



## Caledonia Investments plc

Final results for the year ended 31 March 2014

### Financial highlights

	31 Mar 2014	31 Mar 2013	Change
Net asset value per share total return	14.9%	18.9%	
Net asset value per share	2593p	2305p	12.5%
Net asset value	£1,446m	£1,302m	11.1%
Annual dividend per share	49.1p	47.2p	4.0%

### Strong NAV returns with further active management across the portfolio

- NAV total return 14.9% for the year ended 31 March 2014 driven by strong returns across the portfolio
  - o Quoted pool return of 20.5% - strong performances from long term investments
  - o Unquoted pool return of 17.7% - significant sales and NAV uplifts across the portfolio
  - o Funds pool return of 11.8% - strong growth from private equity fund investments especially China
  - o Income & Growth pool flat return of 0.1% for year - income increased by 40% from last year
- Ten year NAV total return of 146.0% - outperforming the FTSE All-Share by 17.3%
- Annual dividend up 4.0% to 49.1 pence per share, the 47th consecutive annual increase
- Total investments of £332m during the year including two substantial unquoted acquisitions - Choice Care Group for £50m and Park Holidays for £88m
- Total realisations of £252m included the successful sale of the Unquoted pool holding of Amber Chemicals for £23m, an uplift of over 60% on its holding value prior to sale
- On 1 April 2014, the Unquoted pool holding of Oval, the regional insurance broker, was sold for £70m to Arthur J Gallagher

**Will Wyatt, Chief Executive**, commented:

*"This is a strong performance in a year in which we undertook significant activity across our portfolio. We continued to take advantage of opportunities to reduce some of our larger holdings to maintain the right balance of risk across the portfolio, and reported a substantial uplift in NAV on the sale of two unquoted companies. Our investment activity included two significant acquisitions, the purchase of Choice Care Group and Park Holidays, both of which fit well with our investment criteria.*

*"This activity, together with the impact of improving markets over the year, has driven our NAV to its highest level in our history. Looking ahead, our portfolio is cautiously positioned, but we remain confident of delivering continued long term performance for our shareholders."*

**28 May 2014**

### Enquiries

Caledonia Investments plc  
Will Wyatt, Chief Executive  
Stephen King, Finance Director  
+44 20 7802 8080

Tulchan Communications  
Peter Hewer  
+44 20 7353 4200

## Chairman's and Chief Executive's report

### Results

We are delighted to report another successful year for the company, which has witnessed strong growth from the investment portfolio combined with profitable realisations and substantial new investments. Net asset value per share total return ('NAVTR') was 14.9%, building on last year's 18.9%. Income generation was slightly above the previous year and continued to cover the cost of both expenses and dividend. The board is recommending an increase in the final dividend that would result in a 4.0% improvement on the previous year, a rate comfortably ahead of inflation. This would represent the forty-seventh consecutive year that the dividend paid to shareholders has been increased.

Caledonia offers investors the chance to invest alongside the company's largest shareholder, the Cayzer family. The company achieves its long term outperformance by carefully choosing investments with strong management and sound financial discipline in both the listed and unlisted sectors. Caledonia's balance sheet and ownership structure allow the company to take a genuinely long term view (in excess of ten years). As a closed end fund, we are not under pressure, as many other fund managers are, of having to invest new monies raised or having to make disposals within a fixed timescale.

The portfolio has evolved significantly since the incumbent management team took over four years ago. We have sold many of the smaller investments which, whilst good businesses, were unlikely to make a material impact on Caledonia's net asset value. We have successfully sold several long term investments from our unquoted holdings and have reinvested in typically larger unit sizes or added to other larger shareholdings.

A recent but important emphasis has been on the management of risk such that returns from the risk taken compare favourably with the wider market. Above all, we recognize that we manage capital that has already been created and our job is one of both preservation and growth within sensible levels of risk.

It is worth re-iterating Caledonia's over-riding strategic aims:

- to grow capital value over the long term measured in real terms
- to pay an increasing annual dividend, which grows at or in excess of inflation over the long term
- to manage risk commensurate with shareholders' requirements and our investment horizon.

A review of the detailed strategy adopted in 2011 was carried out by the board during the year. The result of this saw the strategic allocation to the Unquoted pool marginally increasing and allocation to the Funds pool reducing. This has reflected both market conditions and available opportunity. In addition, we have made changes to overall performance measurement, which reflect the way we manage the business to achieve our strategic aims.

### Performance measurement

Last year, the board ceased using a one year benchmark to measure performance, which had hitherto been the FTSE All-Share, preferring to concentrate on the ten year total return measure. Over a shorter period of time, it is more relevant to measure our absolute performance on an inflation adjusted basis. Since our shareholders expect to increase their wealth in real terms on an annual basis, we, in turn, should expect, on average, to beat inflation. Should markets fall substantially, so the value of our portfolio will fall as we will not move substantially into cash. But over several years, we would expect our portfolio to grow somewhat ahead of inflation. The table below shows the performance of markets over varying periods of time and is instructive in judgement of inflation adjusted performance.

