CALEDONIA INVESTMENTS

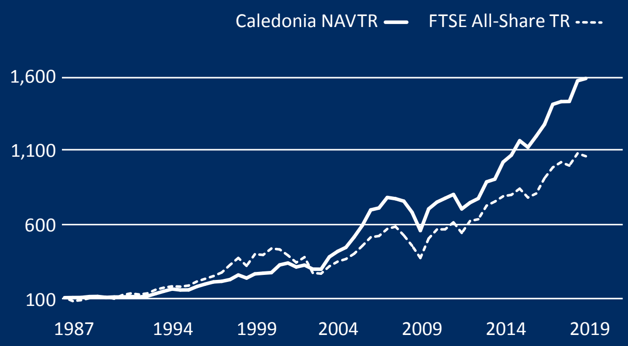
Annual report 2019

Year ended 31 March 2019

Welcome to Caledonia

Caledonia is a self-managed investment trust company with net assets of £2.0bn. Our aim is to grow net assets and dividends paid to shareholders over the long term, whilst managing risk to avoid permanent loss of capital. We achieve this by investing in proven well-managed businesses that combine long term growth characteristics with an ability to deliver increasing levels of income. We hold investments in both listed and private markets, a range of sectors and, particularly through our fund investments, a global reach. The success of this strategy can be seen in the performance of Caledonia's NAV per share total return measured against the FTSE All-Share since 1987 and a record of 52 years of increasing its annual dividends.

NAV total return growth since 1987



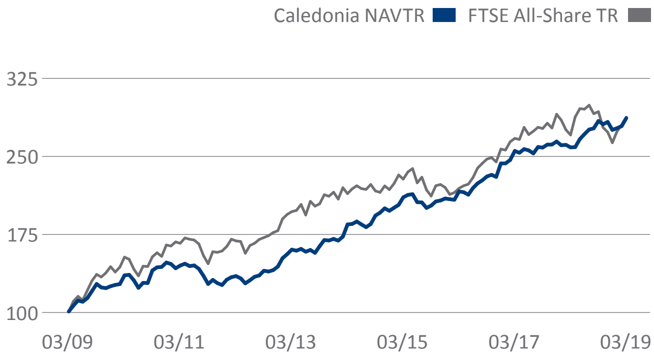
Company highlights
for the year ended 31 March 2019

- Net asset value per share total return of 10.9%
- Annual dividend per share up 4.0% to 59.3p
- 52nd consecutive year of annual dividend increases

Results summary

	31 Mar 2019	31 Mar 2018	Change %
Net assets	£2,002m	£1,837m	9.0
NAV per share	3582p	3285p	9.0
Annual dividend per share	59.3p	57.0p	4.0

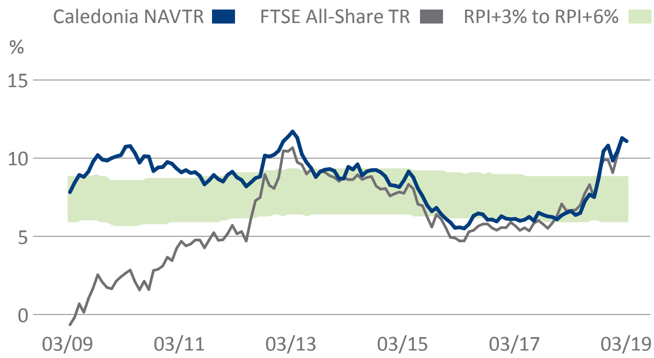
NAV total return growth over ten years



Performance

	1 year %	5 years %	10 years %
NAV total return	10.9	55.6	185.9
Total shareholder return	14.8	78.2	200.2
FTSE All-Share Total Return	6.4	34.5	186.8
Annual dividend growth	4.0	20.8	75.4

Annualised ten year rolling performance

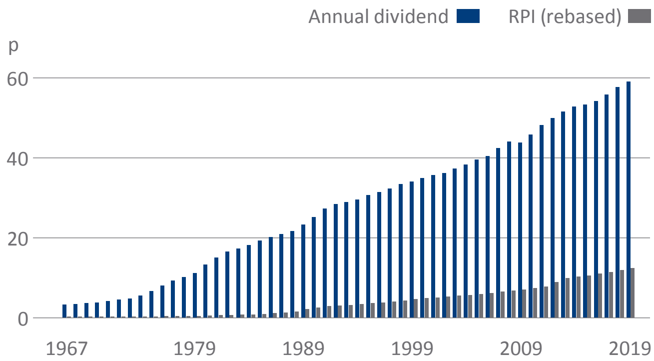


Pools

	Value £m	Return %
Quoted	464.4	21.0
Income	224.5	2.9
Unquoted	659.5	11.4
Funds	482.7	15.0
Portfolio	1,831.1	13.6
Cash and other[1]	170.9	
Net assets	2,002.0	10.9

1. Includes non-pool investments totalling £28.9m.

Annual dividend growth over 52 years



See page 24 for a description of performance measures used by the company.

Chairman's and Chief Executive's report

Aim

Caledonia's objective is to grow net assets and dividends over the long term, whilst managing risk to avoid permanent loss of capital.

Results

Our net asset value per share total return ('NAVTR'), which measures how the company has performed considering both capital returns and dividends paid to shareholders, was 10.9% over the year. This was in excess of the board's annual performance target of RPI+3% to RPI+6% and reflected the healthy growth in value of both our listed and unquoted portfolios. Investors have been aided by strong market and economic fundamentals, although the sharp falls witnessed in most asset classes in the last quarter of 2018 was a sharp reminder that confidence remains fragile at what could prove to be a late stage in a long bull market cycle.

Markets and volatility

Caledonia is somewhat unusual, as its investment portfolio combines listed holdings and direct unquoted investment together with funds. It is designed to give shareholders a less volatile journey that protects their capital, but aims to grow it over the long term without taking undue risk. This strategy was put to the test during the steep market falls in the last quarter of 2018 and I am pleased to report that the portfolio did indeed suffer proportionately less than markets in general. This gives a degree of confidence that our portfolio construction and our underlying investee companies are giving shareholders the designed risk adjusted returns. We also retain an ungeared balance sheet, although individual companies within our portfolio do have borrowings secured on their own assets.

Investment performance

In the short term, Caledonia aims to deliver NAVTR ahead of inflation, as measured by RPI, by 3% to 6%. Over ten years, the board believes it is more appropriate to compare performance against the FTSE All-Share Total Return index, which the board regards as a reasonable indicator of what UK based shareholders might consider an acceptable long term return.

The table below shows that our investment performance is currently ahead of the various measures described above, outperforming both the FTSE All-Share Total Return by 4.5% and the top end of our target range by 2.5% in the year. Caledonia has also outperformed these measures over the longer term, with the exception of a minor under-performance against the FTSE All-Share Total Return over ten years.

	1 year %	3 years %	5 years %	10 years %
NAV total return	10.9	32.7	55.6	185.9
Total shareholder return	14.8	41.2	78.2	200.2
RPI+3% to RPI+6% target	5.4-8.4	6.0-9.0	5.3-8.3	6.0-9.0
NAVTR annualised	10.9	9.9	9.2	11.1
Performance vs RPI+3%	Above	Above	Above	Above
FTSE All-Share Total Return	6.4	31.3	34.5	186.8
NAVTR vs FTSE All-Share TR	4.5	1.4	21.1	(0.9)
Performance vs FTSE	Over	Over	Over	Under

Total return for the year was £229m, consisting of £177m of capital gains and £52m of income.

Income

Income from a portfolio is often perceived as less important than capital returns although, over the long term, it has a far more significant impact than is often assumed. Over the past ten years, for instance, the FTSE All-Share index increased by 100.5% on a capital basis, but on a total return basis, by 186.8%. Caledonia needs to pay its internal costs and a dividend annually and we aim to ensure that there is sufficient income flowing from our portfolio to achieve this on a covered basis. Income for the year amounted to £52m, an increase over the previous year of 13.3% and our dividend cover was 1.1x.

Asset allocation

	Pool allocations					
Pool	Strategic %	2019 %	2018 %	2017 %	2016 %	Return target %
Quoted	25-40	23	25	25	27	10.0
Income	15-20	11	11	11	12	7.0
Unquoted	35-45	33	25	30	39	14.0
Funds	15-20	24	25	21	19	12.5
Cash etc	(10)-10	9	14	13	3	

The allocation ranges expressed in the table above are a guide to ensure that our overall investment portfolio remains proportionately balanced. There will be times when the pools move outside their strategic ranges, often for extended periods, due for example to market movements, underlying performance, liquidity issues, unavailability of suitable target investments or the age profile of our existing investments.

Our portfolio is currently some 60% invested in unquoted businesses and funds and 40% in companies listed on stock exchanges. We have gradually reduced exposure to listed equities, taking profits as markets have risen over the past three years. Following a couple of years of exercising financial discipline, when no suitable new investments were found, the Unquoted pool invested in three new businesses this year and agreed a fourth, which is currently awaiting regulatory approval. Once this completes, the pool will return to within its expected allocation range. The Funds pool allocation remains above its target range, driven by its continued strong run of performance and the maturing of its private equity funds portfolio.

Pool	At Mar 2018 £m	Invest-ments £m	Realis-ations £m	Gains/ losses £m	At Mar 2019 £m	Income £m	Return[2] %
Quoted	452	29	(96)	79	464	10	21.0
Income	195	107	(71)	(7)	224	13	2.9
Unquoted[3]	464	315	(159)	36	660	28	11.4
Funds	470	109	(165)	69	483	1	15.0
Total pools	1,581	560	(491)	177	1,831	52	13.6
Non-pool[1]	29	(2)	2	–	29	–	(0.4)
Investments	1,610	558	(489)	177	1,860	52	13.4
Cash	208				112		
Other items	19				30		
Net assets	1,837				2,002		10.9

1. Non-pool investments comprised legacy investments and cash and receivables in subsidiary investment entities.
2. Returns for investments are calculated using the modified Dietz methodology and the overall return is the company's NAVTR.
3. Unquoted pool realisations included the transfer of a non-core investment valued at £1m to Non-pool investments and the valuations at 31 March 2019 included accrued income of £4m.

Pool performance

The performance of the portfolio was strong across all pools with the exception of the Income pool, with its majority exposure to UK assets which remain out of favour with investors, in large part due to Brexit.

The table below shows the annualised three and five year pool performance and aggregate net cash generated including income.

	Returns annualised		Cash generated over	
	3 years %	5 years %	3 years £m	5 years £m
Quoted	14.8	7.8	171	208
Income	2.9	3.8	(13)	(2)
Unquoted	12.2	14.2	177	247
Funds	15.2	18.6	4	16
Portfolio	12.3	11.5	339	469

Quoted pool

The Quoted pool is substantially invested in high quality compounding businesses in the US (55% of the portfolio) and its return of 21.0% for the year was nothing short of exceptional, returning double its target, considering the turmoil in markets only three months before the year under review ended. The portfolio has been constructed with market volatility in mind such that the full effect of downturns is mitigated. The performance during the fourth quarter downturn demonstrated this resilience, ending the calendar year 2018 up 5.0%, compared with falls in the FTSE All-Share of 9.5% and the S&P 500 of 4.4%. Risk has been well managed with £96m of divestments made during the year when individual holdings either became too large or too highly valued. Our main concern is one of extended valuations, especially of high quality, reliable companies that produce consistently good returns. There are few opportunities to put capital to work, although we expect that this could change if interest rate expectations start to anticipate increases in base rates or other macro-economic factors unsettle markets.

Income pool

Income for the year, the generation of which is the primary purpose of this pool, was £13m, equating to a yield of 5.7%. Capital performance was somewhat disappointing, although this was a year in which it proved difficult to avoid the vacillations of the market. High yielding UK equities, in which 74% of the pool's assets were invested, remained at the lower end of historic valuation ranges. Our longer-term outlook allows us to weather such storms and the income generated enables greater flexibility in investment in the remainder of Caledonia's portfolio.

Unquoted pool

The Unquoted pool's total return for the year was a healthy 11.4%. The past twelve months have been exceptionally busy, with the team involved in purchasing three businesses, including a co-investment with Cobepa, and selling one. In October 2018, our investment in the residential care homes operator, Choice Care Group, was sold to a fund managed by iCON for £99m (including £7m of pre-sale dividend), which represented a return of 1.9x on our capital and an IRR of 14.3%.

In July 2018, we purchased an 89% stake in Cooke Optics, a Leicester based manufacturer of cinematography lenses, for £63m and advanced £30m of debt to this long-established business. The underlying growth in the market for lenses is being driven by the demand for new content by companies such as Netflix, Apple and Amazon, as well as the fast-developing Chinese film industry.

Chairman's and Chief Executive's report continued

We also purchased in October 99% of the equity of Deep Sea Electronics ('DSE'), a world leading, Yorkshire based manufacturer of controllers for electricity generators and battery chargers, for £117m. DSE has a high share of the global market for its products and is expanding into the market for controllers for off-highway and utility vehicles.

In February, we invested £23m in BioAgilytix alongside Cobepa, owned by Cobehold. BioAgilytix is a US headquartered bioanalytical testing solutions provider.

A fourth acquisition, when completed, will be a minority shareholding in Stonehage Fleming & Partners, which provides family office services to high net worth families. Caledonia will purchase 36.7% of the equity of the business for approximately £92m, with deferred consideration of up to an additional £21m if certain financial targets are achieved. Stonehage Fleming is one of the leaders in the fast-growing ultra-high net worth market. The acquisition of this holding is dependent on receiving approval from regulators in the various jurisdictions in which the company operates.

The companies in the Unquoted pool's existing portfolio have performed in line with expectations. Seven Investment Management completed the acquisition of Tcam Asset Management, though overall profits fell in a year strongly influenced by volatile markets. Buzz Bingo completed a rebranding exercise from its previous name of Gala Bingo, which involved significant investment into its retail estate, as well as launching its online bingo platform. Liberation went through a year of consolidation of the previous year's pub acquisitions, strengthened its management team led by new CEO, Jonathan Lawson, and opened a new bottling and distribution centre in Polden, Somerset. Cobehold, the Belgian investment company, had a strong year, driven by the profitable sale of one of its portfolio companies, Exclusive Group. We exited some smaller, legacy businesses and several properties were sold profitably by Brookshire Capital, a joint venture property investment and trading group managed capably by Alex Wildman and Neil Taylor. In addition to net capital gains of £36m, the Unquoted pool produced £28m of income during the year.

Funds pool

The Funds pool returned 15.0% for the year which, compared with previous years, was driven by a wider base of funds as the pool matures. The US and Asian private equity portfolios are driving growth in valuations, although we are still some way from seeing substantial net receipts of cash. Particularly strong growth came from JF Lehman, our fund of funds investments and also from Boyne Capital, a Florida-based private equity firm focused on investments in lower middle market companies. We reduced our holdings in quoted market funds to provide cash flow for the private equity portfolio and it is likely this pattern will continue in subsequent years.

Further detailed discussion of the investment portfolio can be found in the investment review. It is worth noting that the extraordinarily successful Capital Today China fund, which has been the backbone of our Asian portfolio, has made a return of over 10x the commitment of $20m made in 2006.

Dividend and discount

Our share price rose by some 12.5% over the year and our discount reduced by 2.5% to 16.8%. The month end discounts have ranged between 22.1% and 13.9%, the latter being reached during the stock market falls in late 2018.

The board is recommending a final dividend of 43.2p per share to shareholders at the AGM in July. Together with the interim dividend of 16.1p per share this will give a total for the year of 59.3p at a cost of £32.5m. This would represent an increase of 4.0% over 2018 and would be our 52nd year of consecutive growth of the dividend, a considerable achievement. Although Caledonia's dividend yield, which averaged about 2% for the year, is not particularly high, our history of sharing with shareholders via occasional special dividends periodic gains from investing brings the overall pay-out levels to above 3% taken over a ten year period.

Board

After almost ten years as our Finance Director, Stephen King stepped down from the board at the end of November last year to pursue a non-executive career. We would like to extend our thanks to Stephen for his contribution to Caledonia over that time and to wish him well in his future roles.

In March, we welcomed Tim Livett to the board as Chief Financial Officer. Tim joined us from a similar position at the Wellcome Trust, where his knowledge and insight gained from overseeing the risk and performance of its asset management division, responsible for the Trust's £23bn mixed asset portfolio, should greatly assist our own investment team.

Outlook

There is an unavoidable sense of 'fin de siècle' with this bull market in equities, now in its tenth year. The strongest influence on investor confidence seems to be the direction of interest rates, particularly in the US. There is, of course, a direct effect on earnings of companies should the cost of capital increase. The Federal Reserve, having been gradually raising interest rates to their current 2.5%, signalled that it would not raise rates further in the near future. This provided the impetus for the market recovery in January. It will be worth following closely the signals coming from both the US and UK central banks, as they have a direct effect on listed markets. With US tax cuts now in the past and trade talks with China showing no signs of resolution, there is much of which the investor should be wary.

We have been unusually active over the past year in UK unquoted markets and have been fortunate to find companies that value our differentiated proposition over the simple measure of price. We have a relatively immature unquoted portfolio that will take a combination of time and further capital to develop and grow. In the meantime, our portfolio of fund assets and high-quality listed companies offers prospects for further growth. Whilst we anticipate continued periods of turbulence, especially in quoted markets, over the medium term we are confident that our portfolio and measured, long term approach will continue to achieve the aims set by the board.

David Stewart
Chairman

Will Wyatt
Chief Executive

The Chairman's and Chief Executive's report on pages 2 to 5 and additional reports on pages 6 to 29 comprise the Strategic report of the company. The Strategic report was approved by the board on 28 May 2019 and signed by Mr Wyatt on its behalf.

Business model and strategy
How we create value

What we do

Caledonia invests in proven well-managed businesses that combine long term growth characteristics with an ability to deliver increasing levels of income.

We identify and invest in companies that meet our investment goals and risk appetite

We organise our portfolio into four pools, each with a strategic allocation of capital, investment strategy and return targets, with an overall balance to provide a long term, risk mitigated return in line with our strategic objectives

Quoted pool

25-40%
Strategic allocation

10%
Target return

Equity holdings in listed companies with proven long term returns, global reach and strong market presence. Opportunities are identified through research.

Income pool

15-20%
Strategic allocation

7%
Target return

Investments in global listed equity with a reliable and growing annual income stream – targeting a net yield of 4.5% pa, and providing a source of readily accessible liquidity. Opportunities are identified through research.

Unquoted pool

35-45%
Strategic allocation

14%
Target return

Holdings in established private companies with proven management teams, seeking long term growth capital. Opportunities are identified through our network of contacts.

Funds pool

15-20%
Strategic allocation

12.5%
Target return

Invests in private equity and quoted market funds to provide exposure to regions and sectors where we are less able to invest directly. We search for successful fund managers, whom we monitor for an extensive period before committing funds.

To deliver on our strategic objectives

1. Deliver FTSE All-Share outperformance over ten years and shorter term returns between RPI+3% and RPI+6%
2. Pay an increasing annual dividend
3. Manage investment risk consistent with long term wealth generation

How we do it

Caledonia's family backing, long term reputation, network of contacts and proprietary capital differentiates our investment proposition and underpins our ability to deliver long term capital growth and increasing annual dividends for shareholders.

We use our resources and relationships

The Caledonia team
We aim to recruit and retain high quality investment executives to maintain deal flow and investment continuity, who understand and can execute Caledonia's investment philosophy.

Business network
Essential to support our business, our reputation as a supportive and constructively involved long term investor enables us to develop our network of business contacts. They assist us to identify opportunities and carry out due diligence, as well as being invaluable to the management of our investee companies.

Strong balance sheet
Our strong balance sheet, with no permanent corporate debt, allows us the flexibility to invest in both private equity and quoted opportunities over a longer (ten year) timeframe, significantly reducing the investment cycle risk.

