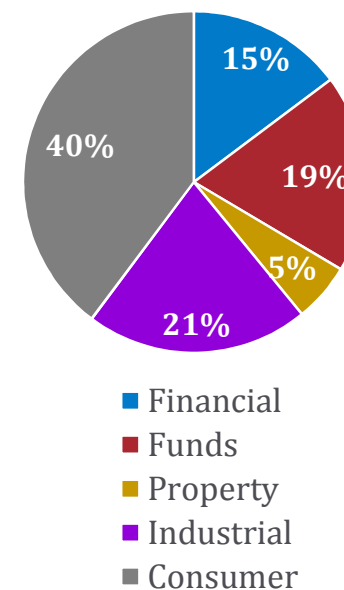
- Majority of capital uplift in year from disposals
- Good profit growth across remainder of portfolio
 - Latshaw Industries
 - TGE Marine
- Difficult year for SIS and Easybox

Unquoted pool

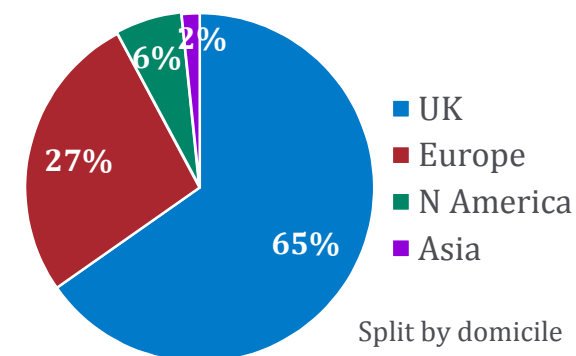
Significant investments	Vintage of original investment	Value 31 Mar 2014 £m	Value 31 Mar 2013 £m	Income £m	Capital gain/ (loss) £m	Total return %
Cobehold	2004	100.2	91.6	1.9	0.3	+3
Park Holidays	2013	88.1	-	-	-	-
Oval	2003	70.0	37.8	1.2	35.3	+103
Choice Care	2013	50.2	-	-	-	-
The Sloane Club	1991	43.8	43.2	5.6	0.8	+13
TGE Marine	2006	39.3	27.5	1.1	12.9	+66
Sterling Industries	1989/2000*	36.4	30.7	3.5	5.7	+30
Latshaw Group	2012	33.0	27.5	3.6	5.5	+33
Bowers & Wilkins	2011	24.1	24.0	0.9	0.1	+4
Satellite Information Services	2005	20.6	28.5	-	(7.9)	-28
Other		62.6	73.7	4.6	5.0	
Total		568.3	384.5	22.4	57.7	+18

* 1989 – original stake purchased; 2000 – buy in of balance of holding

Sector distribution



Geographic distribution



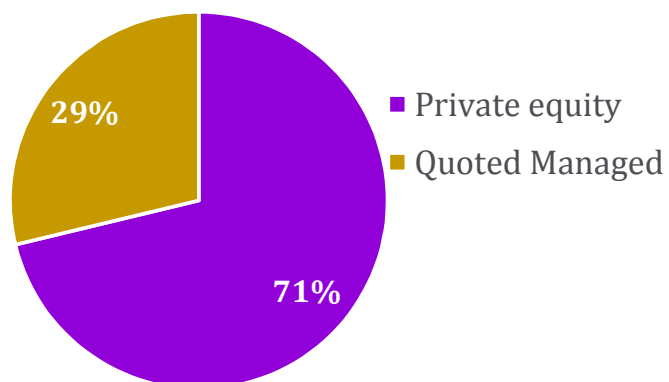
Funds pool

- Quoted market and private equity funds with a particular focus on USA and Asia
- Total NAV Return +12%
- 4 new investments made during the year, 2 listed, 2 PE
- Rolling programme of commitments to US and Asia private equity
- Capital Today China proving a star investment
 - \$20m commitment in 2006
 - \$14m returned to date
 - Carrying value of \$75m
 - Owns 8% JD.com (pre IPO), listed on Nasdaq May 2014, market cap on 23 May 2014 \$27.5bn
 - Further IPOs expected to follow

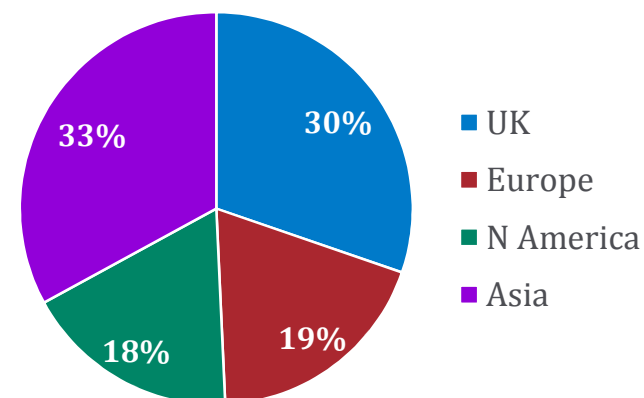
Funds pool

Significant investments	Vintage of original investment	Value 31 Mar 2014 £m	Value 31 Mar 2013 £m	Income £m	Capital gain/(loss) £m	Total return %
Capital Today China	2006	44.8	29.2	0.3	15.5	+54
Perlus Microcap	2010	24.3	22.2	-	2.1	+9
Nova Springboard	2006	14.9	12.9	-	2.0	+15
Pragma Capital funds	2003	13.5	14.3	-	1.6	+11
Nova Caledonia	2013	12.7	10.0	0.3	2.7	+27
Polar Cap Glob Fin Trust	2014	10.9		0.1	0.9	+13
Other		83.3	78.2	1.0	(5.2)	
Total		204.4	166.8	1.7	19.6	+12