Years	Periods	Annualised	Outperformance
		FTSE All-Share Total Return %	to RPI %
25	1989-2014	8.8	5.4
20	1994-2014	7.8	4.8
15	1999-2014	4.7	1.7
10	2004-2014	8.5	5.2
5	2009-2014	16.2	12.4

With both our longer term investment strategy and our exposure to unlisted investments, a true picture of how the portfolio is performing is only really apparent after a substantial amount of time has passed. The board therefore has settled on a rolling ten year timeframe as being a relevant period against which to compare performance with the FTSE All-Share Total Return index. In addition, the board's aim is for the company to deliver annual average returns over a ten year period of between RPI+3% and RPI+6%. Historically, this level of performance would be in line with or above most share indices, including the FTSE All-Share Total Return. Caledonia's own track record since 1987, the year in which Caledonia realised its holding in British & Commonwealth Holdings and embarked on its strategy to build a diversified holding company, was RPI+9% against that of the FTSE All-Share Total Return, which was RPI+6%.

The table below shows performance over various time frames:

	1 year %	3 years %	5 years %	10 years %
NAVTR	14.9	27.4	83.6	146.0
NAVTR annualised	14.9	8.4	12.9	9.4
RPI annualised	2.5	3.1	3.8	3.3
<b>Caledonia RPI outperformance</b>	<b>12.4</b>	<b>5.3</b>	<b>9.1</b>	<b>6.1</b>
FTSE All-Share TR annualised				8.6
<b>Caledonia FTSE outperformance</b>				<b>0.8</b>

### Income

Income received during the year rose slightly to £41.7m, compared with £41.4m last year. Significant growth in income is unlikely to resume until 2016, when we expect the most recent unquoted investments to begin to make a full contribution.

### Balance sheet

At the year end, we had net debt of £7.1m, compared with net assets of £1,445.6m, though one day later, we received initial cash of £67.2m from the disposal of Oval, taking the net cash to £60.1m. In addition to the cash balances, the company has £175m of committed bank facilities available to it. Our policy is to keep gearing at modest levels and this is primarily confined to the unlisted companies that we own rather than on Caledonia's balance sheet. This is closely monitored by our investment team from their board positions at these companies. Our bank facilities are primarily in place to provide flexibility for timing differences between investment and divestment, but also in the case of extreme market movements when we might wish to deploy significant amounts of capital.

### Overview of portfolio

This year's performance has been driven by the Quoted, Unquoted and Funds pools. Income & Growth had a flat year following on from two years of strong outperformance, so its overall performance since inception remains healthy.

Pool	Value 2013 £m	Invest- ments £m	Disposals £m	Change in value £m	Value 2014 £m	Income £m	Return %
Quoted	517.2	26.9	(127.8)	81.5	497.8	10.6	20.5
Unquoted	384.5	166.7	(37.1)	54.2	568.3	22.4	17.7
Funds	166.8	35.1	(17.4)	19.9	204.4	1.7	11.8
Income & Growth	162.0	103.7	(69.3)	(6.8)	189.6	7.0	0.1
Portfolio	1,230.5	332.4	(251.6)	148.8	1,460.1	41.7	15.4

The portfolio weighting by pool has changed modestly during the year, as the Quoted pool has continued to take profits and the Unquoted pool has made substantial new investments. The Quoted pool, measured as a percentage of net assets, has decreased from 40% to 35%, whereas the Unquoted pool has increased from 29% to 39%, although this reduced to 34% after the sale of Oval. The movement reflects partially our view as to comparative valuation metrics between listed and unlisted markets and partly the individual opportunities that presented themselves to us. The Funds pool continued to build its investments in public and private equity funds, particularly in the US and Asia, which is a long term process and will not influence performance in a significant way for several years. Caledonia's top ten investments accounted for 44% of the portfolio, which is consistent with the previous year.

Caledonia's portfolio is invested worldwide though, in general, we restrict our direct unlisted investing activities to the UK.

We invest in funds, both private and public equity, to give shareholders wider geographical exposure, backing managers for whom we have a high regard. The portfolio has wide exposure to currencies other than sterling, which represented 47% of the overall exposure when investee companies are analysed by revenue rather than by domicile. Our policy, as a long term investor, is to accept currency fluctuation as part of investment risk. We do not therefore hedge unless a contractual obligation has been entered into concerning either proceeds of a disposal or funds for an acquisition.

## **Pool performance**

### **Quoted (£498m, 35% of net assets)**

*We invest in companies with established business models, strong balance sheets and good returns on capital and invest in equities over the long term.*

The Quoted pool produced an impressive 20.5% return for the year, despite reducing its capital base by a net £101m. There were notable performances from Polar Capital, returning 69%, and Quintain Estates, returning 64%, both investments that have been part of the portfolio for many years. The latter had a difficult time during the financial crisis, culminating in a rights issue, which we supported, and we are delighted to see it return to robust health. Close Brothers also contributed significantly, producing the second largest gain in value in the portfolio over the year. We continued to lighten our holding in this company, but we still retain a substantial, albeit reduced, shareholding. We also took profits on our long term shareholding in Bristow Group, which has produced a series of excellent results over the past three years.

New positions have been taken in Rolls-Royce, Diageo and Atlas Copco and we added to a number of existing quoted businesses that we hold, notably Jardine Matheson. All pay healthy levels of dividends.

### **Unquoted (£568m, 39% of net assets)**

*We invest in unlisted businesses requiring capital and an investor with a balance sheet to support a long term perspective. We invest in both majority and minority positions.*

The Unquoted pool produced a healthy return of 17.7% for the year, including generating £22.4m of income. The return included a significant uplift on the disposal of Amber Chemicals and an increase in value of Oval to its sale value, with healthy contributions from most of the remainder of the portfolio.

It has been a year of intense deal making for the Unquoted pool, with two significant new investments, Park Holidays and Choice Care Group, and two sales, Amber Chemicals and Oval.