Reputation
Caledonia's heritage can be traced back to the shipping empire established by Sir Charles Cayzer in 1878 and still benefits from the backing of the Cayzer family. Caledonia has been listed on the London Stock Exchange since 1960, has been an investment company since 1987 and with investment trust status since 2003.

To apply our disciplined investment process

Our investment process is at the heart of creating investment returns and is tailored to the nature and risk of each pool. Investment opportunities are identified through our business network and company research. An initial review will identify opportunities with characteristics which meet our strategic risk/return appetite.

Extensive and ongoing business and financial due diligence is conducted, often using independent advisers, before a final investment decision is made. Investments are subject to a formal executive approval process and continuous performance monitoring and risk reviews.

Board approval is required for all investments and disposals over £20m.

To manage investment risk

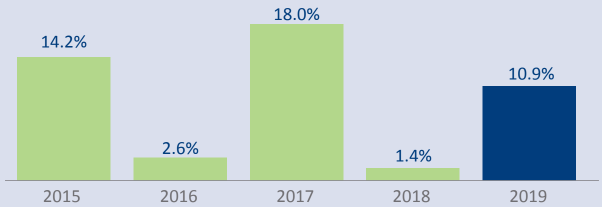
- Strategic investment allocation
- Investment timing
- Investment volatility
- Liquidity
- Geographical exposures
- Resources and relationships
- Reputation
- Investee leverage
- Regulation

Business model and strategy continued
Key performance indicators

How we measure our performance

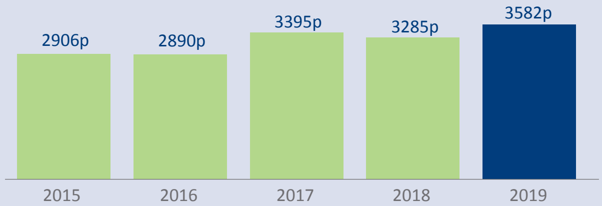
Metric | **Link to objective**

Net asset value total return ('NAVTR')
NAVTR is a measure of how the net asset value ('NAV') per share has performed over a period, taking account of both capital returns and dividends paid to shareholders. NAVTR is calculated as the increase in NAV per share plus the accretion from assumed dividend reinvestment over the period, detailed in note 16 to the financial statements.



Link to objective: 1 2

NAV per share
NAV per share is a measure of the value of the company per share, calculated by dividing net assets by the number of shares in issue, adjusting for shares held by the employee share trust and for dilution by the exercise of share awards, detailed in note 16 to the financial statements.

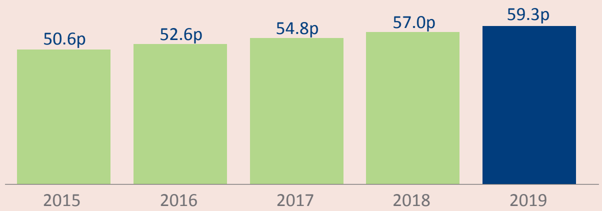


Link to objective: 1

Net revenue
Net revenue comprises income from investments less management expenses and tax. It differs from comprehensive income in excluding gains and losses on investments and other items of a capital nature. This separation of profits and losses is of importance to investors in investment trust companies.

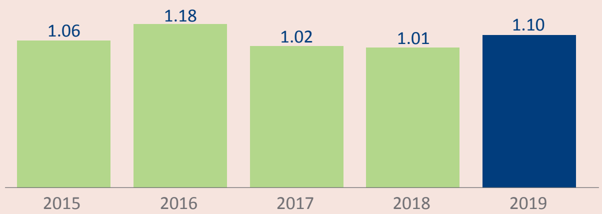
Link to objective: 2 3

Annual dividend
Annual dividend is the per share amount payable to shareholders out of profits for the year, excluding any special dividends.



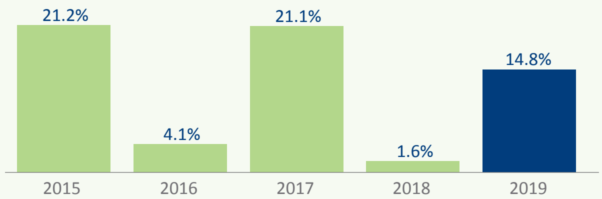
Link to objective: 2

Dividend cover
Dividend cover is the ratio of net revenue (described above) to the annual dividend payable to shareholders out of profits for the year. It helps to indicate the sustainability of annual dividends.



Link to objective: 2 3

Total shareholder return ('TSR')
TSR measures the return to our shareholders through the movement in the share price and assuming the reinvestment of dividends paid during the year.



Link to objective: 1 2

How we have progressed in the year

Continued outperformance of long term NAVTR against the FTSE All-Share TR index.

Significant impact on performance from foreign exchange.

Pool returns in the year were as follows:

	Value £m	Total return %	Return excl forex impact %
Quoted	464.4	21.0	15.5
Income	224.5	2.9	1.7
Unquoted	659.5	11.4	11.7
Funds	482.7	15.0	7.3
Portfolio	1,831.1	13.6	10.0
Cash and other	170.9		
Net assets	2,002.0	10.9	8.1

5.7%

yield from the Income pool has helped increase net revenue over the year by 14.3%.

4.0%

increase in annual dividend for the year.

52 years

of consecutive annual dividend increases.

1.10x

annual dividend fully covered by portfolio income in the year.

14.8%

TSR over the year, resulting from a 12.5% increase in share price, a narrowing of the discount from 19.3% to 16.8% and dividends paid of 57.6p.

Investment review
Performance and analysis

Over the year, our investment performance delivered a 10.9% NAV total return.

In recent years, we have rebalanced our portfolio, increasing diversification, yield and portfolio liquidity whilst reducing investment concentration and the number of subscale investments.

Our investment process is at the heart of our creating current investment returns and future prospects. We have an unconstrained approach, which allows us to invest across regions, sectors, size and time horizons. Our research and disciplined process is fundamental to our choice of investments.

Performance

Our NAV total return for the year was 10.9%, following on from a total return of 1.4% in 2018, 18.0% in 2017, 2.6% in 2016 and 14.2% in 2015. Over the year, we have continued to develop our long term portfolio through new investment, funded by disposals and managed reductions in holdings. The portfolio has contributed a good level of income, but performance has been impacted in the year by a high proportion of early stage investments and a relatively high cash position. Our investments, excluding non-pool investments, produced a 13.6% return. After returns on net cash (held centrally), together with management and other expenses, NAV total return was 10.9%.

The 13.6% investment return comprised valuations gains and losses on our investments, together with the income that they yielded.

Pool	At Mar 2018 £m	Investments £m	Realisations £m	Gains/ losses[2] £m	At Mar 2019 £m	Income £m	Return[2] %
Quoted	452.3	29.3	(96.5)	79.3	464.4	9.6	21.0
Income	194.6	106.9	(70.3)	(6.7)	224.5	13.4	2.9
Unquoted[3]	463.5	315.2	(158.8)	35.8	659.5	27.6	11.4
Funds	470.5	109.3	(165.5)	68.4	482.7	1.5	15.0
Total pools	1,580.9	560.7	(491.1)	176.8	1,831.1	52.1	13.6
Non-pool[1]	29.0	(2.3)	2.3	(0.1)	28.9	–	(0.4)
Investments	1,609.9	558.4	(488.8)	176.7	1,860.0	52.1	13.4
Cash	207.8				112.3		
Other items	18.9				29.7		
Net assets	1,836.6				2,002.0		10.9

1. Non-pool investments comprised legacy investments and cash and receivables in subsidiary investment entities.
2. Returns for investments are calculated using the modified Dietz methodology and the overall return is the company's NAVTR.
3. Unquoted pool realisations included the transfer of a non-core investment valued at £1.0m to Non-pool investments and the valuations at 31 March 2019 included accrued income of £4.0m (2018 – £0.2m).

Investment returns

The total return on investments, excluding non-pool subsidiary investment entities holding cash and receivables, was 13.6%. The principal contributors to this performance were as follows:

Name	Gain/loss £m	Income £m	Return £m	Return %
Aberdeen US PE funds	17.6	0.6	18.2	28.6
Choice Care Group	10.4	7.1	17.5	21.3
Microsoft	13.4	0.6	14.0	44.3
Cobehold	11.4	1.6	13.0	14.2
JF Lehman funds	10.8	–	10.8	43.6
Thermo Fisher Scientific	10.4	0.1	10.5	42.5
Income pool	(6.7)	13.4	6.7	2.9
Other investments	109.5	28.7	138.2	
Total pool returns	176.8	52.1	228.9	13.6

The Aberdeen US PE funds were the largest contributor to return. Along with the JF Lehman funds, Aberdeen saw its portfolio company valuations marked up in strong US private equity markets, due to increased multiples. These returns also benefited from the strengthening of the US dollar against sterling over the year. The second largest contributor to return was Choice Care Group, which was sold in October 2018, delivering a 1.9x money multiple and an IRR of 14.3% over our five years of ownership. Both Microsoft and Thermo Fisher Scientific reported strong earnings growth over the year, propelling their market valuation, again helped by the strengthening US dollar. Cobehold continued its recent growth, despite the strengthening of sterling against the euro.

Returns from other investments totalling £138.2m comprised investments with individual returns amounting to less than £10.0m.

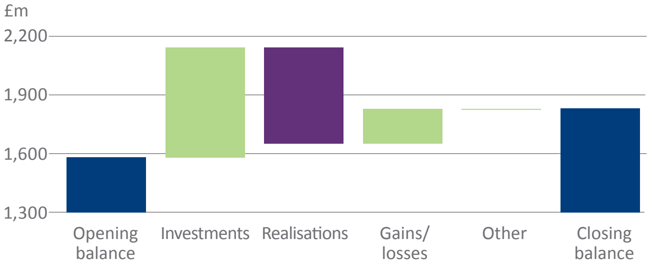
Overall, around one-third of returns was attributable to currency movement, principally the strengthening of the US dollar to sterling. The forex adjusted returns reported on page 9 reflect the local currency returns on investments, based on the currency of the security. It does not attempt to look through investments to reflect the currency effect on the underlying performance of those investments.

The other factor limiting performance was the below average 2.9% return from our Income pool. Although the pool achieved its primary target of delivering a 5.7% dividend yield (against its target 4.5%), the portfolio was impacted by poor share price performances from Vodafone, Swedbank and DS Smith.

Investment movements

At the beginning of the year, the overall value of our pool investments (excluding cash and other net assets) was £1,580.9m. After, principally, £69.6m of net investment and £176.8m of net gains, the pool investments value increased to £1,831.1m at the year end. The following chart illustrates the components of this movement:

Change in pool investments



Investments

Total pool investments during the year were £560.7m (2018 – £217.4m), summarised as follows:

Name	Pool	Cost £m
New investments		
Deep Sea Electronics	Unquoted	167.2
Cooke Optics	Unquoted	92.7
BioAgilytix	Unquoted	23.0
Texas Instruments	Quoted	15.0
New fund drawdowns	Funds	12.7
		310.6
Follow-on investments		
Aberdeen US PE funds	Funds	17.4
Seven Investment Management	Unquoted	16.5
Buzz Bingo	Unquoted	14.2
Other fund drawdowns	Funds	79.4
Income pool	Income	106.9
Other follow-on investments		15.7
		250.1
Total pool investments		560.7

During the year, we invested £310.6m in new holdings, including £167.2m (including a £50.0m loan that was subsequently repaid) in Deep Sea Electronics, the UK manufacturer of control systems for generators and battery chargers. We invested £92.7m (including a £30.0m loan facility) in Cooke Optics, the UK manufacturer of premium cinematography lenses for the film, television and advertising industries. We invested £23.0m in BioAgilytix, a US bioanalytical testing solutions provider, as a co-investor alongside Cobehold (in which we hold an investment), which acquired the business in November 2018. We invested £15.0m in Texas Instruments, the US semiconductor and integrated circuits manufacturer and supplier to electronic designers and manufacturers globally.

Investment review continued
Performance and analysis

New fund investments comprised initial drawdowns by new fund commitments to Blue Wolf, a US transformational investor in middle market companies, Unicorn, a Chinese venture capital fund of funds, Advantech, focusing on innovation-driven growth capital in China, and Redview, focusing on traditional growth capital in China.

Follow-on investments totalled £143.2m, including a further £16.5m in Seven Investment Management, to enable it to purchase Tcam, a Scottish asset management business, and £14.2m in Buzz Bingo, to support its online gaming development and rebranding from Gala Bingo. Follow-on fund drawdowns in the period totalled £96.8m, including £17.4m for the Aberdeen US PE funds.

The £106.9m invested through the Income pool principally reflected new investments in Vodafone, Phoenix, DS Smith, Tritax Big Box and Cineworld, together with additional investments in several existing holdings.

Realisations
Proceeds from pool realisations during the year totalled £491.1m (2018 – £306.6m), summarised as follows:

Name	Pool	Proceeds £m
Choice Care Group	Unquoted	92.3
Deep Sea Electronics	Unquoted	50.0
NTAsset funds	Funds	42.7
Macquarie Asia New Stars fund	Funds	40.7
Jardine Matheson	Quoted	32.7
Flowserve	Quoted	32.5
Capital Today China fund	Funds	18.6
Arlington AVM Ranger fund	Funds	15.3
JF Lehman funds	Funds	10.3
Income pool	Income	70.3
Other realisations		85.7
Total pool realisations		491.1

Our most significant realisation was within the Unquoted pool, where we disposed of our 87.4% fully diluted stake in Choice Care Group, a leading provider of residential and supported living services for people with learning disabilities and mental health conditions, to an iCON Infrastructure Partners fund, for £99.4m, including £7.1m of pre-sale dividends. Over the five years of our investment, Choice Care Group delivered an IRR of 14.3% and a money multiple of 1.9x.

As noted, our investment in Deep Sea Electronics in October 2018 included a £50.0m loan, which was repaid the following month.

In the Funds pool, we redeemed our interest in the NTAsset and Macquarie Asian and part of our interest in the Arlington AVM Ranger quoted market funds, receiving £42.7m, £40.7m and £15.3m respectively. We also received substantial distributions from the Capital Today China and JF Lehman funds.

In the Income pool, we realised £70.3m, mainly through the sale of our holdings in APA Group, AT&T, Philip Morris, Altria, Greene King and Standard Life Aberdeen.

Distribution analysis
Pools
The following chart shows the distribution of net assets at 31 March 2019 between the pools of capital and cash.

Pool distribution

	2019	2018
Quoted pool	23%	25%
Income pool	11%	11%
Unquoted pool	33%	25%
Funds pool	24%	25%
Cash and other	9%	14%

The table illustrates a movement of value during the year from cash to the Unquoted pool, following the investment in Deep Sea Electronics, Cooke Optics and BioAgilytix, offset by the sale of Choice Care Group.

Our current allocation between pools is outside our long term strategic target allocation. We would anticipate normalising the allocation as market opportunities allow over time.

Geography

The following chart shows the distribution of net assets between regions. The basis of this analysis is the country of listing, country of residence for unlisted investments and underlying regional analysis for funds.

Geographic distribution

	2019	2018
United Kingdom	35%	32%
Europe	19%	13%
North America	27%	25%
Asia	10%	16%
Cash and other	9%	14%

We do not manage our portfolio through a strategic geographical allocation. Nonetheless, the mix of pool strategies provides a broad geographical portfolio.

Over the year, there has been a shift of focus from Asia to the UK, Europe and North America. The primary factors affecting this were the investments in Deep Sea Electronics and Cooke Optics, offset by the sale of Choice Care Group, in the UK and the redemption of the Asian NTAsset and Macquarie funds.

At the end of the year, non-UK investments accounted for 56% of net assets (including net cash). However, much of our investment is in multinational companies, which generate a proportion of their revenues overseas. The following chart estimates the geographic analysis at 31 March 2019 by revenue generation, which shows an investment exposure to non-UK economies of 66% of net assets.

Geographic by revenue generation

	2019	2018
United Kingdom	25%	26%
Europe	17%	15%
North America	25%	21%
Asia	19%	20%
Other countries	5%	4%
Cash and other	9%	14%

Asset class

The following chart shows the distribution of net assets at 31 March 2019 by asset class. Listed securities represented 34% of net assets at the year end and unlisted investments (direct investments and funds) in total accounted for 57%, overall a small move from cash to private companies over the year.

Asset class distribution

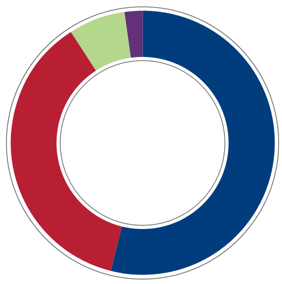
	2019	2018
Listed equities	34%	35%
Private companies	33%	25%
Private equity funds	20%	16%
Quoted market funds	4%	10%
Cash and other	9%	14%

The periodic sale and investment of large direct unlisted investments can cause shorter term changes in the above distribution of asset classes.

Currency

The following chart analyses net assets at 31 March 2019 by currency exposure, based on the currencies in which investments or cash and other assets are denominated or traded.

Currency exposure



	2019	2018
Pound sterling	54%	50%
US dollar	37%	40%
Euro	7%	7%
Other currencies	2%	3%

During the year, the effects of realising US dollar denominated funds and shares and converting to sterling resulted in a net increase in our sterling exposure.

Investment review continued
Quoted pool

The Quoted pool is a concentrated global portfolio of listed equities.

Our focus is on mature, long term businesses with significant presence in their market space and where assets consistently produce strong returns on capital, giving strength to their balance sheets.

+21.0%
return over the year
23% of net assets at 31 March 2019

	£m
Opening value	452.3
Investments	29.3
Realisations	(96.5)
Valuation gains/losses	79.3
Closing value	464.4
Investment income	9.6

The Quoted pool contains holdings in well-managed publicly quoted companies, held for the long term. These investments typically offer substance, brand, intellectual property and strong market positions. We target opportunities that have a long term record of return on capital employed and a strong balance sheet. In common with the wider Caledonia philosophy, we look to invest in companies whose business model emphasises long term accumulation of value, consistent with our target returns and risk.

The pool started the year with 19 core investments valued at £452.3m and ended with 19 holdings with a value of £464.4m, with £29.3m of investments and £96.5m of realisations (2018 – £52.0m and £72.3m respectively) and net valuation gains of £79.3m. New investments included £15.0m in Texas Instruments in the US. We also added a further £6.4m to our holding in Charter Communications and £5.0m to Waters Corp. Realisations included £32.7m from our holding in Jardine Matheson and £32.5m from Flowserve Corp.

Including £9.6m of dividend income, the Quoted pool recorded a return of 21.0%, following last year's return of 3.6%.

In general, US stocks performed well over the year, enhanced by the impact of the strengthening US dollar.

Significant pool investments

								Income in the year		
Name	Business	Geography	First invest	Equity held %	Book cost £m	Value £m	Pool %	Revenue £m	Capital £m	Total return %
Microsoft	Infrastructure technology	US	2014	<0.1	12.6	43.2	9.3	0.6	13.4	44.3
AG Barr	Soft drinks	UK	1977	4.4	0.6	40.4	8.7	0.9	8.0	25.8
Spirax Sarco	Steam engineering	UK	2011	0.8	11.3	40.3	8.7	0.5	8.0	26.8
Oracle	Infrastructure technology	US	2014	<0.1	19.5	31.5	6.8	0.4	7.3	27.8
Thermo Fisher Scientific	Biotech development	US	2015	<0.1	13.2	31.3	6.7	0.1	10.4	42.5
Becton Dickinson	Medical technology	US	2015	0.1	16.3	30.2	6.5	0.3	5.9	25.5
Polar Capital	Fund manager	UK	2001	5.9	0.4	29.1	6.3	1.7	0.2	6.7
Charter Communications	Cable communications	US	2017	<0.1	23.3	27.4	5.9	–	5.6	26.1
Hill & Smith	Infrastructure products	UK	2011	2.8	7.6	27.1	5.8	0.7	(1.9)	(4.2)
Nestlé	Packaged foods	Switzerland	2011	<0.1	15.6	24.7	5.3	0.5	5.7	33.3
Waters	Chemical testing services	US	2017	0.2	15.4	24.5	5.3	–	6.7	44.3
Other investments					106.3	114.7	24.7	3.9	10.0	
					242.1	464.4	100.0	9.6	79.3	21.0

The above table included the pool's investments over 1% of company net assets at the year end.