Fund investment style



Geographic distribution



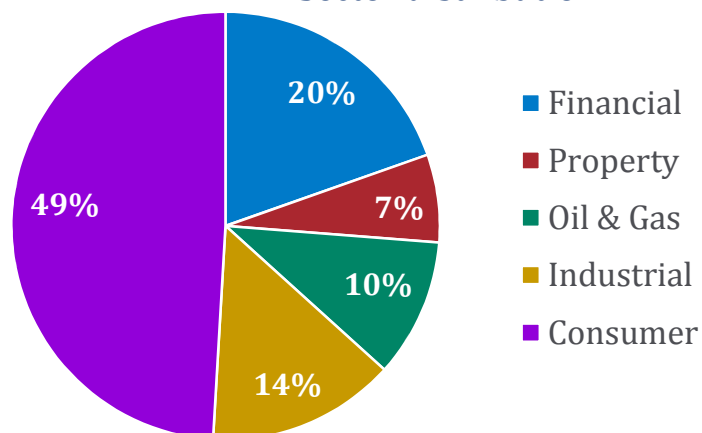
Income & Growth pool

- £190m fund comprising 40 large-cap global businesses
- Total return flat for the year, income increased 40% in the year
- Gross yield 4.3% and income continues to build
- 13% of Caledonia NAV
- 3 year track record NAV Total Return of +28.5%, giving annualised return of 8.7%

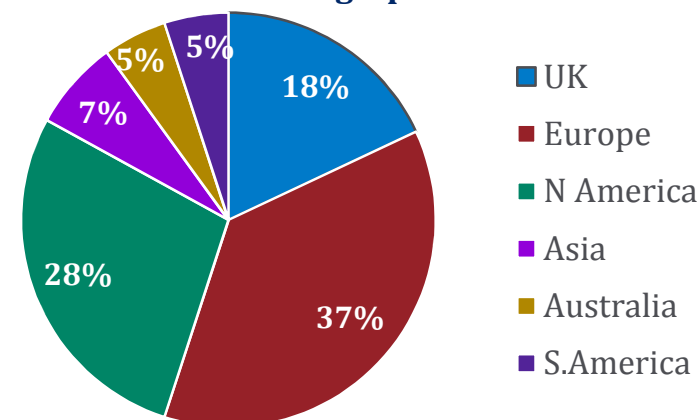
Income & Growth pool

Top five holdings	Country	Value 31 Mar 2014 £m	Total return %
SES SA	Luxembourg	7.5	+15
Zurich Insurance	Switzerland	7.2	+6
Swedbank	Sweden	7.1	+10
HSBC	UK	6.9	-1
General Electric	US	6.7	-
Other		154.2	-1
TOTAL		189.6	-

