

# Caledonia Investments plc

## Final results for the year ended 31 March 2023

### Financial highlights<sup>1</sup>

	31 Mar 2023	31 Mar 2022	Change
Net asset value total return	5.5%	27.9%	
Net asset value	5068p	5041p	+0.5%
Net assets	£2,798m	£2,783m	+0.5%
Annual dividend per share	67.4p	64.8p	+4.0%

1. NAV total return, and investment and pool returns are Alternative performance measures. Definitions of these measures may be found at <https://www.caledonia.com/invest-with-us/investment-trusts/>

### Highlights

- 5.5% NAV total return for the year. Net assets of £2.8bn, after special dividend payment in summer 2022.
- 4.0% increase in the dividend to 67.4p per share, 56th consecutive year of increase.
- Private assets, both Private Capital and Funds, were the key drivers of returns in the year.
- Strong balance sheet with £472m of total liquidity (£222m cash and £250m undrawn facilities).
- Chief Financial Officer succession announced.

### Quoted Equity

- Public equity holdings were adversely impacted by volatility and weakness in global equity markets, with total return of 0.2% in the year.

### Private Capital

- Private Capital portfolio delivered total return of 8.4%, following very strong returns in FY22.
- Majority of portfolio companies demonstrated good progress in terms of both growth and profitability.
- Acquisition of AIR-Serv Europe announced post year end.

### Funds

- Funds portfolio generated total return of 13.3% for the year, supported by 6% weakening of Sterling against the US dollar.
- Strong underlying performance from the North American funds partially offset by weaker Asia fund performance in the year: longer-term performance from both regions remains very strong.

**Mat Masters, Chief Executive Officer**, commented:

*"Our approach of investing in a diversified portfolio of high-quality companies and funds has generated positive returns over the last year against a challenging market environment."*

*"We have a strong platform from which to continue to deliver our objectives of growth in net assets and dividends paid to shareholders over the long term."*

**22 May 2023**

### Enquiries

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## Chair's statement

### Results

The NAV total return for the year ended 31 March 2023 was 5.5% which, whilst below our long-term target of inflation plus 3% to 6%, compares favourably to the FTSE All-Share return of 2.9% for the same period. This follows strong returns of 27.9% last year, 25.9% in the preceding year and 19.3% annualised over the last three years. Our private assets, in both Private Capital and Funds, generated good returns during the year, based on a mix of positive underlying

performance and the advantageous impact of the 6% fall in the value of Sterling against the US dollar. In contrast, our public equity holdings were adversely impacted by volatility and weakness in global equity markets. Our balance sheet remains strong with total liquidity of £472m available at 31 March 2023, reflecting our banking facilities and £222m of cash.

### **Income and dividends**

Investment and other income (revenue account) declined by 15% to £44m and net income was £21m. The gradual reduction in investment income was highlighted last year and we will maintain our focus on total returns rather than pure income from our portfolio. The Funds pool generated a net cash inflow of £24m which, together with net income of £21m, was sufficient to cover our proposed annual dividend. The board is recommending a final dividend of 49.2p per share, which represents a full year dividend of 67.4p, an increase of 4.0% when compared to the previous year. If approved by shareholders, this would represent the 56th consecutive year of increases in our annual dividend.

### **Board**

Will Wyatt, who retired as Chief Executive at last year's annual general meeting, continues to serve on the board as a non-executive director following re-election by shareholders. Will was succeeded by Mat Masters who has made an excellent start in his new role.

In November, Tim Livett, our Chief Financial Officer, advised the board of his intention to retire and leave the company to develop a portfolio of non-executive roles once his successor joins the board. The search for Tim's successor very recently concluded with the appointment of Rob Memmott. Rob will join the company and the board on 1 September 2023.

Towards the end of the financial year, we welcomed Farah Buckley as a new independent non-executive director. Stuart Bridges, who has served on the board since 2013, will retire at the forthcoming annual general meeting as planned. Following a period of notable change, the board has asked me to extend my tenure until the annual general meeting in 2025, subject to ongoing approval by shareholders.

On behalf of the board, I would like to thank Tim and Stuart for their contribution to Caledonia.

### **Strategy**

We completed a strategic review during the year. Aside from the small refinements set out in the Chief Executive Officer's report, we have not implemented any significant changes.

### **Annual general meeting**

I look forward to once again meeting shareholders at our annual general meeting on 19 July.

### **Outlook**

While inflation is at last showing signs of peaking, rising interest rates are a threat to global growth. The recent banking sector issues on both sides of the Atlantic reveal the economic stress lurking in the system after years of ultra-low interest rates. The high levels of government debt, built up since the last financial crisis, have accelerated significantly on the back of pandemic and energy support measures. It may well be that our attention will turn to the underlying deflationary forces from this debt once the current round of fiscal tightening is complete.

As Mat has outlined in his report, we remain confident in our strategy of selecting quality companies and funds which can deliver long-term compounding returns. However, it would not be a surprise to see increased volatility in the year ahead as the impact of rate rises becomes more apparent in the global economy.

### **David Stewart**

Chair

## **Chief Executive Officer's report**

### **Purpose**

Caledonia's purpose is to grow the real value of net assets and dividends paid to shareholders over the long term, whilst managing risk to avoid the permanent loss of capital. We pursue this through a strategy of taking a long-term approach, identifying and investing directly, and indirectly via funds, into well-managed businesses. The company is self-managed and, investing from our own balance sheet, we do not seek to raise new funds so can remain focused on investing without compromising our investment process.

I succeeded Will Wyatt as Chief Executive Officer during the year, having previously held the position of Head of Quoted Equity. I am privileged to work with exceptional colleagues who share the same values of conducting business to the highest standards coupled with a long-term horizon.

### Strategy and allocation

Our three investment pools provide a clear structure for managing specialist teams and risk diversification. Each investment team is able to focus on a concentrated portfolio which, in combination, provide a good level of diversification for our shareholders.