We purchased 98% of the equity of Choice Care Group for £49.5m in August 2013. The business is based near Reading and owns and operates 49 homes in the south of England, providing personalised residential care and supported living for adults with severe learning difficulties. The company has significant asset backing from its properties and has many other characteristics that fit well with our strategy. Caledonia's long term approach is well matched with this business, which seeks to grow gradually without compromising its provision of care, which is its first and foremost priority. We have already provided the company with additional capital to fund its plans for expansion.

In November 2013, we acquired Park Holidays, the UK's fourth largest caravan park operator, for an equity consideration of £88.1m. This is also a business that fits well with our investment criteria, being asset backed and highly cash generative. The business has made a good start, with bookings and caravan sales showing good growth on the previous year, as we head into the high season.

We sold our holding in Oval to the US family-owned insurance company, Arthur J Gallagher, one day after the year end. Whilst the investment is still shown as part of the portfolio at the year end, it is included at the disposal value of £70.0m, a 65% uplift to our previous holding value. The final division of Amber Chemicals was sold for £22.9m, which represented an uplift of over 60% on the holding value prior to sale.

The remainder of the portfolio, which consisted of ten principal investments, exhibited good growth. At TGE Marine, the liquefied gas engineering company, profits more than doubled as its strong order book was translated into sales. Our 2013 US acquisition of Latshaw Group, consisting of five engineering businesses, has been successful, with strong profits growth across the companies, as the US economy continues to recover. The Sloane Club had a good year, with occupancy rising to new highs. Cobehold, which is our largest single investment, valued at £100.2m, saw its NAV total return grow by 7%. During the year, we participated in Cobehold's €400m capital raising, committing €19.8m, of which €9.9m (£8.4m) has been paid to date, enabling the company to make several interesting new acquisitions. However, we wrote down the value of Easybox, our Italian self-storage business, and Satellite Information Services, the media company, recognising difficult trading conditions.

### **Funds (£204m, 14% of net assets)**

*We invest in both private and public equity funds with an emphasis on providing exposure to areas of the world where we are less willing to invest directly.*

The Funds pool return of 11.8% was particularly creditable, especially as we are in the process of progressively building its exposure to private equity, which means that investment gains will not fully come through for several years. The most notable performance came from our Chinese private equity fund holding, Capital Today China ('CTC'), where the valuation of our stake increased by 53% to £44.8m as at 31 March 2014. We originally committed \$20m to this fund and have to date received \$15.2m (£9.9m) in cash. CTC holds a 7% stake in JD.com, a Chinese internet retailer, which has recently completed an IPO in the US. The fund also owns three other investments of note: Youku Tudou, an online video sharing site in which Alibaba recently took an 18% stake, Shanghai Sinoway Herbage Cosmetics Company, the leading herbal skincare brand in China, and City, the largest lingerie retail chain in China.

During the year, we invested in several new funds: \$10.0m (£6.0m) in the Ranger fund managed by Arlington Value Capital, a US based value investor which targets listed US equities, and £10.0m in the launch of the Polar Capital Global Financials Trust, which aims to benefit from the re-rating of financial assets across the globe. In addition, we committed \$50m to FLAG Capital, a US private equity fund of funds, of which \$8.5m (£5.7m) was drawn in the year. Soon after the year end, we invested \$20.0m (£11.9m) in the NTAsian Discovery Fund, a Bangkok-based small-cap public equity fund, and committed \$15m to Vision Knight Capital II, an Asian private equity fund.

### **Income & Growth (£190m, 13% of net assets)**

*The portfolio holds interests in 40 international listed businesses, which provide a reliable and growing dividend. Cash flow returns to shareholders are prioritised in the invested businesses.*

The Income & Growth pool's flat performance for the year contrasted with last year's excellent performance, when it produced a 23.7% total return. The pool has completed three full years in existence and performance figures have been very pleasing, with a three year total return of 28%. Higher yield investments went out of vogue during the year under review, as investors chased growth in higher risk assets. The pool produced income of £7.0m, a 40% increase on the previous year, representing a gross yield of 4.3%. This will continue to build in the future.

The top five holdings were SES, Zurich Insurance, Swedbank, HSBC and General Electric. The pool not only provides Caledonia with a sustainable income, but also gives us exposure to some of the world's best companies, something we believe is essential in any portfolio. We added £20m to the pool during the year and would anticipate doing so again during the current year, whilst we have surplus cash, to bring the pool in line with its strategic allocation.

### **Discount and share buy-backs**

During the year, we bought back shares for a total of £15.0m, which were subsequently cancelled. We view buy-backs as a low risk, long term tool for enhancing returns, providing a permanent benefit to shareholders when purchased at a discount to net assets. The discount to net asset value has traded in the range of 16% to 26% throughout the year and we were able to take advantage of this to buy shares at an average discount of 19.7%. We will once again seek the necessary shareholder approvals at the forthcoming annual general meeting to continue with these buy-backs for a further year.

## **Dividend**

The board is recommending shareholder approval of a final dividend of 35.7p, giving a total for the year of 49.1p, a 4.0% increase on the previous year. This would represent the forty-seventh consecutive year of increase in our annual dividend. The final dividend will be paid on 7 August 2014, assuming its payment is approved at the annual general meeting to be held at Cayzer House on 17 July 2014.

## **Board**

After serving on the board for nine years, Richard Goblet d'Alviella has decided to step down on 25 June 2014. He will be replaced by Harold Boël, CEO of Sofina, the Belgian investment company, which has a 5% stake in Caledonia and shares our philosophy of close involvement in its investee companies. Richard has been a great advocate and supporter of our long term outlook and we will miss his wise council. Harold is a material sciences engineer by training and has been CEO of Sofina for six years, prior to which he held a number of operational and managerial roles with Corus, now part of Tata Steel. We look forward to welcoming him to the board as an independent non-executive director.