Income pool

The Income pool comprises a portfolio of 20 investments in listed international businesses of global scale and market presence.

The pool targets a net yield of 4.5%.

+2.9%

return over the year
11% of net assets at 31 March 2019

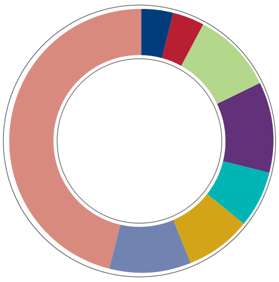
	£m
Opening value	194.6
Investments	106.9
Realisations	(70.3)
Valuation gains/losses	(6.7)
Closing value	224.5
Investment income	13.4

Over the year, the Income pool invested £106.9m and realised £70.3m. Net dividend income during the year was £13.4m, representing a net yield of 5.7% on average invested capital.

The Income pool was created in March 2011. Over the eight years since inception, the Income pool has produced a return of 61.2%, giving an annualised return of 6.1%, and provided a total £66.0m of income to Caledonia.

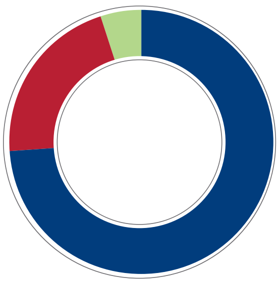
Over the course of the last year, the Income pool has continued to refine its investments, with the goal of increasing yield and reducing volatility. The number of holdings and the geographical weighting shifted to companies domiciled in the UK or with revenues generated in the UK, thereby reducing the impact of volatile currency movements on income and returns. The focus has remained on companies with a resilient earnings model, high cash flow generation and a high and growing dividend yield. In general, holdings are of similar size, at around £12m in value at the year end.

Sectors exposure



	2019	2018
Oil and gas	4%	5%
Industrials	4%	15%
Consumer goods	10%	15%
Health care	11%	9%
Consumer services	7%	6%
Telecommunications	8%	9%
Utilities	10%	11%
Financials	46%	30%

Regions exposure



	2019	2018
United Kingdom	74%	52%
Europe	21%	25%
North America	5%	19%
Asia Pacific	–	4%

Significant pool investments

Name	Business	Geography	First invest	Equity held %	Book cost £m	Value £m	Pool %	Income in the year Revenue £m	Income in the year Capital £m	Total return %
Phoenix Group	Insurance	UK	2018	0.3	13.9	15.3	6.8	0.5	1.4	15.0
Sabre Insurance	Insurance	UK	2017	2.0	12.0	14.6	6.5	0.3	2.0	19.7
Tritax Big Box	Property REIT	UK	2018	0.7	14.0	14.1	6.3	0.5	0.1	5.8
SCOR	Reinsurance	France	2011	0.2	9.3	13.9	6.2	0.5	1.6	17.3
Lloyds Banking Group	Banking	UK	2015	<0.1	15.5	13.2	5.9	0.5	(0.4)	1.3
Other investments					162.0	153.4	68.3	11.1	(11.4)	
					226.7	224.5	100.0	13.4	(6.7)	2.9

The above table included the pool's five largest investments at the year end.

Investment review continued
Unquoted pool

The Unquoted pool contains both majority and significant minority holdings in private companies. Our focus is on established businesses, led by sound management teams, where our target investment size of up to £125m provides a meaningful presence and growth capital supporting double digit operating margins.

+11.4%

return over the year
33% of net assets at 31 March 2019

	£m
Opening value	463.5
Investments	315.2
Realisations	(157.8)
Transfer to non-pool	(1.0)
Valuation gains/losses	35.8
Accrued income	3.8
Closing value	659.5
Investment income	27.6

After £315.2m of investments, £157.8m of realisations and net valuation gains of £35.8m, the Unquoted pool increased in value from £463.5m to £659.5m. Including £27.6m of income, the return over the year was 11.4%.

In October 2018, we sold Choice Care Group, a leading provider of residential and supported living services for people with learning disabilities and mental health conditions, to an iCON Infrastructure Partners fund for £99.4m. Choice delivered a net IRR of 14.3% and a money multiple of 1.9x.

Three significant investments were made during the year. In July 2018, we acquired 89% of the equity of Cooke Optics for £62.5m and provided £30.0m of debt. Founded in Leicester in 1886, Cooke Optics is the leading manufacturer of cinematographic lenses. In October 2018, we acquired 98.9% of the equity of Deep Sea Electronics for £117.2m and provided a loan facility of £50.0m, which was repaid in November. Based in the UK, Deep Sea Electronics is the world's leading designer and manufacturer of controllers for diesel-powered electricity generators and intelligent battery chargers. In February 2019, we invested £23.0m in BioAgilytix, a US-based provider of bioanalytical laboratory services to pharma and biotech companies.

In December 2018, we agreed terms to acquire 36.7% of Stonehage Fleming Family & Partners, one of the world's leading independently owned family offices, for approximately £92m, with potential deferred consideration of up to a further £21m. This transaction has not yet completed, being conditional on obtaining regulatory approvals in several jurisdictions.

The pool benefited from valuation gains in Liberation group and Cobehold, from improved trading and uplift in valuation multiples.

Significant pool investments

Name	Business	Geography	First invest	Equity held %	Book cost £m	Value £m	Pool %	Income in the year Revenue £m	Income in the year Capital £m	Total return %
Deep Sea Electronics	Control systems	UK	2018	98.9	117.2	117.2	17.8	0.2	–	0.1
Seven Investment Mgmt	Investment management	Jersey	2015	94.3	89.7	107.7	16.3	5.0	(1.2)	3.8
Cobehold	Investment company	Belgium	2004	5.4	32.3	104.9	15.9	1.6	11.4	14.2
Cooke Optics	Cine lens manufacturer	UK	2018	88.9	92.7	92.5	14.0	1.0	(0.1)	1.0
Buzz Bingo	Bingo operator	UK	2015	98.9	112.5	89.9	13.6	1.5	–	1.7
Liberation Group	Pubs and restaurants	Jersey	2016	97.9	92.4	83.2	12.6	1.9	6.8	11.7
BioAgilytix	Bioanalytical testing	US	2019	8.8	23.0	23.0	3.5	–	0.1	0.3
Sports Information Serv	Broadcasting services	UK	2005	22.5	16.7	20.7	3.1	9.0	(1.9)	37.8
Other investments					4.7	20.4	3.2	7.4	20.7	
					581.2	659.5	100.0	27.6	35.8	11.4

The above table included the pool's investments over 1% of company net assets at the year end.

Funds pool

The Funds pool comprises investments in both private equity and quoted market funds.

Our fund investments provide a broad exposure to areas of the world where it would prove more difficult for us to invest directly and where we believe the risk/reward ratio is commensurate with Caledonia's overall strategic aims. This is predominantly in North America and Asia.

+15.0%

return over the year
24% of net assets at 31 March 2019

	£m
Opening value	470.5
Investments	109.3
Realisations	(165.5)
Valuation gains/losses	68.4
Closing value	482.7
Investment income	1.5

The Funds pool performed well over the year achieving a total return of 15.0%, following a total return of 8.0% in the previous year. The US dollar had a positive effect in the current year, with the total return pre-forex being 7.3%. The previous year had seen an adverse impact because of the strengthening of sterling, but when performance is looked at over the past two years, the forex impact was limited.

The nature of the long term investment process within the Funds pool requires the continuous origination of, and investment in, new funds, to ensure effective vintage management. Returns are naturally phased towards later years of a funds life and, therefore, it is important to get a balance between maturing funds and those at their initial stage. Over the year, the returns from the investments in mature funds, including those managed by Standard Life Aberdeen and JF Lehman, more than offset the expected early losses from new fund investments. Younger funds are unduly impacted by fees before NAV growth of the underlying investments begins to be achieved.

During the year, we committed to several new private equity funds. In the Asia Pacific region, we committed $33m (£25.3m) to two new funds, and, in the US, we committed $80m (£61.4m) to three new funds. Realisations in the year amounted to £165.5m, comprising £104.3m of redemption from quoted market funds and £61.2m of fund distributions, including £18.6m from the Capital Today China fund, resulting from the sale of its holding in Yifeng, the leading China pharmacy chain store.

At the year end, undrawn fund commitments, including commitments to funds held in a subsidiary investment entity, amounted to £330.5m (2018 – £320.0m).

Significant pool investments

Name	Business	Geography	First invest	Equity held %	Book cost £m	Value £m	Pool %	Income in the year: Revenue £m	Income in the year: Capital £m	Total return %
Aberdeen US PE funds	Funds of funds	US	2013	n/a	59.7	86.5	17.9	0.6	17.6	28.6
JF Lehman funds	Private equity funds	US	2011	n/a	26.7	38.2	7.9	–	10.8	43.6
Axiom Asia funds	Funds of funds	Asia	2012	n/a	25.0	34.4	7.1	–	7.3	30.6
Asia Alternatives funds	Funds of funds	Asia	2012	n/a	18.8	33.2	6.9	–	5.9	23.2
Arlington AVM Ranger	Quoted market fund	US	2014	n/a	15.6	29.7	6.2	–	(2.1)	(4.5)
Overlook Partners	Quoted market fund	Asia	2016	n/a	15.6	24.7	5.1	–	1.0	4.4
Pacific Alliance fund	Private equity fund	Asia	2015	n/a	14.5	20.6	4.3	–	5.0	31.8
Other investments					163.6	215.4	44.6	0.9	22.9	
					339.5	482.7	100.0	1.5	68.4	15.0

The above table included the pool's investments over 1% of company net assets at the year end.

Investment review continued
Investments summary

Holdings over 1% of net assets at 31 March 2019 were as follows:

Name	Pool	Geography[1]	Business	Value £m	Net assets %
Deep Sea Electronics	Unquoted	UK	Control systems	117.2	5.9
Seven Investment Management	Unquoted	Jersey	Investment management	107.7	5.4
Cobehold	Unquoted	Belgium	Investment company	104.9	5.2
Cooke Optics	Unquoted	UK	Cine lens manufacturer	92.5	4.6
Buzz Bingo	Unquoted	UK	Bingo operator	89.9	4.5
Aberdeen US PE funds	Funds	US	Funds of funds	86.5	4.3
Liberation Group	Unquoted	Jersey	Pubs and restaurants	83.2	4.2
Microsoft	Quoted	US	Infrastructure technology	43.2	2.2
AG Barr	Quoted	UK	Soft drinks	40.4	2.0
Spirax Sarco	Quoted	UK	Steam engineering	40.3	2.0
JF Lehman funds	Funds	US	Private equity funds	38.2	1.9
Axiom Asia funds	Funds	Asia	Funds of funds	34.4	1.7
Asia Alternatives funds	Funds	Asia	Funds of funds	33.2	1.7
Oracle	Quoted	US	Infrastructure technology	31.5	1.6
Thermo Fisher Scientific	Quoted	US	Biotechnology development	31.3	1.6
Becton Dickinson	Quoted	US	Medical technology	30.2	1.5
Arlington AVM Ranger fund	Funds	US	Quoted market fund	29.7	1.5
Polar Capital	Quoted	UK	Fund manager	29.1	1.5
British American Tobacco	Quoted/Income	UK	Tobacco	27.8	1.4
Charter Communications	Quoted	US	Cable telecommunications	27.4	1.4
Hill & Smith	Quoted	UK	Infrastructure products	27.1	1.4
Nestlé	Quoted	Switzerland	Packaged foods	24.7	1.2
Overlook Partners fund	Funds	Asia	Quoted market fund	24.7	1.2
Waters	Quoted	US	Chemical testing services	24.5	1.2
BioAgilytix	Unquoted	US	Bioanalytical testing services	23.0	1.1
Sports Information Services	Unquoted	UK	Broadcasting services	20.7	1.0
Pacific Alliance fund	Funds	Asia	Private equity fund	20.6	1.0
Other investments				547.2	27.3
Investment portfolio				1,831.1	91.5
Non-pool investments				28.9	1.4
Cash and other				142.0	7.1
Net assets				2,002.0	100.0

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

Financial review

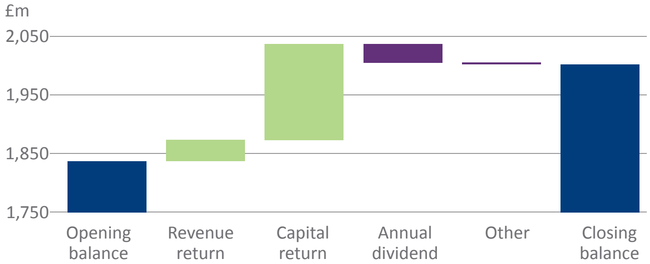
The strength of the company's balance sheet has continued to reflect our long term risk managed approach to capital accumulation. Sustained growth in net revenue supports a record of 52 consecutive years of annual dividend growth.

Caledonia's net assets are significantly exposed to global equity markets. The current year has been impacted by periods of higher volatility and overall returns have been limited. The market fell back during the fourth quarter of 2018, reflecting concerns over global trade and slowing economic growth, but recovered strongly through to the end of March 2019. Our non-UK assets benefited from continued sterling weakness throughout the year, as the outlook for the UK economy, particularly in terms of Brexit impact, remained uncertain.

Our balanced exposure to worldwide markets and asset classes has helped manage risk and our pool investments, whilst focused on long term value accumulation, achieved a return of 13.6%. After management expenses and non-pool investments, comprising subsidiary investment entities holding cash and receivables, the overall return was 10.9%, compared with the FTSE All-Share Total Return of 6.4%.

Caledonia's net assets increased to £2,002.0m at 31 March 2019, from £1,836.6m at the start of the year, as a result of strong investment performance.

Change in net assets



Total return

The company seeks to generate total return from both investment income and capital growth. For the year ended 31 March 2019, the total return was £199.7m (2018 – £25.4m), of which £36.0m (2018 – £31.5m) derived from income and £163.7m (2018 – £6.1m loss) from capital.

Revenue performance

Pool investment income in the year of £52.1m was 37.1% higher than last year's £38.0m (before £8.0m of dividends from non-pool investments). The lack of a dividend this year from The Sloane Club, sold in October 2017, was more than offset by a £7.1m pre-sale dividend from Choice Care Group, an increased £9.0m dividend from Sports Information Services, following the sale of SIS Live, and dividends of £5.0m from Seven Investment Management.

Financial review continued

As noted, last year's investment income included an £8.0m dividend from a non-pool subsidiary investment entity, originating from the proceeds of a Park Holidays pre-sale dividend of £26.7m received in April 2016.

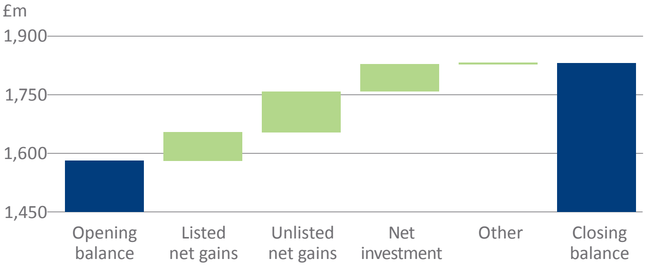
Pool investment income represented a net yield on monthly average pool values of 2.8%, compared with 2.3% last year.

Capital performance

Valuation net gains on investments totalled £176.7m (2018 – £6.8m). Overall, pool investments generated £230.6m of gains, offset by £53.7m of losses, and non-pool investments generated losses of £0.2m. The principal individual pool gains were £17.6m from the Aberdeen US PE funds, £13.4m from Microsoft, £11.4m from Cobehold, £10.8m from the JF Lehman funds and £10.4m each from Thermo Fisher Scientific and on the sale of Choice Care Group.

Overall, across the pools, our investment structure continued to provide a diversified counter balance to volatile markets, with listed investments recording a net valuation gain of £72.6m and unlisted investments a net gain of £104.3m.

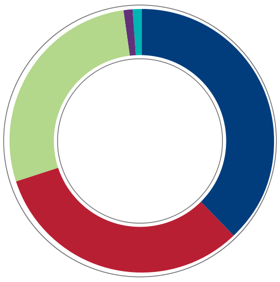
Change in pool investments value



The company maintains a prudent valuation approach to all investments. Our valuation methodology is described on pages 22 and 23. Earnings multiples are normally used for valuing unquoted companies with an established business and an identifiable stream of continuing earnings. Specific adjustments are made to multiples, where applicable, to account for points of difference between the comparators and the company being valued, including the risk a purchaser might perceive in buying a company in a state of change. Although the price of recent investment generally provides a good indication of fair value for a limited period after the date of relevant transaction, for recently acquired investments, earnings multiple models will be developed and calibrated to the transaction price. Unlisted fund investments are based on manager's NAV, which in turn uses recognised valuation techniques.

The following chart summarises the source of valuations across the portfolio, illustrating that 70% of the portfolio value is subject to either market prices or independent external valuation:

Pool investments by valuation technique



Quoted price	38%
Fund NAV	32%
Earnings	28%
Transaction	1%
Net assets	1%

Expenses

Caledonia allocates expenses between revenue and capital to adhere to the Association of Investment Companies' guidance and broader market practice. In addition to transaction costs, share-based payment expenses are allocated to capital. Caledonia's share-based compensation is directly linked to investment performance and is therefore properly viewed as an expense against gains on investments included in capital.

Caledonia's ongoing charges methodology reflects the purpose of the calculation as a measure of the ongoing costs of running funds in the absence of any purchases or sales of investments and assume that markets remain static throughout the period. In particular, costs relating to compensation schemes that are directly linked to investment performance are excluded.

Our ongoing charges ratio for the year was 0.92% (2018 – 0.91%). The ongoing charges ratio is calculated on an industry standard basis, comprising published management expenses over the monthly average net assets. The costs of underlying funds are not included in the company's ongoing charges. It should be noted that the principal difference between ongoing charges and MiFID II charges, included in our Key Information Document, is that the latter includes the underlying costs of managing our fund interests.

Overall, the company's revenue management expenses were 5.9% higher than last year at £17.9m (2018 – £16.9m). This primarily reflected an exceptional defined benefit pension cost of £0.5m arising from schemes already closed to new members but recognising the potential impact of GMP equalisation for the first time and other head office expenses.

Dividend

We recognise that a reliable source of growing dividends is an important part of shareholder total return over both the short and longer terms and have extended our record of growing annual dividends to 52 consecutive years.

We paid an interim dividend of 16.1p per share on 10 January 2019 and have proposed a final dividend of 43.2p. The total annual dividend for the year of 59.3p is an increase of 4.0% on last year.

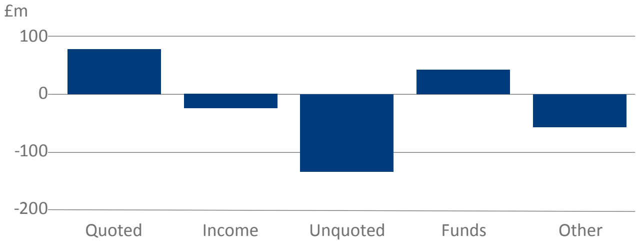
Including the proposed final dividend, the dividends to be paid out of revenue earnings for the year ended 31 March 2019 totalled £32.5m, which was more than covered by the net revenue for the year of £36.0m.

Cash flows, liquidity and facilities

Over the year, we maintained a relatively high level of cash, closing the year with £112.3m (2018 – £207.8m). This reduction was broadly accounted for by an excess of £558.2m paid for investment purchases less £473.7m received from realisations and dividends paid in the year totalling £31.6m.