Over the course of the year, we completed a strategic review to ensure that we maintain our focus on investments capable of delivering our long-term objectives and continue to execute well via our three pools, supported by our distinctive culture. Aside from the minor adjustments outlined below, we have not implemented any significant changes.

To enable our investment teams to continue to invest in quality businesses we have reduced the overall income requirement. We have not changed Caledonia's strategic aim of growing the dividend over time but have revised the company's dividend policy. Caledonia has very high levels of retained reserves available to pay the dividend with little requirement for earned income to provide dividend cover. However, ensuring cash flow cover to meet operational costs and dividend payments without recourse to the investment portfolio is prudent. The Funds pool has reached its strategic allocation target, delivered returns above the average for the group, with a portfolio of sufficient scale to appropriately manage risk and has reached a stage of maturity where we anticipate positive cash flow. We have therefore moved from an income cover policy to one where half of Caledonia's costs and normal dividend is covered by income from the investment portfolio and the remainder from net cash inflow from the Funds pool.

In 2019 we reduced the income target for the Income portfolio from 4.5% on value to 3.5% on cost. Moving from measuring yield on value to cost enables investment in good quality companies when the market presents opportunities, without the need to sell when share prices subsequently recover. This reduction in yield requirement expanded the opportunity set and further enabled the team to focus on quality. The change led to the disposal of several potentially riskier, lower quality assets over the winter of 2019 and early 2020 before funds were reinvested into higher quality companies during the period of market volatility brought on by the Covid-19 pandemic. We have recently made a similar reduction to the income target for the Private Capital pool from 5% on value to 2.5% on cost. A summary of each pool, together with return requirement and revised income target, is shown below.

Pool name	Description	Return requirements
Caledonia Quoted Equity	Capital strategy	10% total return, no yield target
	Income strategy	7% total return, 3.5% yield (on cost)
Caledonia Private Capital	Majority and minority investments predominantly in UK mid-market companies with equity values of between £50m and £150m	14% total return, 2.5% yield (on cost)
Caledonia Funds	US and Asian private equity funds and funds of funds	12.5% total return

We have also refined the asset allocation model, with the following new bandings.

Pool name	New %	Old %
Quoted Equity	30-40	35-50
Private Capital*	25-35	35-45
Funds	25-35	20-30

\*includes Cobepa

The most significant change was a reduction to Private Capital's allocation range, which supports a portfolio of six to eight holdings at an average entry equity value of around £100m, together with our existing investment in Cobepa. We also adjusted the allocation to the Funds pool to facilitate a small increase in our exposure to US lower mid-market private equity funds which have shown strong, reliable performance over time.

## Results

The result for the year was a NAVTR of 5.5% which, whilst lower than our previous two years of very strong results (2021: 25.9%, 2022: 27.9%), was a good outcome given the challenging market environment. The table below shows our results over multiple time periods compared to our strategic KPIs.

Years to 31 March	1 year %	3 years %	5 years %	10 years %
NAVTR	5.5	69.8	72.9	179.4
FTSE All-Share	2.9	47.4	27.8	75.9
NAVTR v FTSE All-Share TR	+2.6	+22.4	+45.1	+103.5
<i>Annualised performance</i>				
NAVTR	5.5	19.3	11.6	10.8
RPI	13.5	7.9	5.7	4.0
NAVTR v RPI	-8.0	+11.4	+5.9	+6.8
FTSE All-Share TR	2.9	13.8	5.0	5.8
NAVTR v FTSE All-Share TR	+2.6	+5.5	+6.6	+5.0

The macro-economic impact can be seen, with increases in inflation and interest rates presenting a notable change to the investment environment. In most cases it is reasonable to assume that increased interest rates will reduce the rating valuation for equities. This rating change has been factored into our thinking and led to a pause in significant investment activity for much of the year.

## Pool performance - annualised

Year to 31 March	1 year %	3 years %	5 years %	10 years %
Pool name				
Quoted Equity	0.2	14.2	11.2	8.8
- Capital portfolio	1.1	16.4	14.1	10.8
- Income portfolio	-2.4	9.2	5.2	4.2
Private Capital	8.4	27.4	13.5	14.5
Funds	13.3	28.3	18.7	18.4
Portfolio	7.2	21.9	13.6	12.7

## Quoted Equity

The Quoted Equity pool, a concentrated portfolio of high-quality companies, delivered a return of 0.2%, reflecting wider market performance. During the year the portfolio made selective changes to existing holdings with a net total investment of £26m. The increase in interest rates was generally reflected in equity valuations although the team made opportunistic purchases when individual companies traded at good prices.

The Capital portfolio produced a good performance relative to major international markets. Longer-term performance remains very strong, with the continued focus on high-quality companies and global developed markets, especially North America, reflected in the performance outcomes.

The Income portfolio produced weaker performance over the period. Companies in the energy and banking sectors, which generally do not meet our long-term quality criteria, were the main contributors to the positive performance of the FTSE All-Share during the year. Our investment in high-quality real estate investment trusts ('REITs'), which continued to deliver robust operational performance, were de-rated. In addition, our holding in specialist insurer Sabre materially underperformed as the insurance market recovers from the impact of Covid-19 and responds to high inflation.

## Private Capital

Private Capital delivered a return of 8.4% for the year. The return reflects continued development from portfolio companies where most, by value and number, continued to make progress. Despite making good strategic and operational progress, Liberation Group (5% of Group NAV) was impacted by rising costs and weakening consumer demand.

After the year end, we acquired a majority interest in AIR-Serv Europe, a leading designer and manufacturer of air, vacuum and jet wash machines which it provides as turn-key solutions to fuel station forecourt operators across Western Europe. Caledonia invested £142.5m for a 99.8% equity stake, alongside the management team. The balance of the purchase price was financed by bank debt facilities of £60.0m. We now hold five core businesses and remain disciplined as we look for future opportunities.