Charles Allen-Jones has also signalled his wish to step down at some point during the current year. Charles has served on the board for over 12 years and has made an immeasurable impact on the affairs of the company, especially as senior independent non-executive director. His sage advice and independent thinking will be difficult to replace, but when the time comes he will retire with our deep gratitude and very best wishes.

## **Outlook**

It makes a pleasant change to be able to write that economic growth is finally returning to western economies, albeit at a low level. Asian and other developing economies continue to grow at a much faster rate than those in the west, though not without signs of slowing down. This has affected their stock markets and has brought valuations back to levels where we now feel comfortable to deploy capital in these regions.

Elsewhere, stock markets are now mainly being valued on a fundamentals basis, with earnings growth to the fore. We believe that the gains of the past two years will not be repeated to the same extent this or next year and remain wary of external events, which often lead to heavy falls in markets. In the UK, economic growth continues to pick up, but we face the uncertainty caused by the Scottish vote on independence in September this year and a UK general election in 2015.

Our portfolio remains cautiously positioned, but invested in sound businesses with good prospects providing they are allowed to flourish by those entrusted to govern our economy. We remain confident in our strategy, which is delivering long term outperformance and annual returns in excess of inflation.

Rod Kent  
Chairman

Will Wyatt  
Chief Executive

## Portfolio summary

Holdings over 1% of net assets at 31 March 2014 were as follows:

Name	Pool	Geography	Business	Value £m	Net assets %
Cobehold	Unquoted	Belgium	Investment company	100.2	6.9
Park Holidays	Unquoted	UK	Caravan parks operator	88.1	6.1
Bristow Group	Quoted	US	Helicopter services	74.5	5.2
Oval	Unquoted	UK	Insurance broking	70.0	4.9
Close Brothers	Quoted	UK	Financial services	64.6	4.5
AG Barr	Quoted	UK	Soft drinks	57.7	4.0
Choice Care Group	Unquoted	UK	Care homes provider	50.2	3.5
Avanti Communications	Quoted	UK	Satellite communications	46.8	3.2
Capital Today China	Funds	China	Private equity fund	44.8	3.1
The Sloane Club	Unquoted	UK	Residential club	43.8	3.0
Quintain Estates	Quoted	UK	Property services	41.2	2.9
TGE Marine	Unquoted	Germany	LNG engineering	39.3	2.7
Polar Capital	Quoted	UK	Fund manager	39.0	2.7
Sterling Industries	Unquoted	UK	Engineering	36.4	2.5
Latshaw Group	Unquoted	US	Manufacturing	33.0	2.3
Dewan Housing Finance	Quoted	India	Housing finance	31.0	2.1
Perlus Microcap	Funds	US	Public equity fund	24.3	1.7
Bowers & Wilkins	Unquoted	UK	Audio equipment	24.1	1.7
Satellite Information Services	Unquoted	UK	Broadcasting services	20.6	1.4
LondonMetric Property	Quoted	UK	Property investment	20.5	1.4
Buckingham Gate	Unquoted	UK	Property investment	18.5	1.3
Spirax Sarco	Quoted	UK	Steam engineering	18.0	1.2
Jardine Matheson	Quoted	Singapore	Industrial engineering	16.2	1.1
Nova Springboard	Funds	UK	Private equity fund	14.9	1.0
Brookshire Capital	Unquoted	UK	Property investment	14.8	1.0
Other investments				427.6	29.6
Investment portfolio				1,460.1	101.0
Cash and other items				(14.5)	(1.0)
Net assets				1,445.6	100.0

1. Geography is based on the country of listing, country of domicile for unlisted investments and underlying regional analysis for funds.
2. Unallocated investments totalling £10.3m are included in Cash and other items.

### **Pool distribution**

Quoted	35%
Unquoted	39%
Funds	14%
Income & Growth	13%
Cash and other items	-1%

### **Geographic distribution**

United Kingdom	57%
Continental Europe	18%
North America	14%
Asia	10%
Other countries	1%

### **Asset class distribution**

Listed equities	48%
Private companies	40%
Private equity funds	10%
Public equity funds	3%
Cash and other items	-1%

## Risk management

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

<b>Principal risks</b>	<b>Mitigation</b>	<b>Key developments</b>
<i>Strategic</i>		
<p>Risks in relation to the appropriateness of the business model to deliver long term growth in capital and income and the effective communication and delivery of the business model.</p> <p>Strategic risks include the appropriate allocation of capital in relation to geographic, sector and currency exposures.</p>	<p>The company's business model and strategy are reviewed periodically, against market conditions and target returns.</p> <p>The performance of the company and its key risks are monitored regularly by management and the board.</p>	<p>Caledonia has established and communicated a clear investment strategy, focusing on longer term value investing. A clear strategic capital allocation to a range of investment types, risk profiles and returns has been established and communicated, enabling the board and shareholders to evaluate targeted performance. Remuneration and rewards are aligned to strategic targeted performance.</p>
<i>Investment</i>		
<p>Risks in respect of specific investment and realisation decisions.</p> <p>Investment risks include the appropriate research and due diligence of new investments and the timely execution of both new investments and realisations for optimal shareholder value.</p>	<p>Pool managers have well-developed networks through which they attract proprietary deal flow.</p> <p>Investment opportunities are subject to rigorous and disciplined investment appraisals and multi-stage approval processes. Target entry and exit events and prices are monitored and updated regularly, in relation to market conditions and strategic aims.</p>	<p>An increased breadth of investment management skills and expertise over the last two years has facilitated increased deal flow and quality of research across the portfolio.</p>
<i>Market</i>		
<p>Risk of losses in value of investments arising from movements in market prices, particularly in highly volatile markets.</p> <p>Caledonia invests primarily in listed equities, private companies and equity funds. Its principal market risks are therefore equity price volatility, foreign exchange rate movements and interest rate volatility.</p>	<p>Market risks and sensitivities are reviewed on a weekly basis and actions taken to balance appropriately risk and return.</p> <p>A regular review of market and investment volatility and value at risk is conducted by the board and the portfolio is realigned with strategic aims where appropriate. Reviews also consider investment concentration, currency and liquidity exposures.</p>	<p>Risk weighted performance reporting and portfolio risk analysis has been developed for management and the board, giving a regular insight into the characteristics and performance of Caledonia's portfolio.</p>