The total cash flows over the year were analysed by pool as follows:

Net cash movement by pool



At 31 March 2019, the company had undrawn committed facilities of £250m, expiring between July 2020 and 2022, including £25m in its treasury subsidiary. In addition, the company had £26.5m of undrawn overdraft facilities, together providing total available liquid facilities of £276.5m.

Treasury management

The Treasury department provides a central service to group companies and conducts its operations in accordance with clearly defined guidelines and policies, which have been reviewed and approved by the board. Treasury transactions are only undertaken as a consequence of underlying commercial transactions or exposures and do not seek to take active risk positions. It is Treasury's role to ensure that the group has sufficient available funds to meet its needs in the foreseeable future.

Tim Livett
Chief Financial Officer

28 May 2019

Valuation methodology

Investments are measured at the directors' estimate of fair value at the reporting date, in accordance with IFRS *13 Fair Value Measurement*. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Publicly traded securities

Investments listed in an active market are valued at their bid price on the reporting date. When a bid price is unavailable, the price of the most recent transaction will normally be used.

Unquoted companies

Unquoted company investments are valued by applying an appropriate valuation technique, which makes maximum use of market-based information, is consistent with models generally used by market participants and is applied consistently from period to period, except where a change would result in a better estimation of fair value.

The value of an unquoted company investment is generally crystallised through the sale or flotation of the entire business, rather than the sale of an individual instrument. Therefore, the estimation of fair value is based on the assumed realisation of the entire enterprise at the reporting date. Recognition is given to the uncertainties inherent in estimating the fair value of unquoted companies and appropriate caution is applied in exercising judgments and in making the necessary estimates.

Caledonia's valuation methodology for unquoted companies is derived from the International Private Equity and Venture Capital Valuation Guidelines (December 2015), applying the following steps:

1. determine the enterprise value using an appropriate valuation technique
2. adjust the enterprise value for factors that a market participant would take into account, such as surplus assets, excess liabilities and other contingencies
3. deduct the value of instruments ranking ahead of those held to derive the attributable value
4. apportion the attributable value between the remaining financial instruments
5. allocate the amounts derived according to the holding in each financial instrument.

Valuation methods

Enterprise value is normally determined using one of the following valuation methodologies:

Price of recent investment

Where the investment being valued was recently acquired or a recent market transaction has taken place, its cost or transaction price will generally provide a good indication of fair value. This methodology is likely to be appropriate only for a limited period after the date of the relevant transaction.

Multiples

This methodology involves the application of an earnings multiple to the maintainable earnings of the business and is likely to be appropriate for an investment in an established business with an identifiable stream of continuing earnings.

Maintainable earnings are assessed using the latest available financial data. Earnings and balance sheet data are adjusted where appropriate for exceptional or non-recurring items and an average of more than one year's earnings may be used to estimate maintainable earnings for cyclical or volatile businesses.

The earnings multiple used is most commonly earnings before interest, tax, depreciation and amortisation ('EBITDA') and is determined by reference to market-based multiples appropriate for the business. Where possible, an average of several appropriate market multiples will be used. The aim is to identify comparator companies that are similar in terms of risk and growth prospects to the company being valued. The transaction multiples of similar comparator unquoted companies may also be considered in determining the earnings multiple.

Multiples of comparable companies may be adjusted individually or in aggregate to reflect points of difference between the comparators and the company being valued, with reference to the risk profile and earnings growth prospects that underpin the earnings multiple. Risk arises from a range of factors, including the nature of the company's operations, markets, competitive position, quality of management and employees and capital structure. Other reasons for adjustment may include the size and diversity of the entity, the rate of growth of earnings, reliance on key employees, diversity of products and customer base and the level of borrowing. More specifically, a company that is undergoing a period of change, such as new management, deploying new investment, or restructuring operations, is likely to affect the risk profile of its earnings. Adjustment will also be considered to the extent that a prospective acquirer would take account of additional risks associated with holding an unquoted share, including their ability to drive a realisation at will.

Net assets
The net assets methodology is likely to be appropriate for a business whose value derives mainly from the underlying value of its assets rather than its ongoing earnings, such as a property holding company or an investment business. It may also be appropriate for a business that is not making an adequate return on assets and for which a greater value can be realised by liquidating the business and selling its assets. A third party valuation may be used to give the fair value of a certain asset or group of assets, most commonly property assets.

Calibration and backtesting
When the price of an initial investment is deemed fair value (which is generally the case if the investment is considered an orderly transaction), the valuation techniques that are expected to be used to estimate fair value in the future are calibrated by using market inputs at the date the investment was made. Calibration validates that the valuation techniques using contemporaneous market inputs will generate fair value at inception and therefore give confidence that subsequent valuations using updated market inputs will generate fair value at each future measurement date.

Backtesting enables the valuer to understand any substantive differences that legitimately occur between the exit price and previous fair value assessment, by applying the information known at exit to the previous valuation technique. Backtesting is used to help refine the valuation process.

Fund interests
Fund interests refer to participations in externally managed investment vehicles that invest in a wider range of assets than is feasible for an individual investor and share the costs and benefits.

Open-ended funds, including investment companies with variable capital, typically report regular net asset values, which usually provide a reliable basis to estimate fair value. If the price reported by the fund is not available at the reporting date, the latest available price is used and may be adjusted to take account of changes or events to the reporting date, if material.

Closed-ended funds include unlisted investment companies and limited partnerships. For these investments, the fair value estimate is based on a summation of the estimated fair value of the underlying investments ('fund NAV') attributable to the investor. Fund NAV may be used where there is evidence that the valuation is derived using fair value principles and may be adjusted to take account of changes or events to the reporting date. Fund NAV reports are normally received some time after the reporting date, typically two or three months, but sometimes up to six months. The latest available fund NAV will normally provide the basis of a fair value estimate, adjusted for subsequent investments and realisations and other factors resulting from the time elapsing between the fund NAV and reporting dates. Adjustment may also be necessary for features of the fund agreement not captured in the valuation report, such as performance fees or carried interest.

If a decision has been made to sell the fund interest or portion thereof, the expected sales price would normally provide the best estimate of fair value.

Other investments
Other investments include preference shares, loan notes or facilities, options, warrants and treasury instruments that are not publicly traded and do not form part of an investment in an unlisted company. For such investments, appropriate valuation techniques are adopted and used consistently.

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.

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 expressed as pence per share. NAV 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. NAVTR assumes that dividends are reinvested at the NAV on the ex-dividend date.

Net revenue

Net revenue comprises income from investments less management expenses, financing costs and tax. Net revenue comprises the revenue column presented in the Statement of comprehensive income and differs from total comprehensive income in excluding gains and losses on investments and other items of a capital nature. The separation of revenue and capital profits and losses is required by the AIC SORP as of fundamental importance to shareholders and other users of the financial statements of investment trust companies.

Annual dividends

Annual dividends are dividends declared as part of the company's recurring dividend cycle and are typically paid out of earnings in a financial year. Annual dividend growth is the compound annual dividend growth rate over the period.

Dividend cover

Dividend cover is the ratio of net revenue (as defined above) to the annual dividend payable to shareholders out of profits for the year. It helps to indicate the sustainability of annual dividends.

Total shareholder return ('TSR')

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

Investment and pool returns

The company uses the modified Dietz method as a measure of the performance of an investment or pool over a period. This method divides the gain or loss in value plus any income, less any capital cash flows, by the average capital invested over the period of measurement.

The company also uses internal rate of return ('IRR'), being the discount rate that makes the net present value of all cash flows from an investment equal to zero, and realisation multiples or money returns, being the cumulative returns from an investment divided by the total investment, as an indicator of the performance of individual investments on exit.

Ongoing charges

Ongoing charges represent the operational expenses of managing the portfolio in normal circumstances. The company adopts the AIC methodology for calculating the ongoing charges as the annualised ongoing charges divided by the average undiluted net asset value per share in the period.

Expense items included in the ongoing charges calculation comprise recurring costs relating to the operation of the company. In addition to transaction costs and external performance fees, ongoing charges exclude share-based payment expenses, which are directly linked to investment performance, and re-measurement of defined benefit pension schemes, also linked to market movements. Share-based payments comprise awards under the company's performance share scheme, which vest subject to achieving NAVTR targets, as well as service requirements. Similarly, deferred bonus awards arise from annual bonus awards over 50% of basic salary, which relate to the company's investment performance.

Risk management

Effective risk management is a key component of the company's investment 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.

Caledonia risk governance and structure

Risk management and its governance is the responsibility of the board, with the executive given the task of ensuring an effective and transparent process to ensure risks are identified, documented, assessed and, where appropriate, mitigated. The board sets the risk appetite within the business model and this is communicated through the executive to all those with managerial responsibilities. Risks emanate from all parts of the business and are considered by all executives as part of their work, from origination of investments to ongoing monitoring and portfolio management.

The Audit Committee assesses and monitors the risk management processes and structure and specifically reviews the controls assurance programme. This programme identifies key mitigating controls, tests their operation and reports on compliance and effective operation. This, together with the audit findings report received from the external auditor and best practice guidance from other advisers, provides input to the board as a whole on the status of the risk management process.

Risk management reporting

Caledonia manages and reports risk through two primary areas of focus – an overall business risk report and a portfolio investment risk report.

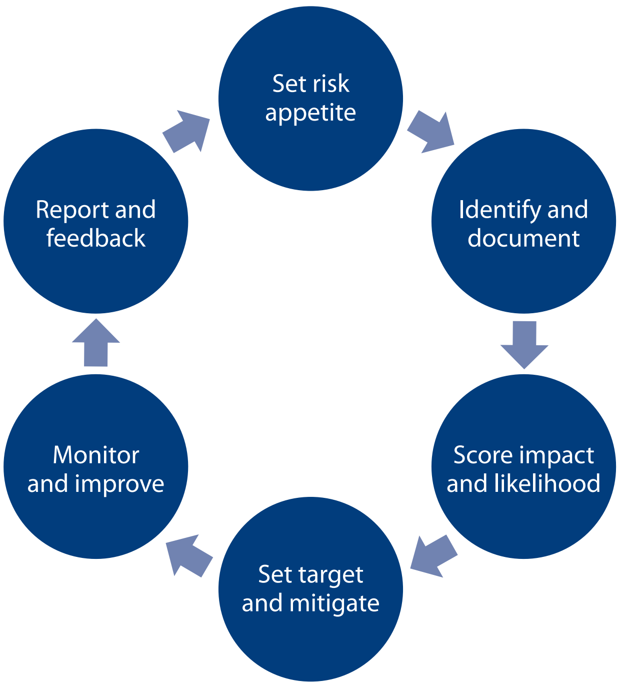
The business risk report considers the wider business environment of the group, including business continuity planning, IT and cyber security risks, regulatory risks and financial control risks. Caledonia manages business risk through a number of integrated processes and procedures operating throughout the year to provide risk visibility to both the executive team and the wider board.

Risk management continued

Caledonia risk management process

Business and operational risks are formally identified and assessed through a risk dashboard, capturing the most significant business risks facing Caledonia and documenting the actions required to achieve an acceptable level of risk. The business risk dashboard considers strategic risks, operational risks, market risks, liquidity risks and regulatory risks and is reported to the board half yearly.

Investment risks are identified in an investment risk report, specifically focusing on the more technical areas of investment portfolio risk in relation to Caledonia's investment strategy. This includes such risks as investment volatility, value at risk, diversification, liquidity and concentration.



Principal risks

Strategic

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 in relation to geography, sector, currency, yield and liquidity.

Investment

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 shareholder value.

Market

Risk of losses in value of investments arising from sudden and significant movements in market prices, particularly in highly volatile markets.

Caledonia's principal market risks are therefore equity price volatility, foreign exchange rate movements and interest rate volatility. An explanation of these risks is included in note 21.

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.

Operational

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.

Regulatory and legal

Risk 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 has been subject to increasing regulatory oversight.

Potential Brexit scenarios

Risk arising from changing consumer spending trends and impact of trade regulation and tariffs.

Potential volatility to quoted markets due to uncertainty as any Brexit outcome and impacts.

Mitigation	Key developments	Risk level change
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.	Caledonia reviews its investment strategy annually, taking into consideration the current and potential future investing environment and discussions with executives. The investment strategy is reviewed and approved by the board.	↔
Investment opportunities are subject to rigorous appraisal and a multi-stage approval process. Pool managers have well-developed networks through which they attract proprietary deal flow. Target entry and exit events and prices are monitored and updated regularly, in relation to market conditions and strategic aims.	Pool managers have continued to develop their own risk management processes during the year. The board regularly reviews investment risk at both pool and company portfolio level.	↔
Market risks and sensitivities are reviewed weekly and actions taken, where appropriate, to balance appropriately 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.	Caledonia has continued to operate a diversified geographical portfolio that provides a longer term hedge to geographical market risk and foreign exchange. Caledonia has a well-developed and wide ranging contact base, which, together with formal advisers, ensures that it understands the landscape arising from the impending market changes and how this might impact its business.	↔
Detailed cash forecasting for six months ahead is updated and reviewed weekly, including the expected drawdown of capital commitments. Loan facilities are maintained to provide appropriate liquidity headroom. The liquidity of the portfolio is reviewed regularly.	We have continued to manage our investment process to ensure that access to our available facilities is on a short term basis only. At 31 March 2019, we had net cash of £112m, together with undrawn, committed borrowing facilities of £250m.	↔
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 encourage the retention of key staff. Business continuity plans are maintained and updated as the business evolves.	Caledonia has implemented a policy addressing GDPR requirements in the year. It has also updated the staff handbook ensuring compliance with the 'speak up about company concerns' provisions of the 2018 UK Corporate Governance Code.	↔
Caledonia has internal resources to consider regulatory and tax matters as they arise. Use is made of advisers where necessary to supplement internal knowledge in specialised areas. Caledonia is a member of the Association of Investment Companies and is represented on its self-managed investment trust committee. Regular training is undertaken.	Caledonia produced the required Key Information Document, in compliance with the EU PRIIPs Regulation. This is available on the company's website.	↔
Continued monitoring of directly held unquoted investment performance and business model exposure to potential Brexit impacts. Continued monitoring of quoted market responses to Brexit impacts.	Our review of the continuing business models of our directly held unquoted investments have not revealed significant exposures to European regulatory or trading environments that might be impacted by Brexit scenarios. We continue to monitor potential impacts to quoted markets as the potential Brexit position develops.	↔

Sustainability

We are committed to building our business for the long term.

To this end, we consider the impact of our business on the marketplace, workplace and environment.

Marketplace

As an investment company, we are committed to a long term investment strategy and to maintaining effective relationships with those companies in which we invest. We take board seats in our unquoted investments and use these to maintain close relationships with managements of those companies. Additionally, we hold frequent meetings with managements and review internal documents, such as management accounts and reports.

We also make considered use of our voting rights. As a consequence of our involved investment style, we would expect to vote in line with management recommendations, but are prepared to abstain or vote against recommendations where we consider they are not in the interests of our shareholders.

We continue to meet with our shareholders and listen to any concerns they may have.

Workplace

Caledonia has in place a set of polices intended to protect employees from unlawful discrimination, offer them a working environment where they have a right to be treated fairly, with consideration and respect, and support high standards of conduct and performance. These policies assist in ensuring that the company meets applicable health and safety standards and treats disabled employees in accordance with its statutory obligations. These policies are communicated to employees by way of a staff handbook provided at the time of joining, with periodic updates thereafter.

In addition to a grievance procedure, which allows employees to raise concerns either formally or informally, there are formal whistleblowing arrangements in place, which enable members of staff to raise any issue of concern regarding possible impropriety in the conduct of the company's business, confidentially and independently of line management.

We have recently updated the 'speak up about company concerns' section in the Staff Handbook to comply with the 2018 edition of the UK Corporate Governance Code, which moved responsibility for whistleblowing procedures from the audit committee to the board.

A formal performance appraisal process, through which employees may be set objectives on an annual basis and their achievement against those objectives assessed at the end of the year, is intended to ensure that employees have a clear view of their performance and the ability to develop their potential within the company through additional training where necessary. Together with team meetings and company-wide briefings, this provides staff with the opportunity to be closely involved in the success of the business.

Equality and diversity

We believe that a diverse workforce will create the optimum environment in which our business will thrive and grow.

We are committed to creating an inclusive environment where our employees can develop and contribute fully.

In formulating and implementing our employment and recruitment policies, we ensure that they are at all times compliant with all relevant UK legislation. Recruitment, development and promotion are based solely on suitability for the job to be done. We will not discriminate on the basis of gender, sexual orientation, age, race, nationality, disability or political or religious belief.

The table below provides the gender split at different levels within the business.

	Male number	Female number	Female %
Board	8	1	11
Senior managers	14	3	18
All employees	34	28	45

Environment

Caledonia's environmental impact is limited. However, any measures taken to reduce this impact demonstrate the company's commitment to improve the environment and can have direct benefits through reductions in costs for energy and consumables.

Caledonia has operated from its newly refurbished Buckingham Gate property for a full year, with only minor reconfigurations to ensure improved efficiency.

In January 2019, it started the demolition of 29 Buckingham Gate, a property adjacent to its head office, in order to make maximum use of a joint development, letting out floor space to maximise productive use of the property.

Caledonia continues to encourage staff to recycle more paper, cardboard, glass, plastic, batteries and printer cartridges and to print less.

The refurbished offices are equipped with modern audio visual equipment, reducing the need for business travel.

In March 2019, the board adopted an electronic communications strategy to encourage shareholders to receive shareholder communications via Caledonia's website, rather than by printed documents through the post, in order to reduce the environmental impact of its printing and mailing activities.

Greenhouse gas emissions

Caledonia's carbon footprint has been estimated in line with the WRI/WBCSD Greenhouse Gas Corporate Accounting and Reporting Standard (GHG Protocol) and Defra guidelines.

The sources of greenhouse gas emissions shown in the table below are from the companies included in the consolidated financial statements. We do not have responsibility for reporting any emission sources from companies that are not included in our consolidated financial statements.

Operational scope	Source of GHG emissions	GHG emissions in year	Unit
Scope 1 (direct emissions)	• Combustion of fuel and operation of facilities • Air conditioning refridgerant loss • Company car use	201	Tonnes CO_2e
Scope 2 (indirect emissions)	• Electricity purchased for own use	21	Tonnes CO_2e
Scope 3 (indirect emissions)	• Business travel	655	Tonnes CO_2e
Total		877	Tonnes CO_2e
Key performance indicator	Scope 1, 2 and 3 normalised to full time employee equivalent	14	Tonnes CO_2e per FTE

Board of directors

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1 David Stewart
Chairman

Appointed a non-executive director of Caledonia in 2015 and Chairman in 2017, David is also Chairman of the Nomination Committee and a member of the Remuneration Committee. Having begun his career at Swire Pacific in 1981, he joined James Capel in 1986 and then Fidelity Investments in 1995, where he was Head of Emerging Markets and subsequently European President. From 2005 until 2013, he was Chief Executive Officer of Odey Asset Management before assuming a non-executive director role until 2014. He is a director and co-founder of IMM Associates and Chairman of Hermes Fund Managers.

David brings to the board extensive experience of international business and asset management in the UK, Asia and emerging markets, which enables him to provide effective leadership of Caledonia's board and valuable insight and advice in relation to the company's global portfolio.

2 Will Wyatt
Chief Executive

Will joined the Caledonia group in 1997 from Close Brothers Corporate Finance, working at Sterling Industries before transferring to Caledonia's head office in 1999 as an investment executive. He was appointed a director in 2005 and Chief Executive in 2010 and is also a member of the Nomination Committee. He has held board positions at numerous Caledonia investee companies and is currently a non-executive director of Cobehold. He is also a non-executive director of Real Estate Investors, a trustee of the Rank Foundation and Chairman of Newmarket Racecourses.