### **Funds**

The Funds pool delivered a return of 13.3% for the year, which comprised the North American and Asian-based funds achieving 21.8% and 3.6% respectively. The weakening in Sterling against the US dollar over the year added 6% to performance. The divergence in the regional short-term returns reflects the profile of their respective investments and markets.

The success of North American funds (18% of Group NAV) is closely linked to the operational development of investee companies and their cash flows. There is a deep, robust market for potential divestment, either via trade sales or to other, larger private equity funds.

Asian funds invest in earlier stage companies and consequently their economic success is driven by their continued development, subsequent funding rounds and more volatile public markets. Liquidity within the Asian markets has been resilient with the A-share IPO market remaining buoyant and accounting for nearly half of global proceeds during 2022. The Shanghai Composite Index reduced in value by 9% between June and December 2022, before recovering in the period to March 2023, which provides context for performance.

Over the year the Funds pool generated £24.2m in cash (2022: £67.5m), including £10.6m from Asia, reflecting the maturing strategy and its position as a meaningful cash generator.

### **Liquidity and balance sheet**

Caledonia ended the financial year with net cash of £221.6m having made net investments of £2.7m plus annual and special dividend payments of £130.5m. In addition, our committed bank facilities of £250m provide us with a good level of liquidity and the ability to take advantage of opportunities that may arise. Over the course of the year the absence of net investment activity reflected the challenge of investing in high quality assets at reasonable prices. The year-end commitment for the Funds pool was £423m. We aim to be conservatively funded with bank facilities and liquidity available from the Quoted Equity pool should extreme, unforeseen risks occur.

During the year we conducted a review of our North American private equity fund holdings held in our subsidiary Caledonia US Investments Ltd ('CUSIL'). We determined that a significant proportion of these holdings could be transferred from CUSIL into the parent company and therefore benefit from its investment trust tax status. The proceeds from the transfer are shown within our non-pool assets at the year end. The majority of the proceeds were loaned back to the parent entity.

### **Inflation measure**

We have completed a review of the inflation measure used in our strategic objective of generating total returns that outperform inflation by at least 3% over the medium and long term. Retail Prices Index ('RPI'), our current inflation measure, had lost its status as a national statistic which resulted in a decision to move to Consumer Prices Index including owner occupiers' housing costs ('CPIH') from 1 April 2023.

Our annual bonus scheme assesses performance against this strategic objective and will also be adjusted to use CPIH over time.

### **People**

Our staff are, of course, our most important asset and over the course of the year we have continued to invest in their development. Our first colleague engagement survey has enabled us to receive anonymous feedback to help us better understand our employees' thoughts and areas for future improvement. We were particularly pleased that 98% of those who participated in the survey would recommend Caledonia as a great place to work.

Alan Murran and Ben Archer succeeded me as joint Co-Heads of the Quoted Equity pool, with Alan leading the Capital portfolio and Ben leading the Income portfolio. We also made a number of additions to the Private Capital team to further improve our focus on this important market and our existing portfolio. The Funds pool has also added a small number of new staff bringing additional energy, ideas, skills and resource to both the US and Asian strategies.

During the year we extended the membership and remit of our Investment Committee to increase knowledge and experience and draw on a broader, more diverse range of views.

### Being a responsible investor and corporate

We have always been very engaged and attentive investors. Team members serve on the boards of companies within our Private Capital portfolio and on the majority of the advisory boards for our North American funds. The listed companies in which we invest appreciate our long-term approach and empowerment of the investment team to develop close working relationships. The Quoted Equity investment team review and determine votes for all the stocks we hold.

Over the course of the year, we have further developed our approach and systems integrating consideration of Environmental, Social and Governance ('ESG') matters into our investment process formally and established a working group to develop our thinking, provide effective coordination, monitor our activities and market developments and to share good practice. We have given further consideration to the issues associated with climate change and its potential impact on our business. A separate Taskforce on Climate-related Financial Disclosure ('TCFD') report has also been developed.

### Outlook

It is clear that the current issues facing the global economy, including high levels of inflation, rising interest rates and geopolitical tensions, together with more recent concerns about the banking sector and potential recession, provides a very challenging backdrop for investment activity.

However, the team at Caledonia are well placed to operate in this environment drawing on decades of experience. Investing in good quality companies and funds operating in attractive markets, which eschew the use of risky levels of leverage to magnify returns, remains highly relevant in current conditions. We have learnt, over time, that ignoring these basic risk management principles is unwise. Our long-term mindset and current allocation provide a strong platform from which to continue to deliver our objectives of growth in net assets and dividends paid to shareholders over the long term.

### Mat Masters

Chief Executive Officer

### Investments summary

Holdings over 1% of net assets at 31 March 2023 were as follows:

Name	Pool	Geography	Business	Value £m	Net assets %
Seven Investment Management	Private Capital	Jersey	Investment management	187.1	6.7
Cobehold	Private Capital	Belgium	Investment company	176.1	6.3
Stonehage Fleming	Private Capital	Guernsey	Family office services	141.6	5.1
Liberation Group	Private Capital	Jersey	Pubs & restaurants	131.9	4.7
Cooke Optics	Private Capital	UK	Cine lens manufacturer	124.5	4.4
Aberdeen US PE Funds	Funds	US	Funds of funds	114.9	4.1
Axiom Asia funds	Funds	Asia	Funds of funds	84.3	3.0
Watsco	Quoted Equity	US	Ventilation products	70.4	2.5
Oracle	Quoted Equity	US	Software	70.1	2.5
Microsoft	Quoted Equity	US	Software	66.6	2.4
Texas Instruments	Quoted Equity	US	Semiconductors	61.5	2.2
Philip Morris	Quoted Equity	US	Tobacco	50.0	1.8
Asia Alternatives funds	Funds	Asia	Funds of funds	48.1	1.7
Thermo Fisher Scientific	Quoted Equity	US	Pharma & life sciences services	46.7	1.7
Fastenal	Quoted Equity	US	Industrial supplies	39.3	1.4
Unicorn funds	Funds	Asia	Funds of funds	37.7	1.3
Charter Communications	Quoted Equity	US	Cable communications	37.3	1.3
Stonepeak funds	Quoted Equity	US	Private equity funds	37.1	1.3
British American Tobacco	Quoted	UK	Tobacco & vaping	37.0	1.3
SIS	Private Capital	UK	Content services	36.1	1.3
CenterOak funds	Funds	US	Private equity funds	33.5	1.2