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*Liquidity*

Risk that liabilities cannot be met or new investments made due to a lack of liquidity. Such risk can arise from not being able to sell an investment due to lack of a market or from not holding cash or being able to raise debt.

Detailed cash forecasting for six months ahead is updated and reviewed weekly, including the expected drawdown of capital commitments.

Listed portfolio liquidity is reviewed regularly. Loan facilities are maintained to provide appropriate liquidity headroom.

Average liquidity levels of our quoted portfolio have increased over the last year.

The successful exit of two recent significant unquoted investments generated £93m net proceeds.

Revolving borrowing facilities were renegotiated for a further five years and committed facilities increased to £175m from the previous level of £125m.

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*Operational*

Risks arising from inadequate or failed processes, people and systems or from external factors.

Operational risks include recruiting, developing and retaining staff, appropriate systems and procedures, business disruption and an IT framework that provides flexible and resilient support.

Systems and control procedures are developed and reviewed regularly. They are tested, as part of the annual programme of controls assurance, to ensure effective operation.

Appropriate remuneration and other policies are in place to encourage the retention of key staff. Business continuity plans are maintained, using an offsite facility.

An IT risk dashboard has been developed to document significant IT risks facing Caledonia.

A cyber security review was completed during the year, looking at how equipment, information and services are protected from unintended or unauthorised access, change or destruction.

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*Regulatory and legal*

Risk arising from exposure to litigation or fraud and adherence to the tax and regulatory environment, as Caledonia operates across a number of jurisdictions and in an industry that has been subject to increasing regulatory oversight.

Caledonia has internal resource which considers all regulatory and tax matters as they arise. Use is made of advisers and the Association of Investment Companies, of which Caledonia is a member and on whose self-managed investment company committee it is represented. Regular training is undertaken.

Caledonia is satisfied that it is not an Alternative Investment Fund ('AIF'), as defined in the EU's Alternative Investment Fund Managers Directive, and therefore is not required to be authorised by the Financial Conduct Authority to perform the regulated activity of managing an AIF under the Financial Services and Markets Act 2000, as amended.

## Group statement of comprehensive income for the year ended 31 March 2014

	2014			Restated 2013		
	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m
<i>Revenue</i>						
Investment income	41.7	-	41.7	41.4	-	41.4
Fair value property gains	-	-	-	-	1.0	1.0
Gains and losses on fair value investments	-	151.4	151.4	-	181.2	181.2
Gains and losses on derivatives	-	-	-	-	(3.1)	(3.1)
<b>Total revenue</b>	<b>41.7</b>	<b>151.4</b>	<b>193.1</b>	<b>41.4</b>	<b>179.1</b>	<b>220.5</b>
Management expenses	(13.6)	(0.5)	(14.1)	(13.3)	(0.7)	(14.0)
Guarantee obligations provided	-	(0.8)	(0.8)	-	(2.1)	(2.1)
Warranty provision released	-	3.5	3.5	-	-	-
<b>Profit before finance costs</b>	<b>28.1</b>	<b>153.6</b>	<b>181.7</b>	<b>28.1</b>	<b>176.3</b>	<b>204.4</b>
Treasury interest receivable	1.1	-	1.1	3.0	-	3.0
Finance costs	(1.7)	-	(1.7)	(2.4)	-	(2.4)
Exchange movements	(0.3)	-	(0.3)	(0.4)	-	(0.4)
<b>Profit before tax</b>	<b>27.2</b>	<b>153.6</b>	<b>180.8</b>	<b>28.3</b>	<b>176.3</b>	<b>204.6</b>
Taxation	1.5	0.8	2.3	3.3	1.5	4.8
<b>Profit for the year</b>	<b>28.7</b>	<b>154.4</b>	<b>183.1</b>	<b>31.6</b>	<b>177.8</b>	<b>209.4</b>
<i>Other comprehensive income items never to be reclassified to profit or loss</i>						
Actuarial gain/(loss) on defined benefit pension schemes	1.4	-	1.4	(2.6)	-	(2.6)
Tax on other comprehensive income	(0.3)	-	(0.3)	0.8	-	0.8
<b>Total comprehensive income</b>	<b>29.8</b>	<b>154.4</b>	<b>184.2</b>	<b>29.8</b>	<b>177.8</b>	<b>207.6</b>
Basic earnings per share	51.9p	279.2p	331.1p	55.9p	314.4p	370.3p
Diluted earnings per share	51.3p	276.1p	327.4p	55.3p	311.2p	366.5p

The 2013 group statement of comprehensive income was restated for the adoption of IFRS 10 *Consolidated Financial Statements* and amendments to IAS 19 (Revised) *Employee Benefits*.