Will brings to the board corporate finance and investment expertise, broad senior management experience and team leadership skills, which enable him to provide effective leadership of Caledonia's management team in executing the board's strategy.

3 Tim Livett
Chief Financial Officer

Tim was appointed as Caledonia's Chief Financial Officer with effect from 12 March 2019, joining from the Wellcome Trust, where he had been Chief Financial Officer since 2014. Prior to this position, he worked for Virgin Atlantic for ten years, initially as Finance Director and then as Chief Financial Officer, having previously held senior financial positions at Hudson Global Resources and British Airways.

Tim brings to the board extensive financial experience and his knowledge gained from his responsibilities for risk and performance oversight of Wellcome Trust's asset management division will be of particular value to Caledonia's management team.

4 Jamie Cayzer-Colvin
Executive Director

Jamie joined the Caledonia group in 1995, initially working at its Amber speciality chemicals subsidiary before becoming an investment executive at Caledonia's head office in 1999. He was appointed a director in 2005 and is currently a member of the advisory committee of a number of Caledonia's fund investments. He is also Chairman of The Henderson Smaller Companies Investment Trust, a non-executive director of Polar Capital Holdings and Chairman of Heritage of London Trust and the Bronze Oak Tree Project.

Jamie brings to the board broad senior management experience and investment expertise and he specifically contributes to the long term sustainable success of the company through his leadership of Caledonia's funds investment strategy.

5 Stuart Bridges
Independent Non-Executive Director

Appointed a non-executive director of Caledonia in 2013, Stuart is Chairman of the Audit Committee and a member of the Governance and Nomination Committees. A chartered accountant, he has been Chief Financial Officer of Control Risks since July 2018, prior to which he was Group Chief Financial Officer of Nex Group from 2015 to 2017, which he joined after some 16 years as Chief Financial Officer of Hiscox. Prior to Hiscox, he held positions in various financial services companies in the UK and US, including Henderson Global Investors. He is a member of the Finance Committee of The Royal Institution.

Stuart brings to the board a wide knowledge of both the insurance and investment markets, as well as financial oversight expertise, the latter being particularly valuable to Caledonia in terms of his contribution to the board as Chairman of the Audit Committee.

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6 The Hon Charles Cayzer
Non-Executive Director

Having gained experience of merchant banking, commercial banking and corporate and project finance with Baring Brothers, Cayzer Irvine and Cayzer Ltd, Charles was appointed an executive director of Caledonia in 1985, becoming non-executive in 2012, and is also a member of the Nomination Committee. During his period as an executive director of Caledonia, he was responsible for a large number of investment acquisitions and disposals and served on the boards of many investee companies, mostly in the property and hotels sectors. He is currently Chairman of The Cayzer Trust Company and the Bedford Estate.

Charles brings to the board extensive knowledge of the commercial property sector and broad commercial management experience, which enables him to provide insight and constructive challenge across the breadth of Caledonia's investment activities.

7 Guy Davison
Independent Non-Executive Director

Appointed a non-executive director of Caledonia in January 2018, Guy is a member of the Audit and Nomination Committees. After qualifying as a chartered accountant, he spent four years at Larpent Newton before joining Cinven, the leading international private equity firm, in 1988 as a founding partner, remaining with the firm until his retirement in January 2017. During that time, he was central to the development of the business from the time of its buy-out from British Coal in 1995 to an international operation which today has offices throughout Europe and North America. During his 29 years at Cinven, he represented the firm as chairman or non-executive director at some 25 of its portfolio companies.

Guy brings to the board over 30 years' knowledge and experience of private equity investing, both in the UK and Europe, which is of particular benefit to Caledonia's board and its Unquoted team in evaluating new unquoted investment opportunities and managing its existing unquoted portfolio.

8 Charles Gregson
Senior Independent Non-Executive Director

Appointed a non-executive director of Caledonia in 2009, Charles is Chairman of the Governance and Remuneration Committees and a member of the Nomination Committee. He spent his business career at United Business Media and its predecessor companies in a number of divisional and head office roles and has served on a number of boards in the financial service sector, including St James's Place, Provident Financial, MAI and International Personal Finance, and in the media sector, including United Business Media and PR Newswire Europe. He is currently non-executive Chairman of Non-Standard Finance.

Charles brings to the board extensive senior board level experience, as well as experience of managing relationships with the media, regulators and the institutional investor community. Specifically, he contributes to the long term success of the company through his chairmanship of the Remuneration Committee, ensuring that senior executive remuneration supports Caledonia's overall strategy and business model in delivering long term increases in capital and income for shareholders.

9 Shonaid Jemmett-Page
Independent Non-Executive Director

Appointed a non-executive director of Caledonia in 2015, Shonaid is a member of the Audit, Governance, Nomination and Remuneration Committees. She spent the first 20 years of her career at KPMG in London and Tokyo, rising to the position of Partner, Financial Services. In 2001, she moved to Unilever, where she was Senior Vice President, Finance and Information for Asia, based in Singapore, before returning to the UK as Finance Director for Unilever's global non-food business. In 2009, she joined CDC Group as Chief Operating Officer, a position she held until 2012. Since then, she has focused on non-executive appointments and is currently non-executive Chairman of MS Amlin and a non-executive director of Greencoat UK Wind.

Shonaid brings to the board extensive financial oversight and international business experience, in particular in the Far East, which enable her to provide valuable insight and advice to the board, both in terms of its general decision-taking and through her committee memberships.

Corporate governance report

Caledonia recognises the importance of good corporate governance, which requires the board to define the framework of the processes, controls and limits within which the company should operate and to establish a working culture that is clear and understandable to everyone involved in the management of the company.

Membership and attendance

The board held eight scheduled meetings during the year and an additional three meetings were called at short notice. Attendance of the directors was as follows:

Director	Meetings attended	Meetings eligible to attend
D C Stewart	11	11
W P Wyatt	11	11
T J Livett[1]	1	1
J M B Cayzer-Colvin[2]	9	11
S J Bridges[3]	10	11
Hon C W Cayzer[4]	8	11
G B Davison[5]	10	11
C H Gregson	11	11
S C R Jemmett-Page	11	11
S A King[6]	7	7

1. Mr Livett was appointed a director on 12 March 2019.
2. Mr Cayzer-Colvin was unable to attend two board meetings, one called at short notice when he had a pre-existing commitment and one due to attendance at a funeral.
3. Mr Bridges was unable to attend one board meeting, which was called at short notice when he had a pre-existing commitment.
4. The Hon C W Cayzer was unable to attend three board meetings, one called at short notice when he had a pre-existing commitment, one when he was recovering from an operation and one where he absented himself due to a potential conflict of interest.
5. Mr Davison was unable to attend one board meeting, which was called at short notice when he had a pre-existing commitment.
6. Mr King ceased to be a director on 30 November 2018.

Statement of compliance

The board recognises the importance of good corporate governance and this report describes how the company has complied with the UK Corporate Governance Code ('Code') issued in April 2016 for the duration of the reporting period.

A copy of the Code is available on the website of the Financial Reporting Council at https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-2016.pdf.

The board

Overall responsibility and operation

The board as a whole is collectively responsible for the success of the company and for supervising its affairs. It sets the company's strategy, ensures that the necessary financial and human resources are in place to enable the company to meet its objectives and reviews management performance. It also defines the company's culture and sets the company's values and standards to ensure that its obligations to its shareholders and other stakeholders are understood and met. It aims to provide leadership of the company within a framework of prudent and effective controls, which enables risk to be assessed and appropriately managed.

To assist its operation, the board has adopted a Schedule of Authorities which sets out those matters which it specifically reserves for its own decision and those which are delegated to board committees and to executive management. Matters reserved for the board's own decision include the following:

- responsibility for the company's strategy, values and culture
- approval of the company's half-year results and annual report
- approval of the company's dividend policy and dividend distributions
- the appointment, re-appointment and removal of the external auditor
- the appointment and removal of directors of the company, as prescribed by the company's articles of association, and of certain other executives
- the terms of reference of board committees and the membership thereof
- directors' remuneration and terms of appointment
- annual budgets
- the company's systems of risk management and internal control, including procedures for detection of fraud and prevention of bribery
- responsibility for the company's arrangements to enable its employees to raise any matters of concern
- treasury policies, banking counterparties and counterparty exposure limits
- significant capital transactions
- political donations.

The roles of the Chairman, Chief Executive and the Senior Independent Director are separated and clearly defined in the Schedule of Authorities. The Chairman is primarily responsible for the leadership of the board to ensure that it carries out its role effectively and for succession planning. The Chief Executive is responsible for the implementation of the board's strategy and policies and the management of the company's activities, other than those matters specifically reserved to the board. The Senior Independent Director is responsible for providing a sounding board for the Chairman and, if necessary, to serve as an intermediary for the other directors and shareholders.

The Schedule of Authorities is reviewed annually by the board and the responsibilities of the board, the Chairman, the Chief Executive and the Senior Independent Director are published on the company's website.

All directors receive detailed papers in advance of board meetings to enable them to discharge their duties. They have unlimited access to senior management should further information be required and presentations by investment pool managers and other senior executives are regularly given to the board. The board also attends an annual conference and dinner with the senior executives of Caledonia's unquoted portfolio companies, which include presentations on individual businesses and give board members the opportunity to meet the management teams of the Unquoted pool investee companies, both formally and informally.

Appointment, induction and training

The company complies with the recommendation of the Code that all directors of FTSE 350 companies should be subject to annual election by shareholders.

On appointment, new directors are offered induction and training considered appropriate by the board, and subsequently as necessary, and the annual performance evaluation of the board encompasses the identification of any individual training needs of board members so that, if necessary, these can be reviewed by the Chairman with the directors concerned. The directors receive briefings at board meetings on regulatory and other issues relevant to the company and its business sector and, in addition, may attend external courses to assist in their professional development.

Board composition

The biographies of the directors appear on pages 30 and 31.

The board currently comprises nine directors. Excluding the Chairman, three of the directors are executive and five are non-executive. The board considers all of the non-executive directors to be independent, other than The Hon C W Cayzer, who was an executive director prior to becoming non-executive.

From September 2015 to May 2017, Mr Bridges was Group Chief Financial Officer of Nex Group, during which time Mr Gregson was its non-executive Chairman. The board does not consider that these previous roles with Nex Group has any influence on either Mr Bridges', or Mr Gregson's, ability to exercise independent judgement in relation to the affairs of Caledonia, which had no other connection with Nex Group. In addition, Mr Gregson's tenure on the board exceeded nine years in September 2018. The board does not consider that this length of service compromises Mr Gregson's ability to act as an independent director, but rather through his experience, character and conduct he continues to demonstrate independence of judgement in the matters considered by the board and those of its committees of which he is a member.

Mrs Jemmett-Page was Caledonia's audit partner at KPMG Audit Plc from November 1995 to March 2001. The board does not consider that this affects her independence given the length of time that has elapsed since this role ended and also the fact that none of the current board members, other than The Hon Charles Cayzer, were in post whilst she was audit partner.

Board committees

The board has delegated certain specific areas of responsibility to the following standing committees – the Nomination Committee, the Audit Committee, the Governance Committee and the Remuneration Committee. Further details of the work of each of these committees and their membership during the year are set out on pages 36 to 57.

The terms of reference of each committee are reviewed annually and are available on the company's website.

Corporate governance report continued

Other committees

Various other committees have been established with responsibility for specific areas of the company's activities, other than matters reserved to the board as a whole, as follows:

- The Administrative Committee of the board has been established to deal with administrative matters of a routine nature requiring board approval or matters which are reserved to the board, but for which board approval has already been given in principle. The Administrative Committee meets when required and comprises any two directors.
- The Executive Committee meets when required and is responsible for matters relating to the day to day management of the company's business, other than where delegated to other committees. It is chaired by the Chief Executive and other members comprise the Chairman, the executive directors, the heads of the pools of capital and the Company Secretary.
- The Investment Management Committee meets fortnightly and considers matters relating to the company's investment portfolio and monitors the company's cash requirements and its net asset value per share total return performance. The Investment Management Committee is chaired by the Chief Executive and other members comprise the entire investment team, the Company Secretary and the Deputy Company Secretary.
- The Investment Approvals Committee considers and formally approves new investments and proposed realisations. This committee meets when required, is chaired by the Chief Executive and other members comprise the Chairman, the executive directors, the heads of the pools of capital and the Company Secretary.
- The Compliance Committee meets fortnightly to monitor the company's ongoing compliance with the requirements for investment trust status and to approve all investment activity from an investment trust compliance perspective. It also monitors the potential impact of legal, tax and regulatory developments. The Compliance Committee is chaired by the Company Secretary and other members comprise the Chief Financial Officer, the Heads of Tax, Treasury and Finance, the Group Financial Controller and the Deputy Company Secretary.
- The Valuation Committee formally reviews valuations of all of the company's investments at each half-year and full-year. It is chaired by the Chief Executive and other members comprise the Chief Financial Officer, the Head of Finance and the Chairman of the Audit Committee. The meetings are observed by representatives from KPMG LLP.

Board performance evaluation

The board conducts an annual evaluation of its performance and that of its committees and, in accordance with best practice, engages an independent third party facilitator to assist in this process every three years. For the year ended 31 March 2019, the evaluation of the board as a whole and of its committees was undertaken internally, led by the Chairman, and was conducted by inviting individual board members to complete questionnaires regarding the operation and effectiveness of the board and its committees, the responses from which were collated by the Company Secretary and discussed at a special session of the board.

The evaluation of the performance of the Chairman was led by the Senior Independent Director and involved individual discussions with the other members of the board. The Chairman considered the performance of the non-executive directors and that of the executive directors was reviewed by the Chairman and the non-executive directors, with the Chief Executive also present for the discussion on the other executive directors.

The results of the 2019 evaluation process were presented in a report to the board. The conclusion was that the board functioned well in an atmosphere of open and constructive debate with the necessary breadth of skills, experience and viewpoints, although it was acknowledged that its current lack of gender diversity should be addressed. In terms of process, it was agreed that the board should receive formal periodic reports on staff-related matters, such as any instances of concerns or grievances raised and also any suggestions for improvements in the workplace culture, to assist the board in monitoring staff wellbeing within the company.

Directors' conflicts of interest

Each director has a duty under the Companies Act 2006 to avoid a situation where he or she has, or could have, a direct or indirect interest which conflicts, or may possibly conflict, with the company's interests. The Companies Act 2006 however allows directors of public companies to authorise conflicts and potential conflicts where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty.

There are safeguards in the company's articles which apply when the directors decide whether to authorise a conflict or potential conflict of interest. First, only independent directors, being those who have no interest in the matter being considered, are able to take the relevant decision and, second, in taking the decision, the directors must act in a way which they consider, in good faith, will be most likely to promote the success of the company. The directors are able to impose time limits or conditions when giving authorisations if they think this is appropriate.

The board has adopted procedures to address the requirements of the Companies Act 2006 in relation to directors' conflicts of interest. Each new director on appointment is required to declare any potential conflict situations, which may relate to him or her, or his or her connected persons. These are reviewed by the board and, if necessary, also by the Governance Committee, which then considers whether these situations should be authorised and, if so, whether any conditions to such authority should be attached.

Each board meeting includes a standing agenda item on conflicts of interest to ensure that all directors disclose any new potential conflict situations. These are then reviewed, again if necessary also by the Governance Committee, and authorised by the board as appropriate. A register of directors' conflicts of interest is maintained by the Company Secretary and is reviewed annually by the Governance Committee.

Relations with shareholders

The company welcomes dialogue with investors in order to achieve a mutual understanding of objectives. The Chief Executive and the Chief Financial Officer regularly hold meetings with institutional investors, private client stockbrokers and fund managers. The Chairman and other non-executive directors are also available to attend some of these meetings, if requested. Any views put forward by shareholders are reported back to the board, which periodically also receives presentations from the company's brokers on shareholder feedback and the general market perception of the company. In addition, the annual general meeting provides a forum for shareholders to meet the directors, both formally and informally.

The Chairmen of all of the board's committees will be available to answer questions at the annual general meeting.

Relations with controlling shareholders

As at 28 May 2019, being the latest practicable date prior to the publication of this annual report, the Cayzer family concert party ('Cayzer Concert Party') held 48.46% of Caledonia's voting rights.

Under the Financial Conduct Authority's Listing Rules, where a premium listed company has a controlling shareholder or shareholders (being a person or persons acting in concert who exercise or control 30% of more of the company's voting rights), the company is required to enter into a written and legally binding agreement which is intended to ensure that the controlling shareholder undertakes to comply with certain independence provisions, namely that:

1. transactions and arrangements with the controlling shareholder (and/or any of its associates) will be conducted at arm's length and on normal commercial terms
2. neither the controlling shareholder nor any of its associates will take any action that would have the effect of preventing the listed company from complying with its obligations under the Listing Rules
3. neither the controlling shareholder nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

The board confirms that agreements specified under the Listing Rules as described above (which were required to be in place by 17 November 2014) were entered into by the company on 30 October 2014 with The Cayzer Trust Company Limited ('Cayzer Trust') and separately with the Trustee of the Caledonia Investments plc Employee Share Trust ('Employee Share Trust'), which is deemed by the Panel on Takeovers and Mergers to form part of the Cayzer Concert Party, and remain in place. Under the terms of its agreement, Cayzer Trust has undertaken to procure the compliance with the independence provisions of all of the other members of the Cayzer Concert Party, other than the Employee Share Trust.

The board confirms that, during the period under review and up to 28 May 2019, being the latest practicable date prior to the publication of this annual report:

1. the company has complied with the independence provisions included in the agreements with Cayzer Trust and the Employee Share Trust
2. so far as the company is aware, the independence provisions included in the agreements have been complied with by Cayzer Trust and the Employee Share Trust
3. so far as the company is aware, the procurement obligation included in the agreement with Cayzer Trust has been complied with by that company.

David Stewart
Chairman of the board

28 May 2019

Nomination Committee report

The Nomination Committee is focused on evaluating the directors and examining the skills and attributes needed of board members. It is also responsible for identifying suitable candidates for new director positions.

Membership and attendance

The membership and attendance record of the Nomination Committee during the year was as follows:

	Meetings attended	Meetings eligible to attend
D C Stewart (Chairman)	3	3
S J Bridges	3	3
Hon C W Cayzer	3	3
G B Davison	3	3
C H Gregson[1]	2	3
S C R Jemmett-Page[1]	2	3
W P Wyatt	3	3

1. Mr Gregson and Mrs Jemmett-Page both absented themselves from one meeting which approved the renewal of their letters of appointment.

The Nomination Committee is responsible for the regular review of the structure, size and composition (including the skills, knowledge, experience and diversity) of the board and for giving consideration to succession planning for directors and, if requested by the board, for other senior executives. It is responsible for identifying, using external search consultants where necessary, candidates to fill board vacancies as and when they arise, for making recommendations to the board in relation thereto and for keeping under review the leadership needs of the company, both executive and non-executive.

The Nomination Committee also reviews the time required of the non-executive directors and ensures that they receive formal letters of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings.

Diversity

The board's policy on diversity is, as it has been in the past, to seek to appoint the best qualified person to a particular role, be it at board level or within the company, regardless of gender or other diversity criteria. It has not therefore adopted any measurable objectives in relation thereto.

The Committee is however sensitive to the current debate around diversity and is aware of the targets set by the Hampton-Alexander Review. It is therefore taking positive steps to improve the board's diversity by encouraging its search consultants to put forward female candidate for new board positions. Whilst appointments will continue to be made primarily on merit and it is cognisant of the risk that targets can become an end in themselves, it is the Committee's firm intention that the female representation on Caledonia's board will increase.