Decheng funds	Funds	US/Asia	Private equity funds	33.2	1.2
Spirax Sarco	Quoted Equity	UK	Steam engineering	31.8	1.1
Hill & Smith	Quoted Equity	UK	Infrastructure	31.4	1.1
Ironbridge Funds	Funds	Canada	Private equity funds	30.3	1.1
PAG Asia funds	Funds	Asia	Private equity funds	29.6	1.1
Becton Dickinson	Quoted Equity	US	Medical technology	29.2	1.0
Other investments				717.4	25.8
Investment portfolio				2,534.7	90.6
Non pool investments <sup>1</sup>				260.2	9.3
Cash and other				3.1	0.1
Net assets				2,798.0	100.0

<sup>1</sup> Non pool investments comprise legacy investments, cash and receivables and deferred tax liabilities in subsidiary investment entities.

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

## Risk management

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

Principal risks	Mitigation and management	Key developments
<i>Strategic</i> Risks in relation to the appropriateness of the business model to deliver long-term growth in capital and income. Strategic risks include the allocation of capital between public and private equity, and in relation to geography, sector, currency, yield, liquidity	The company's business model and strategy are reviewed periodically, against market conditions and target returns. The performance of the company and its key risks are monitored regularly by management and the board.	Strategic review completed and approved by the board. Three-pool approach retained with banding slightly amended. Dividend policy refined. Private Capital strategy amended, with lower yield target for new investments to optimise risk-adjusted returns. Funds pool increased annual commitments agreed, reflecting growing cash inflows, managed through three year vintage allocations.
<i>Investment</i> Risks in respect of specific investment and realisation decisions. Investment risks include the appropriate research and due diligence of new investments and the timely execution of both investments and realisations for optimising value.	Investment opportunities are subject to rigorous appraisal and a multi-stage approval process. Investment managers have well-developed networks through which they attract proprietary deal flow. Opportunities to enter or exit investments are reviewed regularly, being informed by market conditions, pricing and strategic aims.	New staff added to investment teams to ensure appropriate skills and resources are in place. Investment Committee established with broader representation to approve key investment decisions / recommendations. Activity of the Private Capital team rebalanced to provide an increased focus on sourcing and transacting new investments.
<i>Market</i> Risk of losses in value of investments arising from sudden and significant movements in public market prices, particularly in highly volatile markets. Private asset valuations have an element of judgement and could also be impacted by market fluctuations.	Market risks and sensitivities are reviewed weekly with actions taken, where appropriate, to balance risk and return. A regular review of market and portfolio volatility is conducted by the board. Reviews also consider investment concentration, currency exposure and portfolio liquidity. Portfolio construction,	Market volatility remains a factor, but has reduced compared to this time last year, when it was elevated due to uncertainties arising from higher inflation and the conflict in Ukraine. The Quoted Equity team, whilst remaining long term focused, remains alert to pricing opportunities to add target holdings when appropriate.

Caledonia's principal market risks are therefore equity price volatility, foreign exchange rate movements and interest rate volatility.	including use of private assets, provides some mitigation.	Foreign exchange exposure remains a live issue. Review undertaken during the year concluded that no hedging action would be taken at present, but the position would remain under review.
<i>Liquidity</i>		
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 the year ahead is updated and reviewed quarterly, including the expected drawdown of capital commitments. A weekly cash update is produced focused on the short-term cash forecast. Loan facilities are maintained to provide appropriate liquidity headroom.	ING existing £112.5m facility renewed for further three years to July 2025. Existing facilities with RBSI renewed as a single facility of £137.5m for five years to November 2027. All excess liquidity placed in AAA rated money market funds on an overnight basis. Regular counterparty reviews undertaken. No bank term deposits utilised.
<i>ESG &amp; Climate change</i>		
Risks in relation to the successful incorporation of ESG and climate change impacts into our investment approach. Identifying opportunities to drive our policy objectives, deliver strong returns and manage the risks to meet evolving stakeholder expectations.	Caledonia continues to build ESG knowledge, particularly on climate change, and develop policy and processes to integrate ESG matters into our investment approach. We anticipate that the assessment of new and existing investments will fully incorporate ESG and climate change risks and opportunities.	Responsible Investment / Responsible Corporate Working Group established under leadership of the CEO to integrate ESG matters into core business approach. New investment proposals include relevant ESG information. Biannual investment pool board reporting to include ESG information relevant to the pool's investments. Revised TCFD reporting for current year, with significantly enhanced disclosure in our 2023 Annual Report.
<i>Regulatory &amp; legal</i>		
Risks arising from exposure to litigation or fraud or failure to adhere to the tax and regulatory environment. Caledonia operates across a number of jurisdictions and in an industry that is subject to significant regulatory oversight.	Caledonia has internal resources to consider regulatory and tax matters as they arise. Professional advisers are engaged, where necessary, to supplement internal knowledge in specialised areas or when new regulations are introduced. Activities supported by regular staff training. Caledonia is a member of the Association of Investment Companies and operates in line with industry standards.	Full review undertaken regarding holding structure for US private equity funds. Following detailed investigation and analysis, the legal ownership of a number of funds was transferred within the Caledonia Group in March 2023.
<i>Operational</i>		
Risks arising from inadequate or failed processes, people and systems or from external factors. Operational risks arise from the recruitment, development and retention of staff, systems and procedures and business disruption.	Systems and control procedures are developed and reviewed regularly. They are tested to ensure effective operation. Appropriate remuneration and other policies are in place to facilitate the retention of key staff. Business continuity plans are maintained and updated as the business evolves and in response to emerging threats. This includes a specific focus on cyber security.	Focus on cyber security continues. Project to assess maturity against NIST (National Institute of Standards and Technology) cyber security framework undertaken, with improvements identified and being addressed. At least annual training for all staff maintained and successful penetration testing completed. Remuneration review undertaken with external support to assess suitability and competitiveness of remuneration structure. Number of small changes to current approach recommended and being put into action. Business continuity improved with three



key initiatives. Additional power protection provided for Cayzer House. Off-site back-up data centre set up and fully tested. Business interruption scenario workshop undertaken by the senior team: improvements identified and currently being implemented.