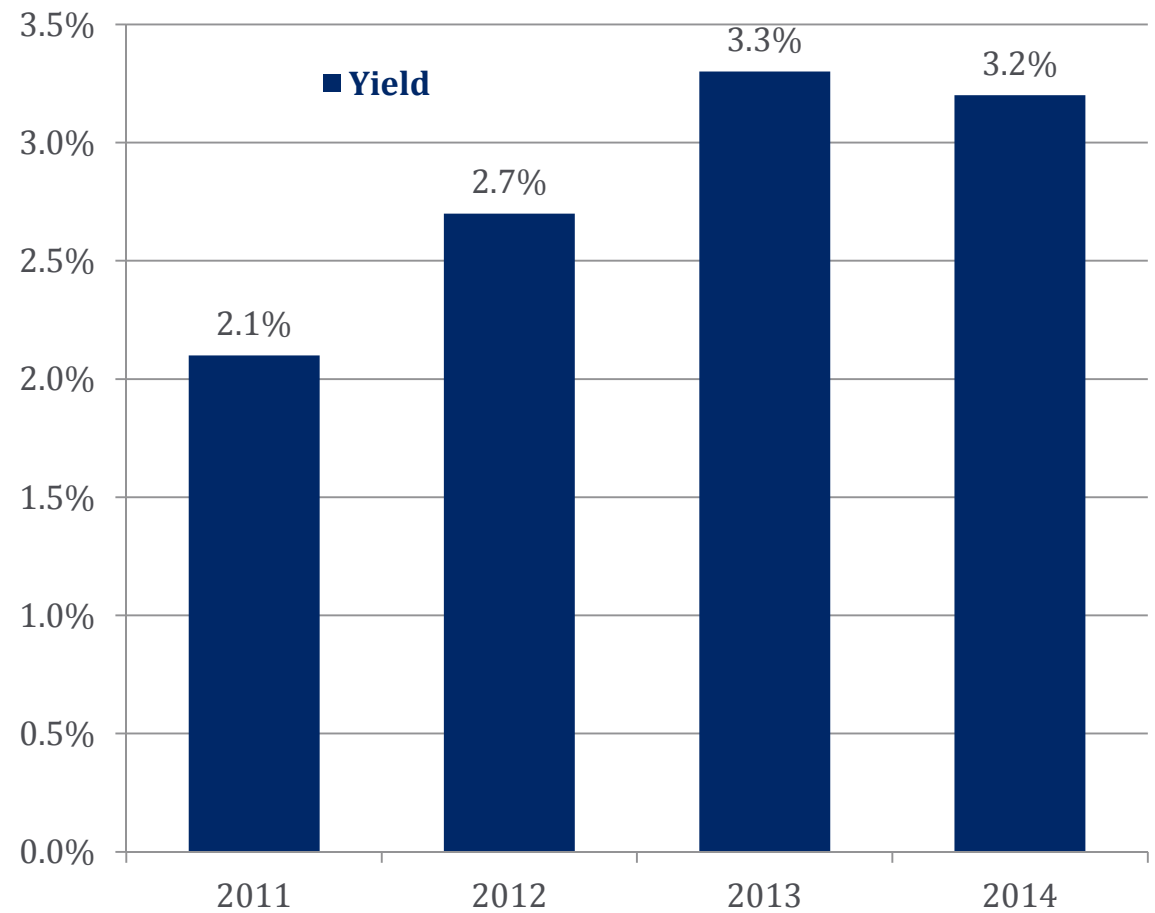
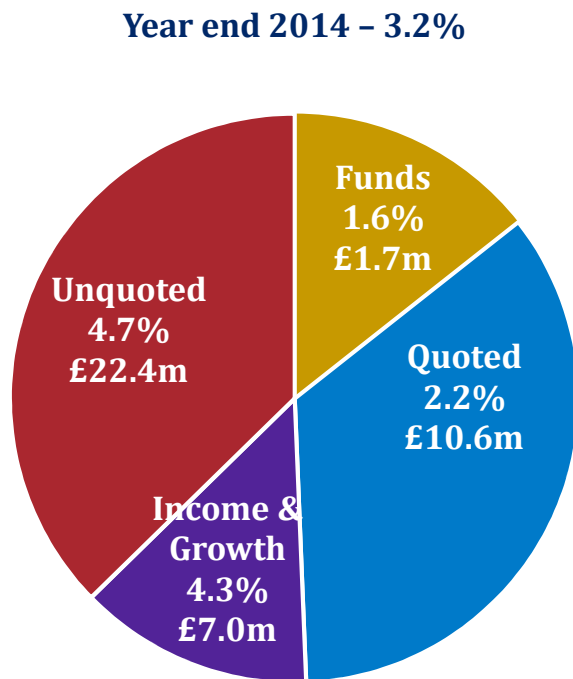
Sector distribution