Work of the Nomination Committee

The Nomination Committee met three times during the year and the work undertaken included:

- Consideration of the structure, size and composition of the board as a whole in light of the 2018 board performance evaluation and also of the balance of skills, knowledge and experience of individual directors
- a formal review of succession plans for board members and the senior executive team
- consideration of the contributions and effectiveness of the non-executive directors seeking re-election at the 2018 annual general meeting, prior to giving recommendations for their re-elections
- the renewal of Mr Gregson's and Mrs Jemmett-Page's letters of appointment as non-executive directors
- the conduct of a search for a new Chief Financial Officer, concluding with a recommendation to the board that Mr Livett be appointed. The Committee engaged Russell Reynolds Associates, which has no connection with the company other than having advised on previous senior appointments, to assist in Mr Livett's recruitment.

David Stewart
Chairman of the Nomination Committee

28 May 2019

Audit Committee report

The Audit Committee plays a significant role in ensuring that the company's financial statements are properly prepared and that the system of controls that is in place is effective and appropriate.

Membership and attendance

The membership and attendance record of the Audit Committee during the year was as follows:

	Meetings attended	Meetings eligible to attend
S J Bridges (Chairman)	4	4
G B Davison	4	4
S C R Jemmett-Page	4	4

The Audit Committee is responsible for monitoring the integrity of the financial statements of the company and any announcements relating thereto and for reviewing any significant financial reporting judgements contained therein. In addition, it oversees the relationship with the external auditor, KPMG LLP ('KPMG'). It also reviews the company's systems of internal control and risk management procedures and considers annually whether an internal audit function is required.

The Audit Committee, comprised exclusively of independent non-executive directors, met four times in the year ended 31 March 2019, in May, July and November 2018 and in March 2019. After the year end, it met in May 2019 to consider the significant issues in relation to the 2019 annual report.

The external auditor, KPMG, the Chief Executive, the Chief Financial Officer, the Company Secretary and members of the finance team attended the May and November 2018 and March 2019 meetings of the Audit Committee and the Chairman, the Chief Executive, the Chief Financial Officer, the Company Secretary and a member of the Unquoted pool team attended the July 2018 meeting. Other board members and/or senior executives may also attend meetings at the invitation of the Audit Committee Chairman. At the end of each meeting, except the July 2018 meeting, the Audit Committee had a separate discussion with the external auditor without executive management present.

Work of the Audit Committee

The Audit Committee undertook the following activities in the discharge of its responsibilities.

Financial statements

The focus of the meetings in May and November 2018 was the 2018 annual report and financial statements and the 2018 half-year results respectively, including evaluation of the going concern statement and, in the case of the annual report, the viability statement therein.

The March 2019 meeting considered principally the audit planning for the 2019 annual report.

In its May 2019 meeting, the Audit Committee reviewed the form and content of the 2019 annual report and financial statements. In conducting its review, the Audit Committee considered reports prepared by management and the external auditor. These reports provided an analytical review of the financial statements, comparing the current to prior year financial position and results, and detailed the judgements and sources of estimation uncertainty involved in applying the accounting policies to the financial statements. The Audit Committee also considered any new accounting standards applicable and disclosure requirements. In addition, the Audit Committee considered reports prepared by management to support the going concern statement and the viability statement. The Audit Committee recommended the 2019 annual report to the board.

Audit Committee report continued

The significant issues the Audit Committee considered in relation to the 2019 financial statements were the valuation of unlisted investments. In relation to these financial statements, the Audit Committee also considered the going concern statement, the viability statement and compliance with the annual report 'fair, balanced and understandable' provisions of the UK Corporate Governance Code.

Unlisted valuations

The Audit Committee recognises that unlisted investments are a significant component of the financial statements and that their valuation is subject to considerable judgement and uncertainty. The Chairman of the Audit Committee attended the Valuation Committee meetings (along with the external auditor) and reported to the Audit Committee on the quality of the review, adherence to the company's valuation policy and consistency of valuation methodologies over time.

Going concern and viability

The directors are required to make a statement in the annual report as to Caledonia's long term viability. The Audit Committee provides advice to the board on the form and content of this statement, including the underlying assumptions. The Audit Committee evaluated a report from management setting out its view of Caledonia's long term viability and the content of the proposed Viability statement. This report was based on the group's base case of forecast liquidity over three years and forecast outcomes of stress tests, including a significant fall in income, a severe market downturn and the early settlement of outstanding fund commitments. The three-year period was chosen as it provided a reasonable degree of certainty, based on the company's expected activities.

Taking into account the assessment of the group's stress testing results, the Audit Committee agreed to recommend the Viability statement and three-year viability period to the board for approval.

The outcome of this activity led the Audit Committee to recommend to the board to make the statement on page 60.

Fair, balanced and understandable statement

The Audit Committee reviewed the draft annual report and, taken as a whole, considered it to be fair, balanced and understandable. To assist in reaching this view, the Audit Committee considered a report prepared by management highlighting the positive and negative statements included in the annual report to ensure that they fairly reflected the results for the year. The Audit Committee recommended to the board that the Statement of directors' responsibilities in respect of the annual report and the financial statements, set out on page 63, should be signed accordingly.

Internal control

The board of directors is responsible for the company's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee reviewed the effectiveness of the internal control environment and the structure in place to resolve identified weaknesses. The Audit Committee agreed the control review work plan for 2020 at its May 2019 meeting. During the year, the Audit Committee reviewed reports on internal controls, including a review of the operations of the accounting and treasury functions.

The Audit Committee also reviewed the Business Risk Report prepared by management identifying the principle business risks impacting the company, together with the mitigating controls in operation and actions identified for continuous improvement.

Internal audit

As the company does not have an internal audit function, the Audit Committee considers annually whether there is a need for one. The company is an investment trust and manages its non-consolidated subsidiaries as other private company investments, expecting them to operate their own risk management processes. The company closely monitors its control environment, including the uncertainty and impact of any Brexit outcome, and those of its private company investments. The Audit Committee recommended to the board that an internal audit function was not required.

Unquoted pool valuation guidelines

The focus of the meeting in July 2018 was to review the draft new Unquoted pool valuation guidelines and procedures, intended to address issues arising from the increased complexity of the company's Unquoted pool investments. In particular, whereas the previous valuation guidelines favoured maintaining a portfolio company at the transaction price for 12 months, the new guidelines proposed a rigorous process of testing the current veracity of the transaction price and, in the event of significant deviation, adjusting the valuation accordingly.

The Audit Committee confirmed itself to be happy to recommend the proposed Unquoted pool valuation guidelines and procedures to the board.

Auditor

The Audit Committee last conducted an audit tender process in mid-2011. The main outcomes of the process were the replacement of Deloitte (who had been the company's auditor since 2006) with KPMG and a plan for the development of the external audit approach. The principal planned changes were to increase the depth of the audit by reducing the materiality level and an increased focus on unquoted investment valuations and process.

In accordance with professional guidance, KPMG LLP changes the audit partner every five years. The current audit partner, Thomas Brown, was appointed in 2016.

The Audit Committee has decided that it will put the role of auditor out to tender at least every ten years, in accordance with the UK Corporate Governance Code and rules from the Competition and Markets Authority and EU legislation. Its current plan is to complete an audit tender in the financial year ended 31 March 2022, being ten years from the date of the last audit tender. The Audit Committee believes that the depth of knowledge of the company and its investments – particularly the majority owned unquoted investments – obtained by KPMG LLP over its tenure as auditor puts it in the best position to conduct an effective audit for members.

Audit effectiveness

Audit quality is reviewed continuously throughout the year by both the Chief Financial Officer and Audit Committee. The focus is centred on the following:

- the quality and seniority of the auditor's staff
- the appropriateness of the planned audit methodology as applied to Caledonia's business activity
- the level and challenge and quality of reporting to the Audit Committee.

The effectiveness of the audit is also monitored throughout the year using several measures, including but not limited to:

- a review and approval of the scope of the planned audit
- the planned implementation of improvements following appropriate post audit reviews
- the monitoring of the independence of the external auditor
- a review of any Financial Reporting Council's Audit Quality Review Report for KPMG's audit of the company.

During the year, KPMG's audit of the company's financial statements for the year ended 31 March 2018 was reviewed by the FRC's Audit Quality Review team, which assessed that the overall standard of KPMG's audit work had been good and confirmed that none of its findings were of sufficient significance to be included in its final report.

Non-audit work

To safeguard the auditor's independence and objectivity, the Audit Committee maintains a schedule of specific non-audit activities which may not be undertaken by the external auditor, within the broad principles that the external auditor should not audit its own work, should not make management decisions on behalf of the company, should not be put into the role of advocate for the company and that no mutuality of interest should be created between the company and the external auditor.

The Audit Committee has in place a policy for the provision of non-audit services, meeting the requirements of the 2016 revision of the UK Corporate Governance Code and the FRC Revised Ethical Standard implementing the EU Audit Regulation and Directive and the requirements of the Competition and Markets Authority's final Order.

Certain non-audit services are prohibited and permitted services are subject to approval by the Chief Financial Officer and Audit Committee. Total fees payable for non-audit work carried out by the company's auditor are subject to limits.

Re-appointment of KPMG as auditor

KPMG Audit Plc was appointed auditor in 2011 and was replaced by KPMG LLP in 2013. The lead audit partner is required to rotate every five years – this was done in 2016 – and other key audit partners every seven years. No contractual obligations restrict the Audit Committee's choice of external auditor. The Audit Committee concluded that KPMG provides an effective audit and the Audit Committee recommended to the board the re-appointment of KPMG LLP.

Resolutions to re-appoint KPMG LLP as auditor and to authorise the directors to determine the auditor's remuneration, will be proposed at the annual general meeting on 24 July 2019.

Private meetings

During the year, the Chairman of the Audit Committee met separately and privately with the Chief Financial Officer and KPMG.

Statement of compliance

This report has been prepared in compliance with the Competition and Markets Authority Order 2014 on statutory audit services for large companies.

Stuart Bridges
Chairman of the Audit Committee

28 May 2019

Governance Committee report

The Governance Committee monitors and reviews the ability of each director to act in the interests of shareholders as a whole and to exercise independence of judgement.

Membership and attendance

The membership and attendance record of the Governance Committee during the year was as follows:

	Meetings attended	Meetings eligible to attend
C H Gregson (Chairman)	2	2
S J Bridges	2	2
S C R Jemmett-Page	2	2

The Governance Committee keeps under review corporate governance issues relating to the company and is responsible for the monitoring and review of the ability of each director to act in the interests of shareholders as a whole and to exercise independence of judgement free from relationships or circumstances which are likely to, or could appear to, affect his or her judgement.

The Governance Committee also reviews conflict or potential conflict situations relating to directors, which may require the prior authorisation of the board under the Companies Act 2006, and makes recommendations to the board as to whether such conflict or potential conflict situations should be authorised and, if so, whether any conditions, such as duration or scope of the authority, should be attached. The Governance Committee reviews annually all authorisations previously granted by the board to ensure that they remain appropriate. If the Governance Committee believes that a director may be subject to a conflict of interest which may prejudice his or her ability to exercise independence of judgement, it may make such recommendations to the board as it may think fit, including that the director abstains from participating in any decision of the board or any of its committees on the matter concerned.

Work of the Governance Committee

The Governance Committee met twice during the year and the principal matters it considered were:

- the review and approval of the Corporate governance report for the year ended 31 March 2018
- the influence of the Cayzer family concert party ('Cayzer Concert Party') on Caledonia's board and whether it was in the general interest of the non-Cayzer Concert Party shareholders, with the conclusion that it was
- the review and approval, on behalf of the board, of the statements of compliance with the independence provisions of the Listing Rules relating to premium listed companies with controlling shareholders
- the review of potential conflict situations notified by directors in accordance with the Companies Act 2006 and the making of recommendations to the board in relation thereto.

Charles Gregson
Chairman of the Governance Committee

28 May 2019

Directors' remuneration report
Annual statement by the Chairman of the Remuneration Committee

The Remuneration Committee ensures that remuneration arrangements remain closely aligned to Caledonia's business model and strategy, the ultimate aim of which is to grow the company's net assets and dividends paid to shareholders in real terms over the long term, whilst managing risk to avoid permanent loss of capital.

Membership and attendance

The membership and attendance record of the Remuneration Committee during the year was as follows:

	Meetings attended	Meetings eligible to attend
C H Gregson (Chairman)	4	4
S C R Jemmett-Page	4	4
D C Stewart	4	4

The Companies Act 2006 requires the company's auditor to report to the shareholders on certain parts of the Directors' remuneration report and to state whether, in its opinion, those parts of the report have been properly prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The parts of the Annual report on directors' remuneration that have been audited are indicated in that report. The Annual statement by the Chairman of the Remuneration Committee and the Remuneration policy are not subject to audit.

On behalf of the board, I am pleased to introduce Caledonia's Directors' remuneration report for the year ended 31 March 2019.

Remuneration policy

Our current remuneration policy was approved by shareholders at the 2017 annual general meeting by a majority vote of over 99%. The principal elements of this policy are reproduced on pages 43 to 49 for ease of reference. No changes to the policy are proposed this year and therefore our next policy renewal will be in 2020.

Executive pay remains under close scrutiny by both Government and the investor community. A new UK Corporate Governance Code ('Code') was published by the Financial Reporting Council in July 2018, which will first apply for Caledonia's financial year ending 31 March 2020, and the Investment Association also updated its Principles of Remuneration ('IA Principles') in November 2018. Each contains new provisions in relation to executive pay, which the Remuneration Committee will consider closely in the formulation of its 2020 remuneration policy renewal. The Committee has however already implemented a number of measures in response to some of the new requirements of the Code and the IA Principles.

Directors' pensions have been an area of particular focus and the Investment Association has stated that it considers that the Code provision that directors' pension contribution rates should be aligned with those available to the workforce to mean that directors should receive no more than the rate given to the majority of the company's workforce. The Remuneration Committee has therefore taken the decision to adopt a single contribution rate for all of Caledonia's staff by increasing the standard rate of 12.5% of basic salary to 15% and by reducing the pension entitlements of the executive directors to the same level. This change took effect on 1 April 2019.

In line with the Investment Association's expectations, the Remuneration Committee also instructed its legal advisers to undertake a review of the documentation for the company's long term incentive plans, annual bonus scheme, remuneration policy and employee contracts to ensure that they are all consistent in terms of their malus and clawback provisions. The conclusion was that this documentation is consistent and that the Remuneration Committee can therefore be reasonably certain that the malus and clawback provisions are enforceable, if ever needed. The Committee has also adopted a formal malus and clawback policy, which sets out the processes that the Committee would expect to undertake when invoking malus and clawback.

Finally, notwithstanding that Caledonia is not legally required to do so, the Remuneration Committee has decided to report pay ratio information in relation to the Chief Executive in accordance with The Companies (Miscellaneous Reporting) Regulations 2018 and to do so this year rather than wait until 2020 when these regulations would otherwise first take effect. This information is set out on page 56 in the Annual report on directors' remuneration.

Directors' remuneration report continued
Annual statement by the Chairman of the Remuneration Committee

Changes to the board during the year

In July of last year, Caledonia announced that, after almost ten years of service, Stephen King would be stepping down from his position as Finance Director and leaving the company to pursue a non-executive career once a successor had been recruited. Stephen therefore remained in employment until 30 November 2018 and, in accordance with his service agreement, is entitled to a payment in lieu of the remainder of his 12 month notice period. In addition, the Remuneration Committee agreed to treat Stephen as a 'good leaver' under the performance share scheme and deferred bonus plan rules, meaning that he would be entitled to retain his unvested long term incentive awards subject to any applicable performance conditions, albeit reduced to reflect the proportion of such performance periods that Stephen was in employment. Stephen will not however receive any bonus for the part of the 2019 financial year that he was in post. Full details of Stephen's termination arrangements were published on Caledonia's website on 15 November 2018 and are reproduced in this year's Annual report on directors' remuneration.

In November, we announced the recruitment of Tim Livett as Caledonia's Chief Financial Officer. The Remuneration Committee agreed that he should receive a basic salary of £375,000, a maximum bonus opportunity of 100% of salary (of which any amount in excess of 50% of salary would be compulsorily deferred for three years under the company's deferred bonus plan), an annual award of 150% of basic salary under the company's performance share scheme and a pension entitlement of 17.5% of salary (since reduced to 15% as described above). Tim did not receive any sign-on commitments or compensation for loss of benefits from his previous employer.

The terms of both Stephen's departure and Tim's recruitment were strictly in accordance with the company's remuneration policy.

Remuneration for the year ended 31 March 2019

The Annual report on directors' remuneration set out on pages 50 to 57 describes in detail how our remuneration policy has been applied for the year ended 31 March 2019. I would however like to highlight the following points.

Annual bonus

Caledonia delivered strong net asset value per share total return ('NAVTR') for the year of 10.9% outperforming the increase in the Retail Price Index (taken for bonus purposes as 3.0%) by more than the 7% required to trigger the maximum bonus in respect of company performance. The Funds pool achieved a total return over the year of 15.0% which, for Jamie Cayzer-Colvin, also exceeded the 13.5% return needed to achieve the maximum pay-out for that element of his bonus. After assessing their individual performance and, for Jamie Cayzer-Colvin, also attainment of pool objectives, the Remuneration Committee awarded overall bonuses to Will Wyatt and Jamie Cayzer-Colvin of 91% and 100% of basic salary respectively.

Deferred bonus matching awards

No deferred bonus matching awards were granted to executive directors in 2016 which would otherwise have been tested by reference to Caledonia's annualised NAVTR over the three years to 31 March 2019.

Performance share scheme awards

The remaining half of the performance share scheme awards granted in 2014 (measured over five years) and the first one-third of the awards granted in 2016 (measured over three years) reached the end of their performance periods this year. In each case, the awards were measured by reference to Caledonia's annualised NAVTR over the relevant periods, which was 9.2% for the 2014 awards and 9.9% for the 2016 awards, giving vesting levels of 92% and 99% respectively. The Funds pool's annualised total return (relevant for 60% of Jamie Cayzer-Colvin's awards) for the five and three year periods was 18.6% and 15.2%, meaning that 100% of this portion of his 2014 and 2016 awards vested. Further details of the vesting scales for these awards can be found on pages 54 and 55.

The remaining two-thirds of the 2016 performance share scheme awards will be tested in 2021.

Remuneration for the year ending 31 March 2020

Looking ahead to the 2020 financial year, Jamie Cayzer-Colvin's basic salary has been increased with effect from 1 April 2019 by 2.5%, broadly in line with inflation, which was the same as the standard increase given to all of the company's staff. Will Wyatt and Tim Livett have not received any pay increase. The Chairman's and the non-executive directors' fees have also not been changed. As described above, the pension entitlements of all of the executive directors have been reduced to 15% of basic salary with effect from 1 April 2019.

We plan to make performance share scheme awards following the release of our 2019 full year results announcement in line with our normal grant cycle. The performance share scheme awards will be subject to the same performance measures as used for the 2018 award grants, which are summarised in the notes to the remuneration policy table on pages 46 and 47. Compulsory deferred bonus awards for Will Wyatt and Jamie Cayzer-Colvin for bonus received in excess of 50% of base salary will also be made at the same time.

Charles Gregson
Chairman of the Remuneration Committee

28 May 2019

Remuneration policy

Introduction

Set out below are the material elements of the directors' remuneration policy approved by shareholders at the annual general meeting held on 20 July 2017. This policy came into effect from that date and will apply until a revised remuneration policy is approved by shareholders, which will be proposed at the annual general meeting in 2020.

Implementation of the policy

There have been no changes to the current policy since its implementation and the extracts included below are for information only and to provide context for the 2019 Annual report on directors' remuneration which follows. References to share awards held by executive directors at the date of approval of the policy which have since been exercised have been removed and it has also been noted where share awards have met their performance targets since the implementation date. Executive directors' salary and service contract information has also been updated.

The full directors' remuneration policy is contained on pages 47 to 55 of the company's annual report 2017, which is available in the 'Literature' section of Caledonia's website at www.caledonia.com.