New Enfusion system, covering public equity trading activity and investment accounting, successfully implemented. Oracle NetSuite selected as replacement core finance system, with 2023 implementation planned.

## Group statement of comprehensive income for the year ended 31 March 2023

	Revenue £m	2023 Capital £m	Total £m	Revenue £m	2022 Capital £m	Total £m
<b>Revenue</b>						
Investment income	43.2	—	43.2	51.0	4.8	55.8
Other income	0.8	1.3	2.1	0.6	—	0.6
Net gains on fair value investments	—	133.0	133.0	—	567.1	567.1
Net (losses)/gains on fair value property	—	(1.4)	(1.4)	—	3.6	3.6
<b>Total revenue</b>	<b>44.0</b>	<b>132.9</b>	<b>176.9</b>	<b>51.6</b>	<b>575.5</b>	<b>627.1</b>
Management expenses	(21.3)	(8.6)	(29.9)	(21.0)	(11.8)	(32.8)
<b>Profit before finance costs</b>	<b>22.7</b>	<b>124.3</b>	<b>147.0</b>	<b>30.6</b>	<b>563.7</b>	<b>594.3</b>
Treasury interest receivable	4.6	—	4.6	0.1	—	0.1
Finance costs	(2.4)	—	(2.4)	(2.3)	—	(2.3)
Exchange movements	—	—	—	(0.1)	—	(0.1)
<b>Profit before tax</b>	<b>24.9</b>	<b>124.3</b>	<b>149.2</b>	<b>28.3</b>	<b>563.7</b>	<b>592.0</b>
Taxation	(4.3)	(2.0)	(6.3)	11.0	8.2	19.2
<b>Profit for the year</b>	<b>20.6</b>	<b>122.3</b>	<b>142.9</b>	<b>39.3</b>	<b>571.9</b>	<b>611.2</b>
<i>Other comprehensive income items never to be reclassified to profit or loss</i>						
Re-measurements of defined benefit pension schemes	—	1.4	1.4	—	(1.4)	(1.4)
Tax on other comprehensive income	—	(0.3)	(0.3)	—	1.5	1.5
<b>Total comprehensive income</b>	<b>20.6</b>	<b>123.4</b>	<b>144.0</b>	<b>39.3</b>	<b>572.0</b>	<b>611.3</b>
Basic earnings per share	37.9p	225.3p	263.2p	72.1p	1049.3p	1121.4p
Diluted earnings per share	37.3p	221.7p	259.0p	70.8p	1030.7p	1101.5p

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

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 2023

Group		Company
2023	2022	2023 2022

	£m	£m	£m	£m
<i>Non-current assets</i>				
Investments held at fair value through profit or loss	2,794.9	2,385.4	2,803.2	2,394.6
Investments in subsidiaries held at cost	–	–	0.9	0.9
Investment property	15.1	16.0	–	–
Property, plant and equipment	27.9	29.2	–	–
Deferred tax assets	5.7	24.2	–	18.1
Other receivables	–	–	37.1	37.3
Employee benefits	4.0	2.3	–	–
<b>Non-current assets</b>	<b>2,847.6</b>	<b>2,457.1</b>	<b>2,841.2</b>	<b>2,450.9</b>
<i>Current assets</i>				
Trade and other receivables	6.9	7.5	3.1	3.8
Current tax assets	19.3	8.9	20.3	9.8
Cash and cash equivalents	221.6	341.1	221.1	341.0
<b>Current assets</b>	<b>247.8</b>	<b>357.5</b>	<b>244.5</b>	<b>354.6</b>
<b>Total assets</b>	<b>3,095.4</b>	<b>2,814.6</b>	<b>3,085.7</b>	<b>2,805.5</b>
<i>Current liabilities</i>				
Interest bearing loans and borrowings	(266.0)	–	(266.0)	–
Trade and other payables	(22.1)	(22.4)	(33.8)	(35.6)
Employee benefits	(2.4)	(3.6)	–	–
Current tax liabilities	–	(0.1)	–	(0.1)
<b>Current liabilities</b>	<b>(290.5)</b>	<b>(26.1)</b>	<b>(299.8)</b>	<b>(35.7)</b>
<i>Non-current liabilities</i>				
Employee benefits	(5.1)	(4.7)	–	–
Deferred tax liabilities	(1.8)	(1.1)	–	–
<b>Non-current liabilities</b>	<b>(6.9)</b>	<b>(5.8)</b>	<b>–</b>	<b>–</b>
<b>Total liabilities</b>	<b>(297.4)</b>	<b>(31.9)</b>	<b>(299.8)</b>	<b>(35.7)</b>
<b>Net assets</b>	<b>2,798.0</b>	<b>2,782.7</b>	<b>2,785.9</b>	<b>2,769.8</b>
<i>Equity</i>				
Share capital	3.1	3.1	3.1	3.1
Share premium	1.3	1.3	1.3	1.3
Capital redemption reserve	1.4	1.4	1.4	1.4
Capital reserve	2,555.4	2,527.0	2,554.3	2,526.0
Retained earnings	247.4	263.2	236.4	251.3
Own shares	(10.6)	(13.3)	(10.6)	(13.3)
<b>Total equity</b>	<b>2,798.0</b>	<b>2,782.7</b>	<b>2,785.9</b>	<b>2,769.8</b>
Undiluted net asset value	5150p	5133p		
Diluted net asset value	5068p	5041p		