Geographic distribution

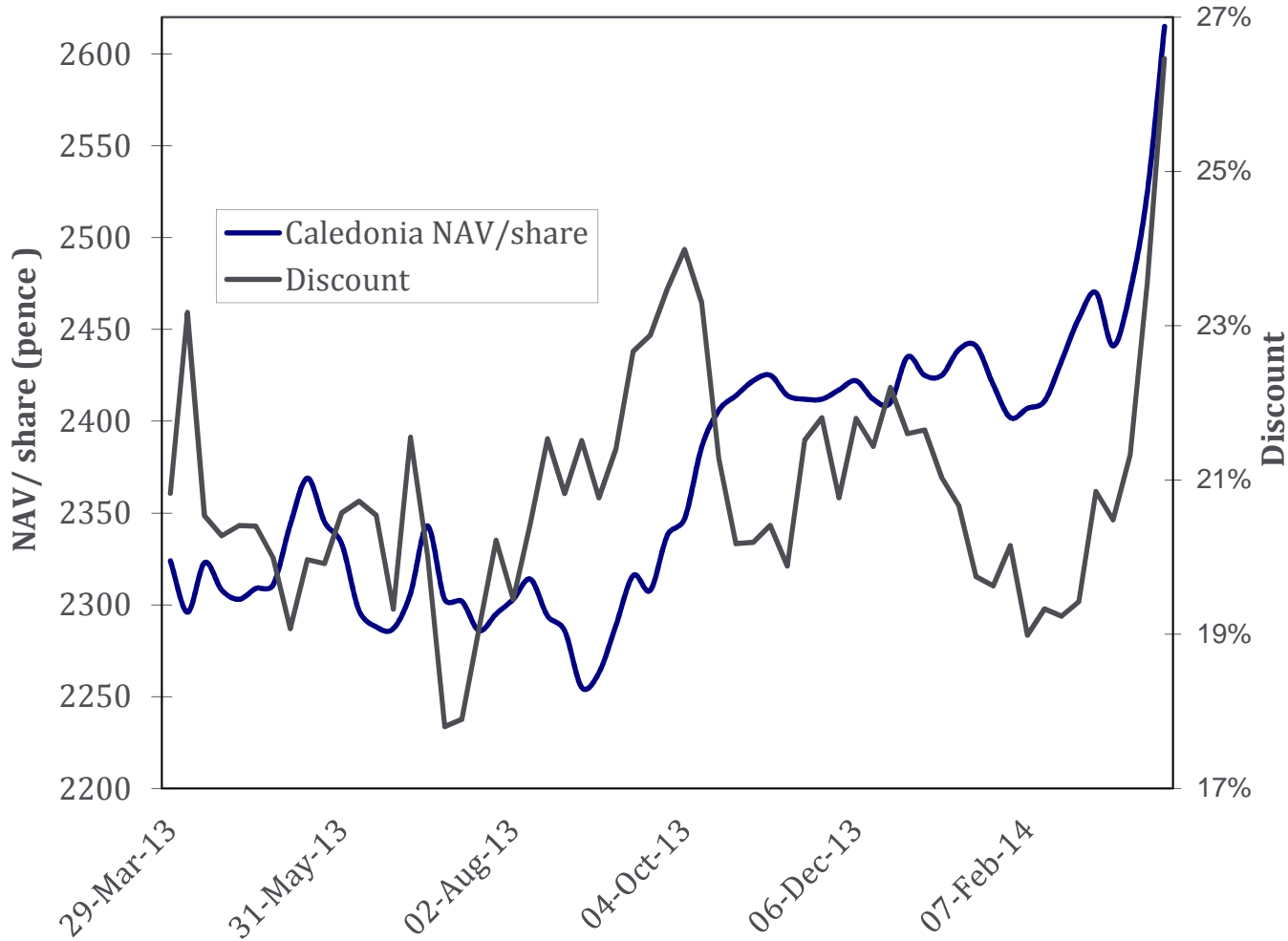


Sustainable portfolio yield



Discount

**Caledonia NAV/share and discount to share price
31 March 2013 to 31 March 2014**



- Invested £15.0m in share buybacks during the year at >19% discount

Note: Discount is calculated by comparing the share price with NAV/share, as adjusted for dividend accruals