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

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

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

## Statement of financial position at 31 March 2014

	Group			Company	
	2014	Restated 2013	Restated 2012	2014	2013
	£m	£m	£m	£m	£m
<b>Non-current assets</b>					
Investments held at fair value through profit or loss	1,451.9	1,222.9	1,204.0	1,435.9	1,204.8
Investments in subsidiaries held at cost	-	-	-	0.8	0.8
Property held at fair value	18.5	18.5	17.5	-	-
Plant and equipment held at cost	0.1	0.1	0.2	-	-
Deferred tax assets	1.0	1.4	1.0	-	-
Employee benefits	3.2	2.3	-	-	-
<b>Non-current assets</b>	<b>1,474.7</b>	<b>1,245.2</b>	<b>1,222.7</b>	<b>1,436.7</b>	<b>1,205.6</b>
<b>Current assets</b>					
Trade and other receivables	7.3	13.8	12.6	5.6	11.9
Current tax assets	-	1.7	0.6	0.1	2.1
Cash and cash equivalents	35.5	96.5	8.4	35.5	96.5
<b>Current assets</b>	<b>42.8</b>	<b>112.0</b>	<b>21.6</b>	<b>41.2</b>	<b>110.5</b>
<b>Total assets</b>	<b>1,517.5</b>	<b>1,357.2</b>	<b>1,244.3</b>	<b>1,477.9</b>	<b>1,316.1</b>
<b>Current liabilities</b>					
Bank overdrafts	(2.6)	(2.7)	(5.7)	-	-
Interest-bearing loans and borrowings	(20.0)	-	-	-	-
Trade and other payables	(15.0)	(14.6)	(7.5)	(6.8)	(4.4)
Employee benefits	(2.1)	(1.8)	(1.2)	-	-
Current tax liabilities	(0.2)	-	-	-	-
Provisions	(8.3)	(11.0)	(8.9)	(10.9)	(12.9)
<b>Current liabilities</b>	<b>(48.2)</b>	<b>(30.1)</b>	<b>(23.3)</b>	<b>(17.7)</b>	<b>(17.3)</b>
<b>Non-current liabilities</b>					
Interest-bearing loans and borrowings	(20.0)	(19.9)	(80.9)	(20.0)	-
Employee benefits	(3.4)	(4.6)	(3.1)	-	-
Deferred tax liabilities	(0.3)	(0.2)	(0.2)	-	-
<b>Non-current liabilities</b>	<b>(23.7)</b>	<b>(24.7)</b>	<b>(84.2)</b>	<b>(20.0)</b>	<b>-</b>
<b>Total liabilities</b>	<b>(71.9)</b>	<b>(54.8)</b>	<b>(107.5)</b>	<b>(37.7)</b>	<b>(17.3)</b>
<b>Net assets</b>	<b>1,445.6</b>	<b>1,302.4</b>	<b>1,136.8</b>	<b>1,440.2</b>	<b>1,298.8</b>
<b>Equity</b>					
Share capital	3.2	3.2	3.2	3.2	3.2
Share premium	1.3	1.3	1.3	1.3	1.3
Capital redemption reserve	1.3	1.3	1.3	1.3	1.3
Capital reserve	1,151.5	1,012.1	852.2	1,154.5	1,015.1
Retained earnings	305.5	301.5	295.5	297.1	294.9
Own shares	(17.2)	(17.0)	(16.7)	(17.2)	(17.0)
<b>Total equity</b>	<b>1,445.6</b>	<b>1,302.4</b>	<b>1,136.8</b>	<b>1,440.2</b>	<b>1,298.8</b>
Undiluted net asset value per share	2624p	2331p	1994p		
Diluted net asset value per share	2593p	2305p	1982p		

The 2013 and 2012 group statements of financial position were restated for the adoption of IFRS 10 *Consolidated Financial Statements* and amendments to IAS 19 (Revised) *Employee Benefits*.

The financial statements were approved by the board and authorised for issue on 28 May 2014 and were signed on its behalf by:

Will Wyatt  
Chief Executive

Stephen King  
Finance Director

## Statement of changes in equity for the year ended 31 March 2014

	Share capital £m	Share premium £m	Capital redemp- tion reserve £m	Capital reserve £m	Retained earnings £m	Own shares £m	Total equity £m
<b>Group (restated)</b>							
Balance at 31 March 2012	3.2	1.3	1.3	852.2	295.5	(16.7)	1,136.8
Profit for the year	-	-	-	177.8	31.6	-	209.4
Other comprehensive income	-	-	-	-	(1.8)	-	(1.8)
Total comprehensive income	-	-	-	177.8	29.8	-	207.6
<i>Transactions with owners of the company</i>							
<i>Contributions by and distributions to owners</i>							
Exercise of options	-	-	-	-	-	0.6	0.6
Share-based payments	-	-	-	-	1.3	-	1.3
Own shares purchased	-	-	-	-	-	(0.9)	(0.9)
Own shares cancelled	-	-	-	(17.9)	-	-	(17.9)
Dividends paid	-	-	-	-	(25.1)	-	(25.1)
Total transactions with owners	-	-	-	(17.9)	(23.8)	(0.3)	(42.0)
Balance at 31 March 2013	3.2	1.3	1.3	1,012.1	301.5	(17.0)	1,302.4
Profit for the year	-	-	-	154.4	28.7	-	183.1
Other comprehensive income	-	-	-	-	1.1	-	1.1
Total comprehensive income	-	-	-	154.4	29.8	-	184.2
<i>Transactions with owners of the company</i>							
<i>Contributions by and distributions to owners</i>							
Exercise of options	-	-	-	-	-	1.7	1.7
Share-based payments	-	-	-	-	0.7	-	0.7
Own shares purchased	-	-	-	-	-	(1.9)	(1.9)
Own shares cancelled	-	-	-	(15.0)	-	-	(15.0)
Dividends paid	-	-	-	-	(26.5)	-	(26.5)
Total transactions with owners	-	-	-	(15.0)	(25.8)	(0.2)	(41.0)
Balance at 31 March 2014	3.2	1.3	1.3	1,151.5	305.5	(17.2)	1,445.6
<b>Company</b>							
Balance at 31 March 2012	3.2	1.3	1.3	854.3	290.6	(16.7)	1,134.0
Profit and total comprehensive income	-	-	-	178.7	28.1	-	206.8
<i>Transactions with owners of the company</i>							
<i>Contributions by and distributions to owners</i>							
Exercise of options	-	-	-	-	-	0.6	0.6
Share-based payments	-	-	-	-	1.3	-	1.3
Own shares purchased	-	-	-	-	-	(0.9)	(0.9)
Own shares cancelled	-	-	-	(17.9)	-	-	(17.9)
Dividends paid	-	-	-	-	(25.1)	-	(25.1)
Total transactions with owners	-	-	-	(17.9)	(23.8)	(0.3)	(42.0)
Balance at 31 March 2013	3.2	1.3	1.3	1,015.1	294.9	(17.0)	1,298.8
Profit and total comprehensive income	-	-	-	154.4	28.0	-	182.4
<i>Transactions with owners of the company</i>							
<i>Contributions by and distributions to owners</i>							
Exercise of options	-	-	-	-	-	1.7	1.7
Share-based payments	-	-	-	-	0.7	-	0.7
Own shares purchased	-	-	-	-	-	(1.9)	(1.9)
Own shares cancelled	-	-	-	(15.0)	-	-	(15.0)
Dividends paid	-	-	-	-	(26.5)	-	(26.5)
Total transactions with owners	-	-	-	(15.0)	(25.8)	(0.2)	(41.0)
Balance at 31 March 2014	3.2	1.3	1.3	1,154.5	297.1	(17.2)	1,440.2

The 2013 group statement of changes in equity was restated for the adoption of IFRS 10 *Consolidated Financial Statements* and amendments to IAS 19 (Revised) *Employee Benefits*.

## Statement of cash flows for the year ended 31 March 2014

	Group		Company	
	2014	Restated 2013	2014	2013
	£m	£m	£m	£m
<i>Operating activities</i>				
Dividends received	38.7	38.9	39.7	38.9
Interest received	5.9	2.2	4.4	0.8
Cash received from customers	1.5	2.5	-	-
Cash paid to suppliers and employees	(15.6)	(15.0)	(14.0)	(12.7)
Taxes received	1.3	0.4	1.3	0.4
Group tax relief received	3.1	3.4	3.4	3.8
<b>Net cash flow from operating activities</b>	<b>34.9</b>	<b>32.4</b>	<b>34.8</b>	<b>31.2</b>
<i>Investing activities</i>				
Purchases of investments	(327.1)	(167.3)	(318.7)	(141.8)
Proceeds from disposal of investments	255.7	323.9	246.6	290.8
Net payments for derivative financial instruments	-	(0.6)	-	(0.6)
Purchases of plant and equipment	(0.1)	-	-	-
Proceeds from disposal of plant and equipment	0.3	-	-	-
<b>Net cash flow from/(used in) investing activities</b>	<b>(71.2)</b>	<b>156.0</b>	<b>(72.1)</b>	<b>148.4</b>
<i>Financing activities</i>				
Interest paid	(2.5)	(1.2)	(2.0)	(0.5)
Dividends paid to owners of the company	(26.5)	(25.1)	(26.5)	(25.1)
Proceeds from new borrowings	35.0	-	35.0	-
Repayment of borrowings	(14.9)	(61.5)	(14.9)	(45.1)
Loans received from/(repaid to) subsidiaries	(0.4)	8.8	-	(2.5)
Exercise of share options	1.7	0.6	1.7	0.6
Purchase of own shares	(17.0)	(18.9)	(17.0)	(18.9)
<b>Net cash flow used in financing activities</b>	<b>(24.6)</b>	<b>(97.3)</b>	<b>(23.7)</b>	<b>(91.5)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(60.9)</b>	<b>91.1</b>	<b>(61.0)</b>	<b>88.1</b>
Cash and cash equivalents at year start	93.8	2.7	96.5	8.4
<b>Cash and cash equivalents at year end</b>	<b>32.9</b>	<b>93.8</b>	<b>35.5</b>	<b>96.5</b>

The 2013 group statement of cash flows was restated for the adoption of IFRS 10 *Consolidated Financial Statements* and amendments to IAS 19 (Revised) *Employee Benefits*.

## Notes to the final results announcement

### 1. General information

Caledonia Investments plc is an investment trust company domiciled in the United Kingdom and incorporated in England in 1928, under the Companies Acts 1908 to 1917. The address of its registered office is Cayzer House, 30 Buckingham Gate, London SW1E 6NN. The ordinary shares of the company are premium listed on the London Stock Exchange.