The Company profit for the year ended 31 March 2023 was £144.8m (2022: £608.2m)

The financial statements were approved by the board and authorised for issue on 22 May 2023 and were signed on its behalf by:

Mat Masters  
Chief Executive Officer

Tim Livett  
Chief Financial Officer

## Statement of changes in equity for the year ended 31 March 2023

	Share capital £m	Share premium £m	Capital redemption reserve £m	Capital reserve £m	Retained earnings £m	Own shares £m	Total equity £m
<b>Group</b>							
Balance at 31 March 2021	3.2	1.3	1.3	1,979.1	254.3	(13.9)	2,225.3

<b>Total comprehensive income</b>							
Profit for the year	–	–	–	571.9	39.3	–	611.2
Other comprehensive income	–	–	–	0.1	–	–	0.1
Total comprehensive income	–	–	–	572.0	39.3	–	611.3
<b>Transactions with owners of the company</b>							
<i>Contributions by and distributions to owners</i>							
Share-based payments	–	–	–	–	8.2	–	8.2
Transfer of shares to employees	–	–	–	–	(4.0)	4.0	–
Own shares purchased and cancelled	(0.1)	–	0.1	(24.1)	–	–	(24.1)
Own shares purchased	–	–	–	–	–	(3.4)	(3.4)
Dividends paid	–	–	–	–	(34.6)	–	(34.6)
Total transactions with owners	(0.1)	–	0.1	(24.1)	(30.4)	0.6	(53.9)
Balance at 31 March 2022	3.1	1.3	1.4	2,527.0	263.2	(13.3)	2,782.7
<b>Total comprehensive income</b>							
Profit for the year	–	–	–	122.3	20.6	–	142.9
Other comprehensive income	–	–	–	1.1	–	–	1.1
Total comprehensive income	–	–	–	123.4	20.6	–	144.0
<b>Transactions with owners of the company</b>							
<i>Contributions by and distributions to owners</i>							
Share-based payments	–	–	–	–	5.8	–	5.8
Transfer of shares to employees	–	–	–	–	(6.7)	6.7	–
Own shares purchased	–	–	–	–	–	(4.0)	(4.0)
Dividends paid	–	–	–	(95.0)	(35.5)	–	(130.5)
Total transactions with owners	–	–	–	(95.0)	(36.4)	2.7	(128.7)
Balance at 31 March 2023	3.1	1.3	1.4	2,555.4	247.4	(10.6)	2,798.0
<b>Company</b>							
Balance at 31 March 2021	3.2	1.3	1.3	1,979.8	243.8	(13.9)	2,215.5
Profit and total comprehensive income	–	–	–	570.3	37.9	–	608.2
<b>Transactions with owners of the company</b>							
<i>Contributions by and distributions to owners</i>							
Share-based payments	–	–	–	–	8.2	–	8.2
Transfer of shares to employees	–	–	–	–	(4.0)	4.0	–
Own shares purchased and cancelled	(0.1)	–	0.1	(24.1)	–	–	(24.1)
Own shares purchased	–	–	–	–	–	(3.4)	(3.4)
Dividends paid	–	–	–	–	(34.6)	–	(34.6)
Total transactions with owners	(0.1)	–	0.1	(24.1)	(30.4)	0.6	(53.9)
Balance at 31 March 2022	3.1	1.3	1.4	2,526.0	251.3	(13.3)	2,769.8
Profit and total comprehensive income	–	–	–	123.3	21.5	–	144.8
<b>Transactions with owners of the company</b>							
<i>Contributions by and distributions to owners</i>							
Share-based payments	–	–	–	–	5.8	–	5.8
Transfer of shares to employees	–	–	–	–	(6.7)	6.7	–
Own shares purchased	–	–	–	–	–	(4.0)	(4.0)
Dividends paid	–	–	–	(95.0)	(35.5)	–	(130.5)
Total transactions with owners	–	–	–	(95.0)	(36.4)	2.7	(128.7)
Balance at 31 March 2023	3.1	1.3	1.4	2,554.3	236.4	(10.6)	2,785.9

## Statement of cash flows for the year ended 31 March 2023

	Group		Company	
	2023	2022	2023	2022
	£m	£m	£m	£m
<b>Operating activities</b>				
Dividends received	41.6	52.9	44.5	52.9
Interest received	6.5	1.7	6.5	1.7
Cash received from customers	2.6	0.5	1.8	–
Cash paid to suppliers and employees	(25.3)	(20.4)	(28.2)	(21.0)
Taxes received	0.1	0.1	0.1	0.1

Taxes paid	–	(0.1)	–	(0.1)
Group tax relief received	2.0	1.4	2.1	1.4
Group tax relief paid	–	–	(0.1)	–
Net cash flow from operating activities	27.5	36.1	26.7	35.0
<b>Investing activities</b>				
Purchases of investments	(468.1)	(226.9)	(468.1)	(226.9)
Proceeds from disposal of investments	192.1	602.2	192.1	602.2
Purchases of property, plant and equipment	(0.3)	(0.4)	–	–
Net cash flow (used in)/from investing activities	(276.3)	374.9	(276.0)	375.3
<b>Financing activities</b>				
Interest paid	(2.2)	(2.6)	(2.0)	(2.3)
Dividends paid to owners of the company	(130.5)	(34.6)	(130.5)	(34.6)
Proceeds from bank borrowings	266.0	–	283.7	–
Repayment of bank borrowings	–	(15.0)	–	(15.0)
Loan payments to subsidiaries	–	(4.4)	(17.8)	(4.4)
Purchases of own shares	(4.0)	(27.5)	(4.0)	(27.5)
Net cash flow from/(used in) financing activities	129.3	(84.1)	129.4	(83.8)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(119.5)</b>	<b>326.9</b>	<b>(119.9)</b>	<b>326.5</b>
Cash and cash equivalents at year start	341.1	14.2	341.0	14.5
<b>Cash and cash equivalents at year end</b>	<b>221.6</b>	<b>341.1</b>	<b>221.1</b>	<b>341.0</b>

## Notes to the final results announcement

### 1. General information and basis of preparation

Caledonia Investments plc is an investment trust company domiciled in the United Kingdom and incorporated in England in 1928, under number 235481. 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.