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Financial review

Stephen King
Finance Director

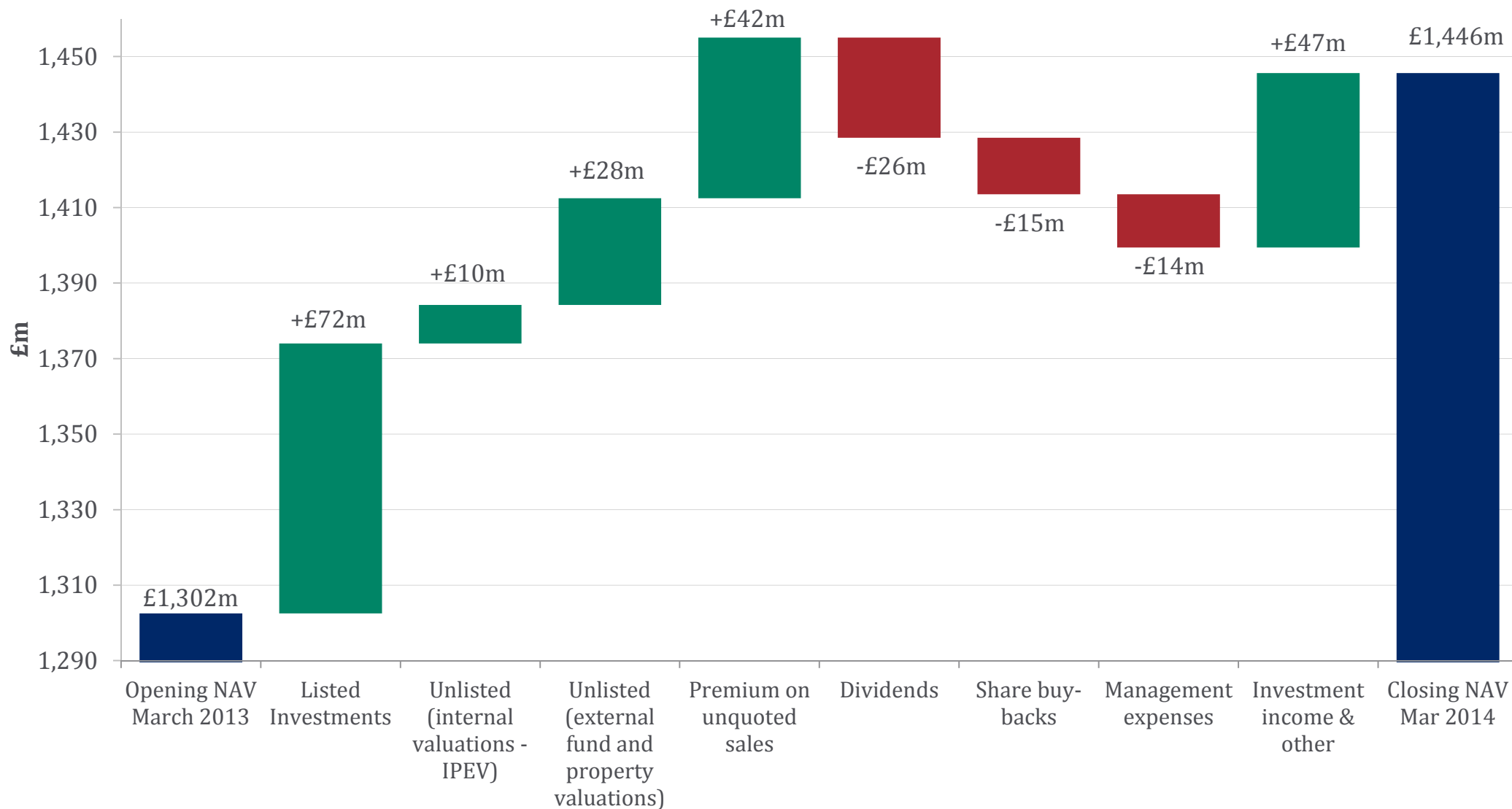
Summary of comprehensive income

	31 Mar 2014 £m	31 Mar 2013 £m	Change £m
Investment income	41.7	41.4	0.3
Gains on investments	151.4	179.1	(27.7)
Total revenue	193.1	220.5	(27.4)
Management expenses	(14.1)	(14.0)	(0.1)
Provisions (net)	2.7	(2.1)	4.8
Treasury/taxation	2.5	3.2	(0.7)
Profit and total comprehensive income for the year	184.2	207.6	(23.4)
Dividends	(26.5)	(25.1)	(1.4)
Retained profit for the year	157.7	182.5	(24.8)

- Dividend fully covered by net income in year
- Expenses fully charged to income