Under the current statutory regime, a company may only make a remuneration payment to a director or a payment for loss of office if it is either consistent with the most recently approved remuneration policy or, if not, is separately approved by shareholders. The Remuneration Committee considers that an effective remuneration policy needs to be sufficiently flexible to take account of future changes in the company's business environment, and in remuneration practice generally. In framing its policy, the Remuneration Committee has therefore sought to combine a level of breadth and flexibility to enable it to react to changed circumstances without the need for a specific shareholder approval, whilst at the same time incorporating sufficient detail and transparency to enable shareholders to understand how it will operate in different scenarios and feel comfortable that payments made under it are justified. Components of remuneration where the Remuneration Committee wishes to retain a level of discretion are identified in the relevant sections of the policy. The Remuneration Committee may also make minor amendments to the remuneration policy to aid its operation or implementation without seeking shareholder approval, for example to take account of a change in legislation or for regulatory, exchange control, tax or administrative purposes, provided that any such change is not to the material advantage of the directors.

Legacy arrangements

The policy is essentially forward looking in nature. In view of the long term nature of the company's remuneration structures – including obligations under service contracts, pension arrangements and incentive schemes – a substantial number of pre-existing obligations will remain outstanding at the time that the new policy is approved, including obligations that are 'grandfathered' by virtue of being in force at 27 June 2012 or which were incurred under the previous remuneration policy approved by shareholders at the 2014 annual general meeting. It is the company's policy to honour in full any pre-existing obligations that have been entered into prior to the effective date of this policy.

Objectives

The key objectives of the Remuneration Committee in setting the company's remuneration policy are as follows:

- remuneration of executive directors should be linked to the company's long term performance and its business strategy
- performance related remuneration should seek to align the interests of executive directors with those of the shareholders
- a significant proportion of executive directors' remuneration should be linked to the performance of the company and only receivable if demanding performance targets are achieved
- remuneration packages for executive directors should be competitive, but not excessive, in terms of market practice, in order to attract, retain and motivate executive directors of the quality needed to manage and grow the company successfully.

Remuneration structure

Executive directors

The table below sets out Caledonia's policy in relation to each component of executive director remuneration, with further explanations in the notes that follow.

Salary (fixed pay)	
Purpose and link to strategic objectives	To support the recruitment and retention of executive directors of the calibre required to manage and grow the company successfully.
Operation	Reviewed annually. The basic salaries of the executive directors for the 2019 financial year were: W P Wyatt: £540,000; S A King: £387,000; J M B Cayzer-Colvin: £327,000 and T J Livett: £375,000.
Opportunity and recovery or withholding provisions	Salary increases are normally awarded by reference to any increase in the cost of living, but may take into account other factors such as external market positioning, change in the scope of the individual's responsibilities or level of experience, development in the role and levels of pay elsewhere in the company. Year on year increases in basic salaries will not exceed inflation by more than 5%, other than in exceptional circumstances or where there is a change in role or responsibilities. No recovery or withholding provisions.
Performance measurement framework	Not applicable.

Directors' remuneration report continued
Remuneration policy

Benefits (fixed pay)	
Purpose and link to strategic objectives	To provide a range of benefits alongside basic salary to recruit and retain high calibre executive directors.
Operation	Executive directors are provided with family private medical insurance cover, death-in-service insurance, and permanent health insurance and, in the case of Mr Wyatt and Mr Cayzer-Colvin, a cash allowance in lieu of a company car. They are also entitled to receive minor benefits that are available to other Caledonia staff. The executive directors are also covered by the company's directors' and officers' liability insurance policy and have the benefit of an indemnity under the company's articles of association. Where there is a valid business reason for doing so, the company may pay for the cost of spouses or partners accompanying directors on business trips and reimburse directors for hotel accommodation and travel expenses (including payment of any tax thereon). Executive directors are also eligible to receive other minor benefits and expenses payments (again including payment of any tax thereon).
Opportunity and recovery or withholding provisions	A taxable benefits package that is competitive with the marketplace. The value of taxable benefits provided, other than ad hoc items incurred in connection with Caledonia's business that may be deemed taxable benefits such as travel and other expenses, will not in aggregate exceed 10% of basic salary. No recovery or withholding provisions.
Performance measurement framework	Not applicable.
Short term incentives (variable pay)	
Purpose and link to strategic objectives	To reward performance on an annual basis against key financial, operational and individual objectives.
Operation	Discretionary annual bonus scheme and deferred bonus plan under which a proportion of bonus may be compulsorily deferred into shares. Bonus is not pensionable.
Opportunity and recovery or withholding provisions	The maximum potential bonus is 100% of basic salary. Any bonus over 50% of basic salary is compulsorily deferred into shares for a period of three years. All bonus payments are subject to the overriding discretion of the Remuneration Committee, which also retains discretion to amend the proportions of bonus subject to compulsory deferral or not to require any deferral. In order to be entitled to an annual bonus, an executive director must normally be in the group's employment and not under notice of termination (either given or received) at the time the bonus is paid. The Remuneration Committee has the right to cancel or reduce any cash bonus or deferred bonus shares granted after the effective date of this policy which have not yet been paid or vested, in the circumstances described under long term incentives below. The Remuneration Committee also has the right to recover all or part of cash bonus paid or deferred bonus shares and dividend equivalent amounts awarded after the effective date of this policy within the two years following date of payment or vesting as applicable, in the circumstances described under long term incentives below.
Performance measurement framework	By reference to a combination of company performance against external benchmarks and individual performance against personal objectives. Executive directors with responsibility for pools of capital will have a proportion of bonus determined by reference to pool performance and objectives.

Long term incentives (variable pay)	
Purpose and link to strategic objectives	To motivate executive directors to deliver long term shareholder value, thereby aligning the interests of management with those of shareholders. To encourage long term retention of key executives.
Operation	Caledonia operates a performance share scheme under which participants are awarded nil-cost options over the company's shares.
Opportunity and recovery or withholding provisions	The maximum value of nil-cost options that may be granted in any year under the performance share scheme rules is 200% of basic salary, although the company's policy is to grant annual awards of no more than 150% of basic salary. On exercise of nil-cost options, participants will also receive an amount equivalent to the dividends and, if relevant, any associated tax credits that would have accrued on the shares during the relevant performance measurement period. The Remuneration Committee has the right, in respect of awards granted after 1 April 2014, to cancel or reduce long term incentive awards which have not yet vested, in the event of a material misstatement of the company's financial results, miscalculation of a participant's entitlement, individual misconduct or an event resulting in material loss or reputational damage to the company or any member of the group. The Remuneration Committee also has the right, in respect of awards granted after the effective date of this policy, to recover all or part of the value of long term incentive awards and dividend equivalent amounts received within two years of the date that such awards vested and became exercisable, in the event of a material miscalculation of a participant's entitlement, a material misstatement or restatement of the company's financial results for the years to which the performance periods relate, or material personal misconduct that would justify summary dismissal, or result in significant reputational damage to the company, or have a material adverse effect on the company's financial position, or reflect a significant failure of the company's risk management or control. In the event of a change of control before the expiry of the performance measurement period of a long term incentive award, the vesting level of the award will be determined by the Remuneration Committee based on the extent to which the Remuneration Committee considers that the performance targets have been achieved and vested shares will then be scaled down to reflect the shortened measurement period. The Remuneration Committee may modify such vesting levels if it considers that the performance target would be met to a greater or lesser degree at the testing date and/or if the application of time pro rating would be inappropriate in the circumstances.
Performance measurement framework	For executive directors who are not directly responsible for a pool of capital, nil-cost options awarded under the 2011 performance share scheme are subject to the performance of the company's annualised diluted net asset value per share total return ('NAVTR') measured over three or five years. For executive directors directly responsible for a pool of capital, the nil-cost options are subject to a combination of the performance of the company's annualised NAVTR as above and the annualised total returns achieved by the relevant pool for which he or she is responsible, again measured over three or five years. The rules of the performance share scheme provide discretion to the Remuneration Committee to amend the performance targets or impose different performance targets and to determine the appropriate proportion of any award subject to each performance measure.

Directors' remuneration report continued
Remuneration policy

Pension related benefits (fixed pay)	
Purpose and link to strategic objectives	To provide a means of retirement saving as part of a range of benefits alongside basic salary to recruit and retain high calibre executive directors.
Operation	Executive directors are offered defined contribution funding, based on a percentage of salary, to a personal pension scheme or a cash salary supplement (or a combination of both) at their choice.
Opportunity and recovery or withholding provisions	On implementation of this policy, the percentage of basic salary for the Chief Executive was 22.5% and for other executive directors 17.5%, but with effect from 1 April 2019 this was reduced to 15% for all executive directors to ensure that the rate is in line with that available to the rest of the workforce. If a director chooses to take a cash supplement in lieu of some or all of his or her pension entitlement, the payment is reduced by such amount as is necessary to make the cash supplement cost neutral for the company after taking into account National Insurance contributions. The Remuneration Committee will retain the discretion to increase the percentage of salary relating to pension benefits from time to time in line with market conditions, up to a maximum of 30% of basic salary. No recovery or withholding provisions.
Performance measurement framework	Not applicable.

Notes to the policy table

1. Performance measures and targets

Annual bonus

For the Chief Executive and the Chief Financial Officer, a maximum of 50% of bonus is determined by reference to company performance and 50% by reference to individual performance objectives. For executive directors responsible for a specific pool of capital, 25% of bonus is determined by reference to the company's performance, 25% to pool performance, 35% to pool objectives and 15% to individual performance objectives. In all cases, the company performance element is determined by reference to the relative performance of the company's NAVTR against RPI, with RPI taken as the higher of actual RPI over the bonus year or 3%, being broadly in line with its historic long term average. Bonus payments for this element commence with a 10% pay-out if NAVTR matches RPI, increasing incrementally to the maximum entitlement payable if outperformance of 7% or more is achieved. Pool performance is judged by the Remuneration Committee by reference to the return achieved by the pool against a set target return and by objectives such as deal flow and delivery of portfolio strategy. Individual performance is assessed by reference to personal objectives set at the start of the year, including non-financial measures such as risk management, marketing of the company, team leadership, management skills and promotion of Caledonia's corporate culture and image both internally and externally.

The Remuneration Committee retains discretion to amend or adopt alternative annual bonus targets in order to achieve better alignment with the company's strategic objectives.

Compulsory deferral of bonus

Shares comprised in a compulsory deferral will normally only vest if the director remains an employee of the Caledonia group for a three year period commencing on the first day of the financial year in which the award is made.

Long term incentive plans

Performance share scheme

For nil-cost options granted to executive directors (other than Mr Cayzer-Colvin) in the 2015 financial year and subsequently, awards will vest on a graduated basis, with vesting commencing at 10% on the achievement of an annualised NAVTR of 3%, rising incrementally to 100% vesting on achievement of an annualised NAVTR of 10%, measured over three and five years. For Mr Cayzer-Colvin, who is head of the Funds pool, 60% of his performance share scheme awards are measured against the annualised total returns achieved by the Funds pool, measured over three and five years. Awards will similarly vest on a graduated basis, with vesting commencing at 10% on achievement of an annualised Funds pool total return of 6%, rising incrementally to 100% vesting on achievement of an annualised total return of 13.5%. The remaining 40% of Mr Cayzer-Colvin's performance share scheme awards will be measured against Caledonia's annualised NAVTR as above.

For the outstanding nil-cost options granted in the 2015 and 2016 financial years, the shares comprised in the awards are measured over five years. For the 2017 and subsequent financial years, one-third of the shares comprised in an award are measured over three years and two-thirds over five years. In all cases, shares that vest will become immediately exercisable and will lapse if not exercised within ten years of grant. The remaining nil cost options granted in the 2015 financial year that were measured over five years, were tested by reference to Caledonia's annualised NAVTR and, in the case of Mr Cayzer-Colvin, also the Funds pool's annualised total return, to 31 March 2019 and achieved vesting levels of 92% and 100% respectively. The nil cost option grants in the 2017 financial year which were measured over three years on the same basis achieved vesting of 99% for Caledonia's NAVTR and 100% for the Funds pool's total return respectively.

Rationale for choice of performance measures for the short and long term incentive plans

The Remuneration Committee has chosen NAVTR as the basis of performance measurement for the company for both its short term and long term incentive arrangements as it regards this as the best indicator of the success or failure of management decisions in terms of creating value for the company.

For the company performance element of the annual bonus scheme, the board has taken the view that benchmarking against a stock market index or indices over a short period is not relevant given Caledonia's long term investment horizon and the nature of its portfolio. The Remuneration Committee has therefore instead chosen RPI, subject to a minimum of 3%, as the comparator, as on this basis executives will only be rewarded to the extent that they are able to deliver positive real returns for shareholders. The Remuneration Committee will review the rate of increase in RPI at the start of each financial year and may adjust the level of outperformance required for the incremental and maximum bonus payments in order to ensure that they remain a fair measure of performance.

For awards under the performance share scheme, the Remuneration Committee has chosen Caledonia's annualised NAVTR as the performance measurement, as it believes that this is the most effective method of aligning directors' rewards with the long term strategic objective of the company of delivering annualised returns over rolling ten year periods of between RPI+3% and RPI+6%. For Mr Cayzer-Colvin, the Remuneration Committee believes that a significant proportion of his variable pay should be weighted towards the annualised total return performance of the Funds pool of capital for which he is responsible and has therefore determined that 60% of his performance share scheme awards should be tested by reference to this.

The targets for each component of the long term incentive plans have been set by the Remuneration Committee with the aim of delivering increasing reward for greater outperformance. The Remuneration Committee keeps these measures and the levels at which incremental and maximum entitlements are earned under review in order to ensure that they remain sufficiently challenging and aligned with the company's strategy and key performance indicators.

2. **New components introduced into the new remuneration policy**
   There are no new components included in the above policy table which were not a part of the remuneration policy previously operated for executive directors by the company.

3. **Changes to components included in the previous remuneration policy**
   The only changes to the previous remuneration policy were the removal of the availability of voluntary bonus deferral and the award of deferred bonus matching shares, an increase in the standard annual award under the performance share scheme from 125% of basic salary to 150% to compensate for the removal of deferred bonus matching and the introduction of clawback provisions for all elements of variable pay.

4. **How the remuneration policy for executive directors relates to remuneration of Caledonia group employees generally**
   Caledonia's executive directors' remuneration packages tend to be higher than those of other group employees, but also include a higher proportion of variable pay.

Chairman and non-executive directors

The table below sets out each component of the Chairman's and the non-executive directors' remuneration and the approach taken by the company in relation thereto.

Component	Approach
Chairman's and non-executive directors' fees	The Chairman's fee is determined by the Remuneration Committee and the non-executive directors' fees are set by the board. These are reviewed periodically taking into account the responsibilities and time commitments required and non-executive director fee levels generally. The Chairman receives an annual fee, which includes his basic non-executive director's fee, but does not receive any other remuneration. Non-executive directors receive basic fees, which are subject to an aggregate annual limit for non-executive directors' ordinary remuneration contained in the articles of association, currently £350,000. In addition, special fees are paid for the chairmanship and membership of the Audit and Remuneration Committees and also for the role of Senior Independent Non-Executive Director and chairman of the Governance Committee. The fees of the Chairman and the non-executive directors on implementation of the policy were as follows: Chairman £150,000 Audit Committee chairman £5,600 Remuneration Committee chairman £4,900 Senior Independent Director/ Governance Committee chairman £5,100 Basic non-executive director's fee £39,900 Audit Committee member £2,300 Remuneration Committee member £1,600
Additional fees payable for services to other group companies	Exceptionally, non-executive directors may receive fees from subsidiary companies for services provided to them. Fees for services provided to subsidiary companies are set and reviewed by the boards of those companies, but will not exceed £100,000 per annum in aggregate for any non-executive director.
Other benefits	The Chairman and the non-executive directors are all covered under the company's directors' and officers' liability insurance policy and have the benefit of an indemnity under the company's articles of association. The Chairman is also provided with an office and secretarial support. The company may, where appropriate, pay for the cost of spouses or partners accompanying non-executive directors on trips where there is a business reason for doing so and reimburse non-executive directors for hotel accommodation and travel expenses (in each case including payment of any tax thereon).

Directors' remuneration report continued
Remuneration policy

Remuneration policy for new appointments

Executive directors

In the case of the appointment of a new executive director, the Remuneration Committee would typically seek to align the remuneration package with the above remuneration policy. The Remuneration Committee however retains the discretion to make special remuneration commitments on the appointment of a new executive director, including the use of awards made under Rule 9.4.2 of the Listing Rules, if such were necessary to ensure the recruitment of a candidate. In doing so, the Remuneration Committee would take into consideration all relevant factors, including, but not limited to, overall quantum, type of remuneration offered and comparability with the packages of other Caledonia senior executives and the total variable pay would not exceed the maxima stated in the policy table for executive director remuneration above.

The Remuneration Committee may in addition make bonus commitments or share awards on the appointment of an external candidate to compensate for remuneration arrangements forfeited on leaving a previous employer, taking into account factors such as any performance conditions attached to these awards, the form in which they were granted, for example cash or shares, and the time over which they would have vested. The aim would be to ensure that replacement awards would be made on no greater than a comparable basis.

In order to attract and retain suitable executives, the Remuneration Committee retains discretion, in exceptional circumstances, to offer service contracts with up to an initial 24 month notice period, which then reduces to 12 months at the end of this initial period. If it considers it appropriate, the Remuneration Committee may also offer a lower salary initially, but with a series of increases to achieve the desired salary positioning over a period of time, as the individual develops into the role.

If a new appointment is the result of an internal promotion, the Remuneration Committee would expect to honour any pre-existing contractual arrangements or benefits package agreed with the relevant individual. In the event that a new director resides overseas, the Remuneration Committee may agree a reasonable relocation package and tax equalisation arrangements.

In recruiting any new executive director, the Remuneration Committee would apply the overall policy objective that executive directors' remuneration should be competitive, but not excessive. In the event that the Remuneration Committee agreed that it was necessary for special commitments or sign-on arrangements to be offered to secure the recruitment of a new executive director, an explanation of why these were required and details thereof would be announced at the time of appointment.

Chairman and non-executive directors

Terms for the appointment of any new Chairman or non-executive director would also be determined by the Remuneration Committee or the board within the above remuneration policy.

Executive directors' service contracts and the Chairman's and non-executive directors' letters of appointment

Executive directors

Executive directors have service contracts with Caledonia Group Services Ltd, a wholly-owned subsidiary of the company, details of which are summarised below:

	Date of contract	Notice period for company and director	Unexpired term
W P Wyatt	2 Jun 2005	12 months	12 months
T J Livett	14 Nov 2018	12 months	12 months
J M B Cayzer-Colvin	19 Apr 2005	12 months	12 months

If notice is served by either party, the director can continue to receive basic salary, benefits and pension payments for the duration of the notice period, during which time the company may require the individual to continue to fulfil his current duties or may assign a period of gardening leave. Alternatively, the company may, in its discretion, terminate the contract without notice and make a lump sum payment in lieu of notice. This lump sum would include an amount equivalent to the basic salary and benefits (based on a fixed percentage of salary specified in the service contract) for the unexpired period of notice to which the payment relates. Mr Wyatt's and Mr Cayzer-Colvin's service contracts provide that an amount equivalent to 80% of the average of the annual bonuses paid for the previous three financial years would also be included in the payment in lieu of notice. Mr Wyatt's and Mr Cayzer-Colvin's service contracts also include provisions whereby a liquidated sum is payable in the event of termination within one year following a change of control. The payment would be calculated on the same basis as a payment in lieu of notice, except that an amount equivalent to 100% of the average of the annual bonuses paid for the previous three financial years would be included.

Mr Livett's service contract contains provisions whereby, as an alternative to the payment of a lump sum in lieu of notice, the company may elect to pay the equivalent amount in equal monthly instalments, such instalments to be reduced by 50% of one-twelfth of the basic salary in excess of £20,000 per annum that Mr Livett receives from any alternative employment that he takes up during the notice period.