Under the UK Corporate Governance Code and applicable regulations, the directors are required to satisfy themselves that it is reasonable to presume that the company is a going concern.

As at 31 March 2023 the group holds £1,058m of liquid assets and has access to £250m of undrawn committed banking facilities, £112.5m of which expires in July 2025 and £137.5m of which expires in November 2027. The Directors therefore believe the group will be able to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements.

The group has conducted a going concern assessment which considered future cash flows, the availability of liquid assets and debt facilities, banking covenant requirements and consideration of the risks arising from the war in Ukraine and the inflationary environment over at least 12 months from the date of approval of these financial statements. In making this assessment a number of stress scenarios were developed, factoring in (a) adverse foreign exchange movements, (b) reduction in investment income, (c) reduction in distributions received from private equity funds and drawdown of all existing private equity fund commitments, (d) a delay and reduction in disposals of directly owned private equity investments, and (e) a significant temporary market decline for part of the year and (f) the cumulative impact of the above.

Under these scenarios the group would have a range of mitigating actions available to it, including sales of liquid assets, and usage of banking facilities, which would provide sufficient funds to meet all of its liabilities as they fall due and still hold significant liquid assets over the assessment period. As a result of this assessment the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### 2. Dividends

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

	2023		2022	
	p/share	£m	p/share	£m
Final dividend for the year ended 31 March 2022 (2021)	47.3	25.6	45.9	25.1
Special dividend for the year ended 31 March 2022	175.0	95.0		
Interim dividend for the year ended 31 March 2023 (2022)	18.2	9.9	17.5	9.5

	240.5	130.5	63.4	34.6
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Amounts proposed after the year end and not recognised in the financial statements were as follows:

Proposed final dividend for the year ended 31 March 2023	49.2	26.7
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The proposed final dividend for the year ended 31 March 2023 was not included as a liability in these financial statements. The dividend, if approved by shareholders at the annual general meeting to be held on 19 July 2023, will be payable on 3 August 2023 to holders of shares on the register on 30 June 2023. The ex-dividend date will be 29 June 2023. The deadline for elections under the dividend reinvestment plan offered by Link Group will be the close of business on 13 July 2023.

For the purposes of section 1158 of the Corporation Tax Act 2010 and associated regulations, the dividends payable for the year ended 31 March 2023 are the interim and final dividends for that year, amounting to £36.6m (2022: £130.1m).

### 3. Earnings per share

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

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

The profit attributable to shareholders (basic and diluted) was as follows:

	2023 £m	2022 £m
Revenue	20.6	39.3
Capital	122.3	571.9
Total	142.9	611.2

The weighted average number of shares was as follows:

	2023 000's	2022 000's
Issued shares at the year start	55,664	55,374
Effect of shares cancelled	–	(404)
Effect of shares held by the employee share trust	(376)	(468)
Basic weighted average number of shares in the year	54,288	54,502
Effect of performance shares, share options and deferred bonus awards	881	987
Diluted weighted average number of shares in the year	55,169	55,489

### 4. Operating segments

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

	Profit/(loss) before tax		Total assets	
	2023 £m	2022 £m	2023 £m	2022 £m
Quoted Equity	1.4	100.7	836.9	830.1
Private Capital	64.6	322.0	824.0	781.7
Funds	103.6	230.4	873.8	794.4
Investment portfolio	169.6	653.1	2,534.7	2,406.2
Other investments	7.3	(26.0)	260.2	(20.7)
Total revenue/investments	176.9	627.1	2,794.9	2,385.5
Cash and cash equivalents	4.6	0.1	221.6	341.1
Other items <sup>1</sup>	(32.3)	(35.2)	78.9	88.0
Reportable total	149.2	592.0	3,095.4	2,814.6

1. Other investments included £260.2m of non-pool investments (2022: -£20.7m of non-pool provisions).

### 5. Share-based payments

In the year to 31 March 2023, participating employees in the performance share scheme were awarded options over 172,802 shares at nil-cost (2022: 237,861 shares). Also in the year to 31 March 2023, participating employees received deferred awards over 39,500 shares (2022: 49,267 shares). The IFRS 2 expense included in profit or loss for the year was £7.4m (2022: £9.0m).

## 6. Net asset value

The group's undiluted net asset value is based on the net assets of the group at the year end and on the number of ordinary shares in issue at the year-end less ordinary shares held by The Caledonia Investments plc Employee Share Trust. The group's diluted net asset value assumes the calling of performance share and deferred bonus awards.

	2023			2022		
	Net assets £m	Number of shares <sup>1</sup> 000's	NAV p/share	Net assets £m	Number of shares <sup>1</sup> 000's	NAV p/share
Undiluted	2,798.0	54,326	5150	2,782.7	54,211	5133
Share awards	–	881	(82)	–	987	(92)
Diluted	2,798.0	55,207	5068	2,782.7	55,198	5041

1. Number of shares in issue at the year end is stated after the deduction of 337,962 (2022: 452,645) ordinary shares held by the Caledonia Investments plc Employee Share Trust.

Net asset value total return is calculated in accordance with AIC guidance, as the change in NAV from the start of the period, assuming that dividends paid to shareholders are reinvested at NAV at the time the shares are quoted ex-dividend.

	2023 p	2022 p
Diluted NAV at year start	5041	4000
Diluted NAV at year end	5068	5041
Dividends payable in the year	241	63
Reinvestment adjustment <sup>2</sup>	9	12
	5318	5116
NAVTR over the year	5.5%	27.9%

2. The reinvestment adjustment is the gain or loss resulting from reinvesting the dividends in NAV at the ex-dividend date.