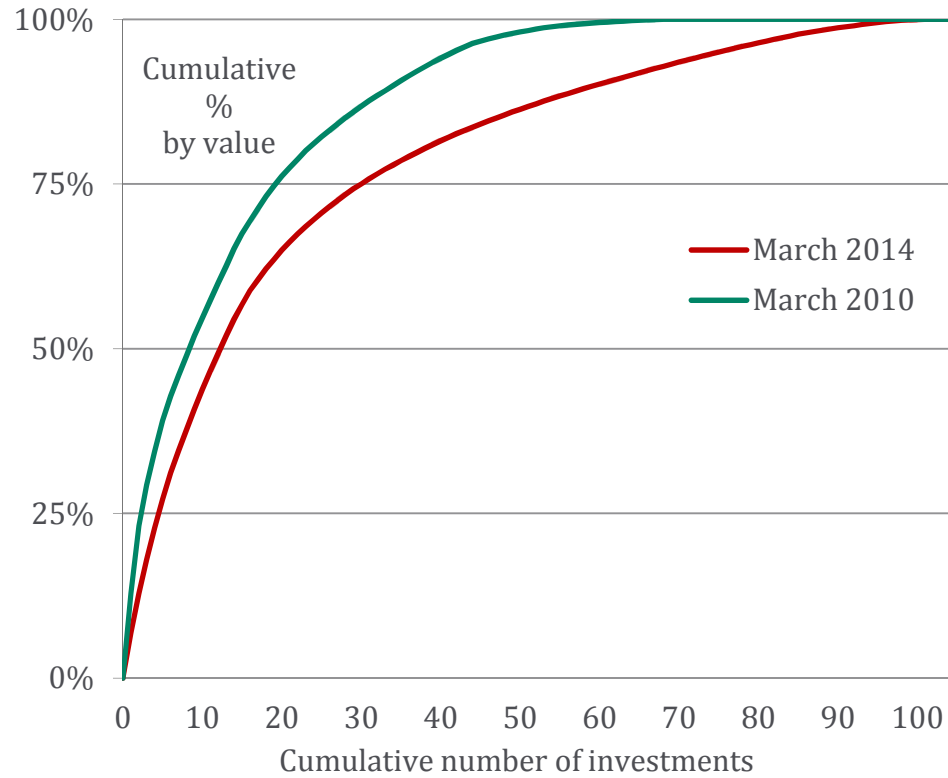
Change in net asset value

As at 31 March 2014

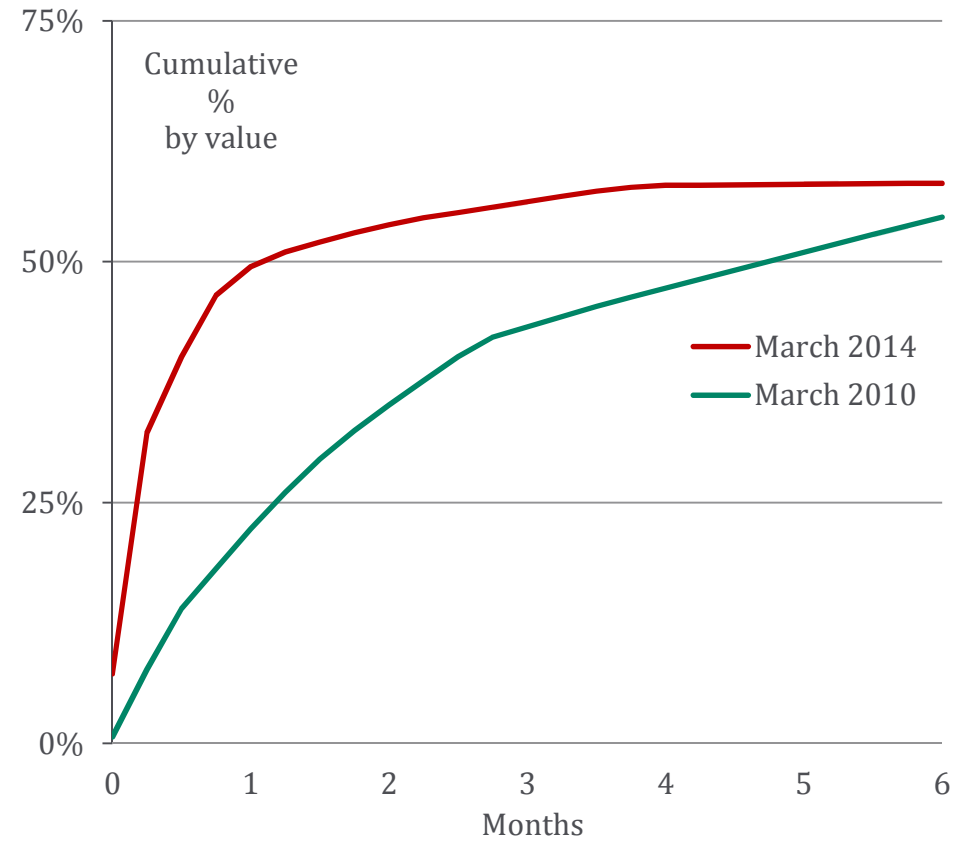


Portfolio concentration and liquidity

Portfolio concentration

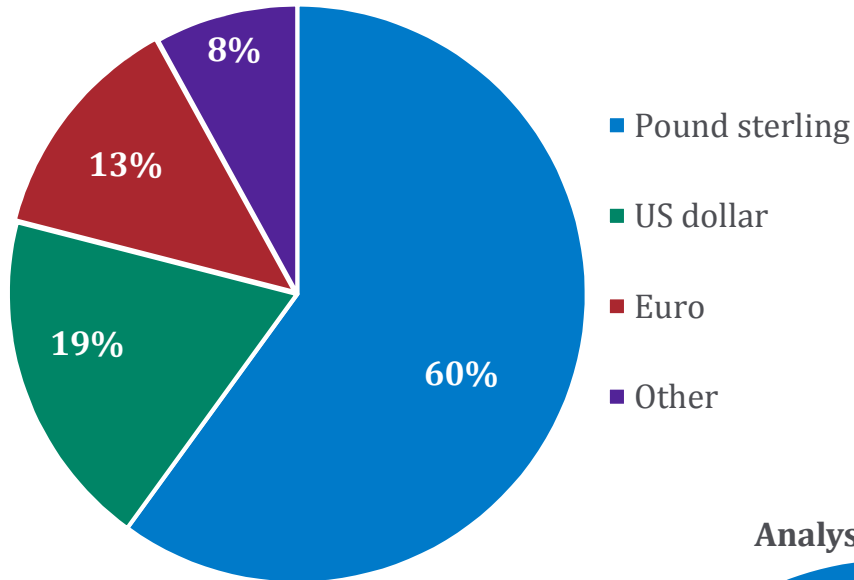


Portfolio liquidity

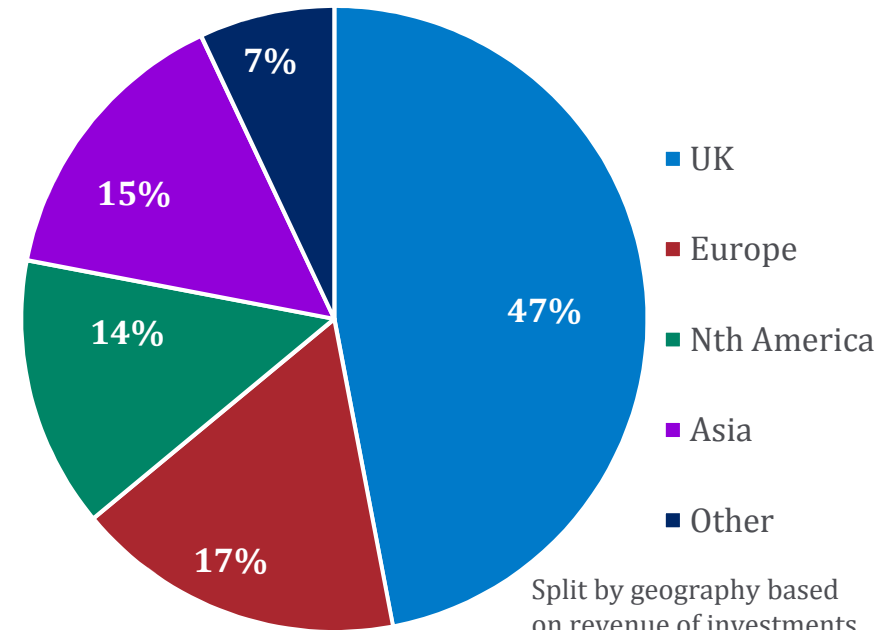


Balanced sector, geographical & currency distribution

Analysis by currency

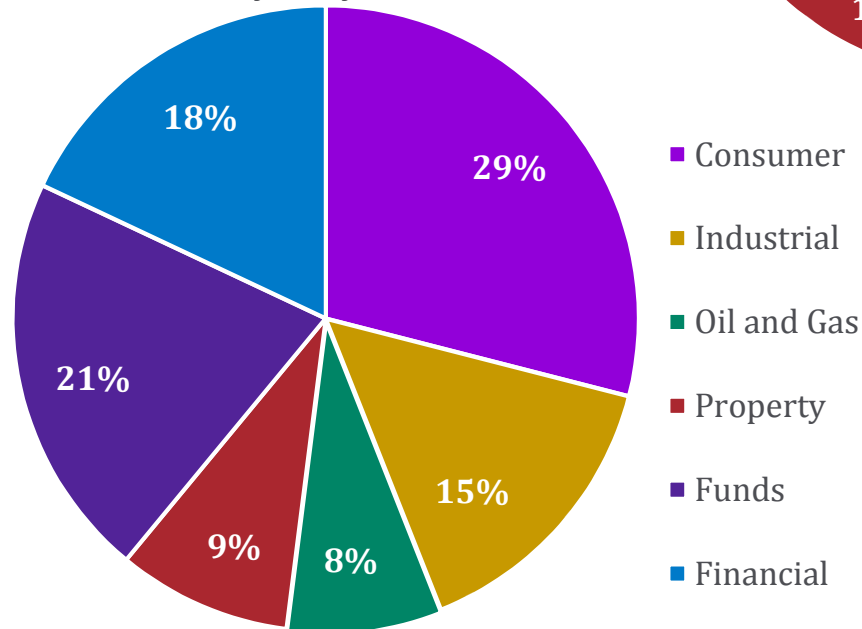


Analysis by revenue exposure

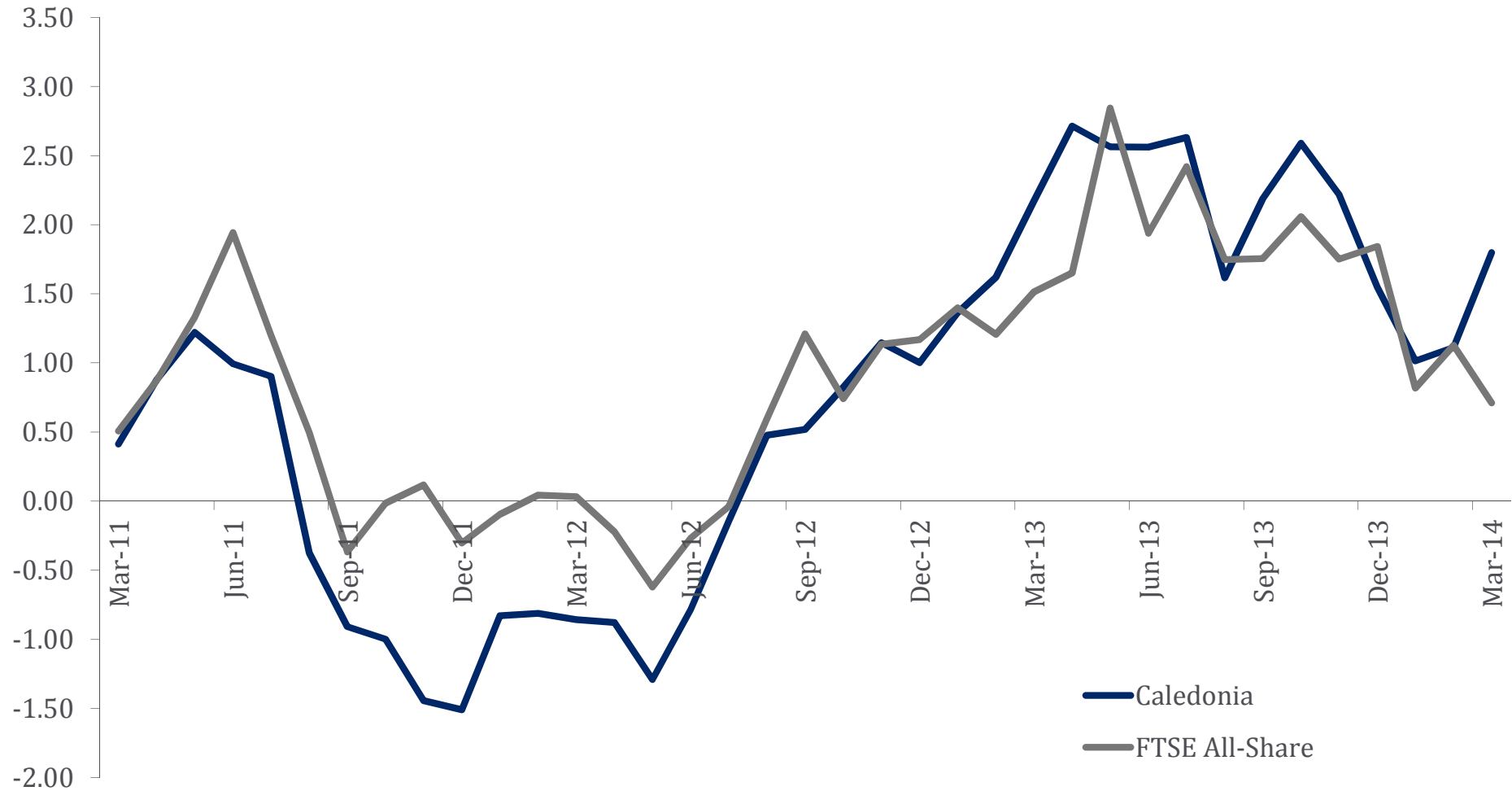


Split by geography based on revenue of investments using latest available financial information

Analysis by sector



Portfolio Sharpe Ratio



Net cash and facilities

- Group had £7.1m net debt at 31 March 2014 (£73.9m net cash at 31 March 2013)
- £175m committed facilities in group:
 - £125m revolving facility (RBS/ING) in company at a blended average margin: 208bp over LIBOR
 - £30m revolving facility (RBS) and £20m term loan (RBS) in treasury subsidiary both at LIBOR +1.1%
- £10m overdraft facility in company and a £1.5m overdraft facility in treasury subsidiary
- Received £67.2m of cash on 1 April 2014 from sale of Oval



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Summary and outlook