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

A number of standards and amendments were adopted in the year. IFRS 10 *Consolidated Financial Statements* and amendments to IAS 19 (Revised) *Employee Benefits* were applied retrospectively, requiring restatement of prior year comparatives. The effect of the restatement was to increase comprehensive income for the year ended 31 March 2013 by £7.2m and group net assets at 31 March 2013 by £26.6m.

### 2. Dividends

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

	2014		2013	
	p/share	£m	p/share	£m
Final dividend for the year ended 31 March 2013 (2012)	34.3	19.1	31.2	17.8
Interim dividend for the year ended 31 March 2014 (2013)	13.4	7.4	12.9	7.3
	47.7	26.5	44.1	25.1
Proposed final dividend for the year ended 31 March 2014 (2013)	35.7	19.7	34.3	19.1

The proposed final dividend has not been included as a liability in these financial statements. This dividend, if approved by shareholders at the annual general meeting to be held on 17 July 2014, will be payable on 7 August 2014 to holders of shares on the register on 11 July 2014. The ex-dividend date will be 9 July 2014.

For the purposes of section 1158 of the Corporation Tax Act 2010 and associated regulations, the dividends payable for the year ended 31 March 2014 are the interim and final dividends for that year, amounting to £27.1m (2013 - £26.4m).

### 3. Earnings per share

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

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

The group earnings were as follows:

	Capital		Revenue	
	Restated		Restated	
	2014	2013	2014	2013
	£m	£m	£m	£m
Profit for the year	154.4	177.8	28.7	31.6

The profit attributable to shareholders was as follows:

	2014	Restated 2013
	£m	£m
Profit attributable to shareholders (basic and diluted)	183.1	209.4

The weighted average number of shares was as follows:

	2014	Restated 2013
	000's	000's
Issued shares at year start	56,222	57,359
Effect of shares cancelled	(589)	(463)
Effect of shares held by the employee share trust	(327)	(346)
Basic weighted average number of shares during the year	55,306	56,550
Effect of performance shares, share options and deferred bonus awards	628	589
Diluted weighted average number of shares during the year	55,934	57,139

#### 4. Operating segments

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

	Profit before tax		Assets	
	2014	Restated 2013	2014	Restated 2013
	£m	£m	£m	£m
Quoted pool	92.1	120.9	497.8	517.2
Unquoted pool	80.1	59.0	568.3	384.5
Funds pool	21.3	12.9	204.4	166.8
Income & Growth pool	0.2	27.5	189.6	162.0
Investment portfolio	193.7	220.3	1,460.1	1,230.5
Other investments	(0.6)	0.2	10.3	10.9
Total revenue/investments [1]	193.1	220.5	1,470.4	1,241.4
Cash and cash equivalents	1.1	3.0	32.9	93.8
Other items	(13.4)	(18.9)	14.2	22.0
Reportable total	180.8	204.6	1,517.5	1,357.2

1. Total investments comprises investments and property held at fair value.

#### 5. Share-based payments

In the year to 31 March 2014, participating employees in the performance share scheme were awarded options over 206,761 shares at nil-cost (2013 - 273,648 shares). The weighted average fair value of these shares, taken from their share price at the date of grant, was 1802p per share (2013 - 1267p per share).

Also in the year to 31 March 2014, participating employees received deferred awards over 51,510 shares (2013 - 680 shares). Matching awards of 51,510 shares were granted (2013 - 680 shares), which depend on company performance. The fair value of the bonus deferral shares was measured directly as the bonus foregone and was equivalent to 1802p per share (2013 - 1267p per share). The fair value of the matching shares was also 1802p per share, on a market neutral valuation basis (2013 - 1267p per share).

The IFRS 2 expense included in profit or loss for the year was £0.7m (2013 - £1.3m).

#### 6. Provisions

During the year, the group recognised a £0.8m guarantee provision and released a £3.5m provision related to the disposal of an investment in 2006. In the prior year, the group recognised a £2.1m guarantee provision. These provisions were allocated to the capital reserve. The matters that gave rise to the provisions were expected to be resolved over the next year.

## 7. Net asset value per share

The group's undiluted net asset value per share is based on the net assets of the group 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. The company's diluted net asset value per share assumes the exercise of all outstanding in-the-money share options and the calling of performance share and deferred bonus awards.

	2014			Restated 2013		
	Net assets £m	Number of shares 000's	NAV p/share	Net assets £m	Number of shares 000's	NAV p/share
Undiluted	1,445.6	55,090	2624	1,302.4	55,880	2331
Adjustments	2.3	748	(31)	3.2	764	(26)
Diluted	1,447.9	55,838	2593	1,305.6	56,644	2305

## 8. Capital commitments

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

	Group		Company	
	2014 £m	Restated 2013 £m	2014 £m	2013 £m
<i>Investments</i>				
Contracted but not called	88.5	59.2	88.5	59.2
Conditionally contracted	19.0	19.7	19.0	19.7
	107.5	78.9	107.5	78.9

## 9. 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 2014. 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 2014 will be delivered to shareholders on 17 June 2014 and made available for download from the company's website on that date. Also, a copy will be delivered to the Registrar of Companies in accordance with section 441 of the Act, following approval by shareholders.

The statutory accounts for the year ended 31 March 2014 include a 'Directors' statement of responsibility' as follows:

We confirm that, to the best of our knowledge:

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

Signed on behalf of the board:

Will Wyatt  
Chief Executive  
28 May 2014

Stephen King  
Finance Director  
28 May 2014



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**END**

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