## 7. Capital commitments

At the reporting date, the group and company had entered into unconditional commitments to limited partnerships, committed loan facility agreements and a conditional loan and purchase agreement, as follows:

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
<b>Investments</b>				
Contracted but not called	422.6	331.1	422.6	331.1
Conditionally contracted	–	–	4.5	4.5
	422.6	331.1	427.1	335.6

Amounts are callable within the next twelve months. The group has conducted a going concern assessment which considered future cash flows, the availability of liquid assets and debt facilities, and consideration of the risks arising from the war in Ukraine and the inflationary environment over the 12 month period required. In making this assessment a number of stress scenarios were developed. The most severe scenario included all outstanding private equity fund commitments being drawn. Under this severe scenario the group would have a range of mitigating actions available to it, including sales of liquid assets, and usage of banking facilities, which would provide sufficient funds to meet all of its liabilities as they fall due and still hold significant liquid assets over the assessment period.

## 8. Performance measures

Caledonia uses a number of performance measures to aid the understanding of its results. The performance measures are standard within the investment trust industry and Caledonia's use of such measures enhances comparability. Principal performance measures are as follows:

### Net assets

Net assets provides a measure of the value of the company to shareholders and is taken from the IFRS group net assets.

#### *Net asset value ('NAV')*

NAV is a measure of the value of the company, being its assets – principally investments made in other companies and cash held – minus any liabilities. NAV per share is calculated by dividing net assets by the number of shares in issue, adjusted for shares held by the Employee Share Trust and for dilution by the exercise of outstanding share awards. NAV takes account of dividends payable on the ex-dividend date.

#### *NAV total return ('NAVTR')*

NAVTR is a measure of how the net asset value per share has performed over a period, considering both capital returns and dividends paid to shareholders. NAVTR is calculated as the increase in NAV between the beginning and end of the period, plus the accretion from assumed dividend reinvestment during the period. We use this measure as it enables comparisons to be drawn against an investment index in order to benchmark performance. The calculation follows the method prescribed by the Association of Investment Companies ('AIC').

#### *Total shareholder return ('TSR')*

TSR measures the return to shareholders through the movement in the share price and dividends paid during the measurement period.

### **9. Financial instruments – private asset valuation**

Caledonia makes private equity investments in two forms: direct private equity investments (the Private Capital pool) and investments into externally managed unlisted private equity funds and fund of funds (the Funds pool). The directors have made two estimates which they deem to have a significant risk of resulting in a material adjustment to the amounts recognised in the financial statements within the next financial year, which relate to the valuation of assets within these two pools.

For directly owned private investments (Private Capital investments), totalling £824.0m (2022: £781.7m) valuation techniques using a range of internally and externally developed unobservable inputs are used to estimate fair value. Valuation techniques make maximum use of market inputs, including reference to the current fair values of instruments that are substantially the same (subject to appropriate adjustments).

For private equity fund investments (unlisted Funds Pool investments), totalling £869.0m (2022: £784.7m) held through externally managed fund vehicles, the estimated fair value is based on the most recent valuation provided by the external manager, usually received within 3-6 months of the relevant valuation date. Where required, valuations are adjusted for investments and distributions between the valuation date and the reporting date.

The following table provides information on significant unobservable inputs used at 31 March 2023 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

For private company assets we have chosen to sensitise and disclose EBITDA multiple or tangible asset multiple inputs because their derivation involves the most significant judgements when estimating valuation, including which data sets to consider and prioritise. Valuations also include other unobservable inputs, including earnings and tangible assets, which are based on historic and forecast data and are less judgmental. For each asset category, inputs were sensitised by a percentage deemed to reflect the relative degree of estimation uncertainty, and valuation calculations re-performed to identify the impact.

Private equity fund assets are each held in and managed by the same type of fund vehicle, valued using the same method of adjusted manager valuations, and subject to broadly the same economic risks. They are therefore subject to a similar degree of estimation uncertainty. They have been sensitised at an aggregated level by 5% to reflect a degree of uncertainty over managers' valuations which form the basis of their fair value.

At 31 March 2023

Description / valuation method	Fair value	Unobservable input	Weighted average input	Input sensitivity	Change in valuation
	£m			+/-	+/- £m
<b><i>Internally developed</i></b>					
<b><i>Private companies</i></b>					
Large, earnings	460.6	EBITDA multiple	14.0x	10.0%	+39.6/-55.5

Medium, earnings	160.6	EBITDA multiple	11.0x	10.0%	+/-13.1
Small, earnings	10.3	EBITDA multiple	4.6x	15.0%	+/-1.2
Net assets / manager valuation	192.5	Multiple	1	0.1x	+/-21.8
	824.0				+75.7/-91.6
Non-pool companies	260.2				
<b>Total internal</b>	1,084.2				
<b>Externally developed</b>					
<i>Private equity fund</i>					
Net asset value	869.0	Manager NAV	1	5%	+/-43.5
	1,953.2				+119.2/-135.1

## 10. Financial information

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2023 or 2022 but is derived from those accounts. Statutory accounts for 31 March 2022 have been delivered to the Registrar of Companies, and those for 31 March 2023 will be delivered in due course. The auditor has reported on those accounts; their reports were: (i) unqualified; (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 31 March 2023 will be published on 16 June 2023 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 Companies Act 2006, following approval by shareholders.

The statutory accounts for the year ended 31 March 2023 include a 'Directors' statement of responsibility' as follows:

Each of the directors confirm that, to the best of their knowledge:

- The group and parent company financial statements, which have been prepared in accordance with applicable accounting standards, 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
- The strategic 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 that it faces.

Signed on behalf of the board by:

Mat Masters  
Chief Executive Officer  
22 May 2023

Tim Livett  
Chief Financial Officer  
22 May 2023

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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).*