Will Wyatt
Chief Executive

Summary and outlook

- A year of strong NAV total return building on similar returns in the previous year
- Returns built on disciplined execution of strategy over last three years
- Strong dealflow in unquoted portfolio
- Western quoted equity markets offering little value and opportunity taken for selective top-slicing
- Some value appearing in Asian markets
- Economies and markets responding to policy initiatives
- Improving economic growth provides positive backdrop to quality long term businesses
- Portfolio cautiously positioned to continue to deliver long term performance in line with strategic aims

Appendices

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2013 Restatement for adoption of consolidated NAV under investment company exemption	32

Top ten investments

As at 31 March 2014



Name	Pool	Business	31 Mar 2014 £m	31 Mar 2013 %	Change in weighting %
Cobehold	Unquoted	Investment company	100.2	91.6	-0.1
Park Holidays	Unquoted	Caravan parks operator	88.1		+6.1
Bristow Group	Quoted	Helicopter services	74.5	105.7	-3.0
Oval	Unquoted	Insurance broking	70.0	37.8	+1.9
Close Brothers	Quoted	Financial services	64.6	86.7	-2.2
AG Barr	Quoted	Soft drinks	57.7	51.5	-
Choice Care Group	Unquoted	Care homes provider	50.2		+3.5
Avanti Communications	Quoted	Satellite communications	46.8	47.2	-0.4
Capital Today China	Funds	Private equity fund	44.8	29.2	+0.9
The Sloane Club	Quoted	Residential club	43.8	43.2	-0.3
Top ten			640.7	535.9	+0.8

Strategic allocation

Pool	31 Mar 2014 £m	31 Mar 2014 %	31 Mar 2013 £m	31 Mar 2013 %	Strategic allocation range disposition %
Quoted	497.8	35	517.2	40	35-50
Unquoted	568.3	39	384.5	29	20-35
Funds	204.4	14	166.8	13	15-20
Income & Growth	189.6	13	162.0	12	15-20
Cash/borrowings	(7.1)	–	73.9	6	10-(10)
Other	(7.4)	(1)	(2.0)	–	
Net assets	1,445.6	100	1,302.4	100	

2013 Restatement for adoption of consolidated NAV under investment company exemption



Pool	31 Mar 2014 £m	31 Mar 2014 %	31 Mar 2013 reported £m	31 Mar 2013 restated £m	31 Mar 2013 %
Quoted	497.8	35	517.2	517.2	40
Unquoted	568.3	39	348.1	384.5	29
Funds	204.4	14	166.8	166.8	13
Income & Growth	189.6	13	162.0	162.0	12
Cash/borrowings	(7.1)	–	96.5	73.9	6
	1,453.0	101	1,290.6	1,304.4	100
Other	(7.4)	(1)	8.2	(2.0)	–
Net Assets	1,445.6	100	1,298.8	1,302.4	100

Contact details



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