Executive directors' service contracts may be terminated without notice and without any further payment (other than in respect of amounts due at the date of termination) on the occurrence of certain events such as gross misconduct.

Chairman and non-executive directors

The Chairman and the non-executive directors do not have service contracts, but are appointed under letters of appointment, which provide for termination without notice or compensation.

Inspection

Executive directors' service contracts and the Chairman's and non-executive directors' letters of appointment are available for inspection at the registered office of the company.

Policy on external non-executive directorships held by executive directors

It is the company's policy to allow executive directors to hold non-executive directorships unrelated to the company's business to broaden their commercial experience, provided that the time required is not material. Normally the company will retain any fees arising from such non-executive directorships, but may permit the executive director to retain fees on a case by case basis.

Details of any fees from external non-executive directorships retained by executive directors are disclosed in the Annual report on directors' remuneration.

Policy on payments for loss of office

Executive directors

It is the policy of the company that, other than in exceptional circumstances on recruitment as stated above, no executive director should be offered a service contract that requires more than one year's notice of termination or which contains provision for predetermined compensation in excess of one year's total emoluments. In the event of a termination, the Remuneration Committee will consider a director's past performance and the circumstances of the departure in exercising any discretions relating to the arrangements for loss of office, including contractual obligations, prevailing best practice, the reason for the departure and any transition or handover required.

The termination provisions in executive directors' current service contracts are described above in the section on executive directors' service contracts. It is the Remuneration Committee's intention that all future executive directors' service contracts should include provisions enabling the company to reduce compensation payments in the event that the director takes up alternative employment within the notice period. However, if a new director is appointed internally, the Remuneration Committee would expect to honour any existing contractual arrangements agreed with the relevant individual before he or she becomes a director.

In applying the company's right to make a lump sum payment in lieu of notice, the Remuneration Committee would normally expect to pro rate the lump sum for the unexpired period of notice to which the payment relates. In appropriate circumstances, the Remuneration Committee may make a payment in respect of the full twelve months' notice period, even if the director works under notice for part of it.

The company's annual bonus scheme provides that an employee must be in the group's employment and not under notice of termination (either given or received) in order to be entitled to receive a bonus for the relevant financial year. The Remuneration Committee would expect to apply this principle to executive director terminations, but retains discretion to make bonus payments on termination if it believes it appropriate to do so.

Executive directors would also be entitled under their service contracts to be paid on termination for any accrued, but untaken, holiday entitlement. The Remuneration Committee may, where it considers it appropriate in the circumstances, make payments for loss of statutory rights or waiver thereof and a contribution towards legal and outplacement fees. The Remuneration Committee may also make a payment to ensure that any restrictive covenants remain enforceable.

Where the director holds unvested awards under the company's long term incentive schemes, the Remuneration Committee would exercise its discretions as to vesting in accordance with the relevant scheme rules. In good leaver circumstances, for example where cessation of employment is by reason of death, retirement, injury, disability, ill-health, redundancy, or such other reason as the Remuneration Committee may decide, the Remuneration Committee will normally determine the level of vesting based on the attainment of the performance targets, either at the time of cessation or at the normal test date if permitted by the scheme rules, but in the case of the former may decrease or increase the level of vesting if the Remuneration Committee considers that the targets would have been met to a lesser or greater extent at the end of the performance period. The number of shares that vest will normally be reduced to reflect the proportion of the performance period that the director was in employment, although the Remuneration Committee has discretion not to scale down the number of shares if it believes it appropriate in the circumstances.

Following termination, the Remuneration Committee may agree to pay a director consultancy fees and continue insurance related benefits until the end of the insurance policy period. The company's directors' and officers' liability insurance policy also provides for a six year period of run-off cover for former directors. In limited circumstances, the company may permit a director to remain in employment after ceasing to be a director for a limited period to allow time for an effective handover or for a successor to be appointed.

Chairman and non-executive directors

The Chairman and the non-executive directors have no entitlement to any compensation on termination of their appointments, although they would have the benefit of run-off cover under the directors' and officers' liability insurance policy as described above.

Directors' remuneration report continued
Annual report on directors' remuneration

The following report sets out details and explanations of remuneration paid to directors over the financial year to 31 March 2019 and describes how Caledonia's remuneration policy will be implemented for the 2020 financial year.

Single total figure of remuneration for each director (audited)
Executive directors

The table below provides an analysis of total remuneration of each executive director for the financial year ended 31 March 2019 and a comparison with the previous financial year.

	Salary		Taxable benefits[3]		Short term incentives[4]		Long term incentives[5]		Pension related benefits		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
W P Wyatt	540	524	20	20	490	210	707	937	107	104	1,864	1,795
T J Livett[1]	21	–	–	–	–	–	–	–	3	–	24	–
J M B Cayzer-Colvin	327	318	21	20	327	159	440	572	50	49	1,165	1,118
S A King[2]	258	376	1	3	–	113	14	665	40	58	313	1,215

1. Mr Livett was appointed a director with effect from 12 March 2019.

2. Mr King ceased to be a director on 30 November 2018.

3. **Taxable benefits**
Taxable benefits comprised private medical insurance cover and a small Christmas supplement paid to all Caledonia staff. Mr Wyatt's and Mr Cayzer-Colvin's taxable benefits also included a cash allowance of £15,024 in lieu of a company car.

In addition to taxable benefits, other non-taxable benefits were provided to executive directors, including death-in-service insurance (4x basic salary), permanent health insurance, directors' and officers' liability insurance and certain other benefits of minor value provided to all of Caledonia's staff.

4. **Short term incentives**
In accordance with the rules of the company's deferred bonus plan, the following amounts included in the total of short term incentives were compulsorily deferred, for a period of three years in the form of nil-cost options:

	2019			2018		
	Compulsorily deferred £'000	Cash £'000	Total £'000	Compulsorily deferred £'000	Cash £'000	Total £'000
W P Wyatt	220	270	490	–	210	210
T J Livett	–	–	–	–	–	–
J M B Cayzer-Colvin	163	164	327	–	159	159
S A King	–	–	–	–	113	113

For Mr Wyatt, a maximum of 50% of bonus was determined by reference to company performance and 50% by reference to individual performance objectives. For Mr Cayzer-Colvin, who has specific responsibility for the Funds pool of capital, 25% of his bonus was determined by reference to the company's performance, 25% to his pool's performance, 35% to his pool's objectives and 15% to individual performance objectives. For the 2019 financial year, the company performance element was determined by reference to the relative performance of the company's NAV per share total return ('NAVTR') against the Retail Prices Index ('RPI'), which for bonus purposes was taken as 3%, or actual RPI if greater, with bonus payments for this element commencing with a 10% pay-out if the company's NAVTR matched RPI, increasing incrementally to the maximum entitlement payable if outperformance of 7% or more was achieved. Mr Cayzer-Colvin's pool performance was assessed by reference to the return achieved by the Funds pool over the year, with payments commencing on achievement of a total return of 6%, rising to a maximum pay-out against a total return of 13.5%, and pool objectives, by measures such as increasing Caledonia's knowledge of the Asian and US fund universe, ensuring Caledonia is well positioned with managers raising new funds and refining and executing the Funds pool strategy. Individual performance for each executive director was assessed by reference to personal objectives set at the start of the year, including non-financial measures such as risk management, marketing of the company, team leadership, management skills and promotion of Caledonia's corporate culture and image both internally and externally.

The company's NAVTR was 10.9% over the year against an increase in RPI (for bonus purposes) of 3.0%, giving a maximum payment for company performance. The Funds pool's return over the year was 15.0%, again giving a maximum bonus award of 25% for Mr Cayzer-Colvin for this element. In assessing Mr Cayzer-Colvin's achievement of his pool objectives, the Remuneration Committee took account of the fact that Caledonia was becoming increasingly well known in its target funds sectors in both the US and Asia and was being offered participation in new fund launches even when oversubscribed by existing limited partners. It also noted the good progress being made in implementing the strategy of increasing the pool's focus on private equity funds and reducing quoted market fund exposures and concluded that Mr Cayzer-Colvin should be awarded the maximum bonus of 35% for attainment of pool objectives. It further decided that Mr Cayzer-Colvin's team leadership and general contribution in executive decision taking merited a maximum bonus of 15% for individual performance.

In terms of Mr Wyatt's individual performance, the Remuneration Committee assessed aspects such as shareholder engagement, execution of the board's strategy, management of the executive team and peer group liaison and analysis. Notwithstanding the strong performance of the company overall, the Remuneration Committee concluded that Mr Wyatt's bonus should reflect the fact that the Income pool was not achieving all of its strategic objectives and accordingly awarded him 41% out of the maximum 50% for his individual performance.

The total bonuses awarded to Mr Wyatt and Mr Cayzer-Colvin for the year were therefore determined as follows:

	W P Wyatt		J M B Cayzer-Colvin	
	Award %	Max %	Award %	Max %
Performance				
Company	50	50	25	25
Pool	n/a	n/a	25	25
Objectives				
Pool	n/a	n/a	35	35
Individual	41	50	15	15
Total	91	100	100	100

5. **Long term incentives**
The long term incentive awards whose performance measurement periods ended during the year were the remaining half of the awards granted in 2014 under the performance share scheme and one-third of the awards granted under that scheme granted in 2016. All such awards were nil-cost options.

For the 2014 and 2016 performance share scheme awards for Mr Wyatt, these were measured by reference to Caledonia's annualised NAVTR performance over five and three years. Vesting was on a graduated basis, commencing at 10% on achievement of an annualised NAVTR of 3%, rising incrementally to 100% vesting on an annualised NAVTR of 10%. For Mr Cayzer-Colvin, 40% of these awards were measured against Caledonia's annualised NAVTR as above, and 60% by reference to the annualised total return achieved by the Funds pool over the performance measurement period, with graduated vesting commencing at 10% on achievement of an annualised total return of 6%, rising incrementally to

100% vesting on achievement of an annualised total return of 13.5%.

For the 2014 performance share scheme awards measured over the five years to 31 March 2019, Caledonia's annualised NAVTR over the period was 9.2%, resulting in 92% vesting. For Mr Cayzer-Colvin's awards measured by reference to his pool's performance, the Funds pool delivered an annualised total return of 18.6% over the period, resulting in 100% vesting.

For the 2016 performance share scheme awards measured over the three years to 31 March 2019, Caledonia's annualised NAVTR over the period was 9.9%, resulting in 99% vesting. For Mr Cayzer-Colvin's awards measured by reference to his pool's performance, the Funds pool delivered an annualised total return of 15.2% over the period, resulting in 100% vesting.

The amounts shown in the table above under long term incentives therefore comprised the value of the vested performance share scheme awards granted in 2014 and 2016, based on the company's share price at 31 March 2019 of 2980p, together with the value of dividends and any associated tax credits that would have accrued on the vested shares during the relevant retention periods. For Mr King, the only long term incentives that vested during the portion of the year during which he was employed were his 2017 compulsory deferred bonus awards, the dividend entitlements for which are included in the table above. The overall value of the long term incentives shown in the table above are therefore analysed as follows:

	Value of long term incentive awards £'000	Value of dividend equivalents £'000	Total £'000
W P Wyatt	638	69	707
J M B Cayzer-Colvin	397	43	440
S A King	–	14	14

Chairman and non-executive directors

Fees and other remuneration paid to the Chairman and the non-executive directors during the year ended 31 March 2019 and the previous year were as follows:

	Fees	
	2019 £'000	2018 £'000
D C Stewart[1]	150	118
S J Bridges	46	46
Hon C W Cayzer	40	40
G B Davison[2]	42	11
C H Gregson	50	51
S C R Jemmett-Page	43	43
H Y H Boël[3]	–	–
R D Kent[4]	–	56

1. Mr Stewart was appointed Chairman on 20 July 2017.
2. Mr Davison was appointed a director on 1 January 2018.
3. Mr Boël resigned from the board on 7 September 2017. Mr Boël waived all fees arising from his appointment.
4. Mr Kent retired from the board on 20 July 2017.

The Chairman and the non-executive directors did not receive any taxable benefits, short term incentives, long term incentives or pension related benefits.

Total pension entitlements (audited)

Defined contribution

Pension benefits paid to executive directors during the year, either as contributions to personal pension arrangements or as cash supplements, were as follows:

	Pension contribution		Cash supplement		Total	
	2019 £	2018 £	2019 £	2018 £	2019 £	2018 £
W P Wyatt	–	–	106,766	103,702	106,766	103,702
T J Livett[1]	–	–	3,204	–	3,204	–
J M B Cayzer-Colvin	–	–	50,286	48,863	50,286	48,863
S A King[2]	–	–	39,675	57,821	39,675	57,821

1. Mr Livett was appointed a director with effect from 12 March 2019.
2. Mr King ceased to be a director on 30 November 2018.

Defined benefit

On 26 April 2017, The Hon C W Cayzer reached his retirement age of 60 and now receives an annual pension under the Caledonia Pension Scheme, a final salary defined benefit scheme.

Directors' remuneration report continued
Annual report on directors' remuneration

Scheme interests awarded during the financial year (audited)

The table below sets out the awards made to each executive director during the year under the company's performance share scheme.

Scheme	Type of award	Basis of award	Face value of award £'000	Share price at grant p	Shares comprised in award[1] number	Receivable if minimum performance achieved[2] %	End of performance period
W P Wyatt							
Performance Share Scheme	Nil-cost option	150% of salary	810	2705p	29,945	10	31.03.23
J M B Cayzer-Colvin							
Performance Share Scheme	Nil-cost option	150% of salary	490	2705p	18,133	10	31.03.23
S A King							
Performance Share Scheme	Nil-cost option	150% of salary	580	2705p	21,460[3]	10	31.03.23

1. The number of shares comprised in the awards under the performance share scheme was determined by reference to the company's share price at the time that the awards were made.
2. The performance targets for awards under the performance share scheme are set out under the statement of directors' share scheme interests below.
3. The number of shares comprised in Mr King's award was subsequently reduced to 3,498 shares on the termination of his employment.

External directorships

The table below sets out details of external directorships held by executive directors where it had been agreed that they could retain the fees arising therefrom.

Name	Position	Fees 2019 £'000	Fees 2018 £'000
T J Livett[1]	Non-executive director, Premier Marinas Holdings	2	–
J M B Cayzer-Colvin	Non-executive Chairman, The Henderson Smaller Companies Investment Trust	34	34
S A King[2]	Senior independent director, TT Electronics	39	56

1. Mr Livett was appointed a director with effect from 12 March 2019.
2. Mr King ceased to be a director on 30 November 2018.

Payments to past directors (audited)

There were no payments made to former directors during the year, other than to Mr King as disclosed under 'Payments for loss of office', below.

Payments for loss of office (audited)

Stephen King, formerly Caledonia's Finance Director, ceased employment with the Caledonia group and resigned from the board on 30 November 2018. He was employed under a service agreement dated 19 November 2009 which provided for a twelve months' notice period, which could be terminated by a payment in lieu of notice. Mr King received notice of termination on 16 July 2018 in accordance with a settlement agreement of the same date.

During the four and a half months between 16 July 2018 and his date of termination, Mr King remained an employee of the Caledonia group and a director of Caledonia on his existing terms, details of which are set out elsewhere in this Annual report on directors' remuneration. For the remaining seven and a half months of his notice period, Mr King will receive a total £278,004 in respect of salary and benefits (including pension contribution, but excluding bonus, and taken to have an annual value of 15% of salary), paid in equal monthly instalments, of which £139,002 was paid in the year to 31 March 2019. If Mr King commences alternative employment at a salary of at least £20,000 per annum, the monthly salary and benefits amount will be reduced by the amount equal to 50% of 1/12th of the salary from the alternative employment that is in excess of £20,000. Mr King was not paid any bonus in respect of the year ended 31 March 2019.

Mr King's vested awards under Caledonia's deferred bonus plan, being compulsory and matching awards granted in 2015 over an aggregate of 12,618 shares remained in force and his unvested awards, being a compulsory award granted in 2017 over 6,461 shares, also vested in full on his termination date.

Mr King's vested share awards under the company's performance share scheme remained in force at his termination date and his unvested shares also remained in force, subject to their applicable performance conditions, but reduced to reflect the proportion of such performance period that Mr King was in employment. Mr King's vested and unvested performance share scheme awards, pre- and post-reduction, are shown in the table below:

Date of grant	Number of shares pre-reduction	Number of shares post-reduction
12.06.13	12,160	12,160
27.11.14	9,791	9,138
26.06.15	16,832	13,519
26.05.16	18,921	12,333
21.07.17	19,880	8,100
30.05.18	21,460	3,498
	99,044	58,748

All of Mr King's remaining performance share scheme awards granted in 2014 and 5,606 shares of the 12,333 share award granted in 2016 were subject to performance testing as at 31 March 2019, of which 8,407 shares and 5,550 shares vested respectively.

In January 2019, Mr King exercised all his deferred bonus plan awards (19,079 shares), all of this 2013 performance share scheme awards (12,160 shares) and part of his 2015 performance share scheme awards (4,410 shares) at a total pre-tax value of £1,152,804, including £105,615 in respect of dividend equivalents on these awards.

Under his settlement agreement, Mr King was entitled to a maximum of £5,000 plus VAT for legal fees in connection with the termination of his employment, of which he incurred £3,612 plus VAT.

Any amounts received by Mr King in respect of future exercises of performance share scheme awards, will be disclosed in the Annual report on directors' remuneration for the year in which the receipts occur.

Statement of directors' shareholdings and scheme interests (audited)

Executive directors' minimum shareholding guidelines

In order to align the interests of executive directors with those of shareholders, the Remuneration Committee has adopted guidelines for minimum shareholdings, which executive directors will be expected to attain through the retention of all post-tax share awards vesting under the company's long term incentive plans until the minimum shareholding is met. For these purposes, shareholdings include those of connected persons and also the value, net of any exercise costs, income tax and National Insurance contributions, of unexercised awards granted under its performance share scheme for which the performance targets have been met. Also included are bonuses deferred, compulsorily or voluntarily, under the company's deferred bonus plan and any uncalled bonus matching shares for which the performance targets have been met, again net of income tax and National Insurance contributions.

For the Chief Executive, the minimum guideline shareholding has been set at 200% of basic salary and for other executive directors 150% of basic salary. Both Mr Wyatt and Mr Cayzer-Colvin have attained the minimum guideline shareholding as at 31 March 2019, whereas Mr Livett has only very recently joined the company and has therefore yet to begin building a shareholding. Mr King left the company's employment on 30 November 2018. The values of the relevant shareholdings of each executive director as at 31 March 2019 (or date of leaving in the case of Mr King), calculated by reference to Caledonia's closing share price on that date of 2980p (or 2850p on the date of leaving in the case of Mr King), and the percentage level by which the value of the minimum guideline shareholding has been achieved were as follows:

	Value of shareholding £m	Attainment of guideline %
W P Wyatt	34.6	3,200
T J Livett	–	–
J M B Cayzer-Colvin	11.5	2,298
S A King	1.5	251

Directors' shareholdings

The interests of the directors who served during the year and their connected persons in the ordinary share capital of the company as at 31 March 2019 (or date of cessation in the case of Mr King) were as follows:

	Beneficial		Non-beneficial	
	2019[1] number	2018 number	2019[1] number	2018 number
D C Stewart	4,072	4,072	–	–
W P Wyatt[2]	1,143,715	1,140,785	78,038	68,038
T J Livett[3]	–	–	–	–
J M B Cayzer-Colvin[2]	374,320	374,320	66,953	65,953
S J Bridges	5,309	5,309	–	–
Hon C W Cayzer[2]	41,092	40,092	15,500	13,500
G B Davison	8,100	–	–	–
C H Gregson	1,610	1,610	–	–
S C R Jemmett-Page	1,000	1,000	–	–
S A King[4]	32,299	32,299	–	–

1. Or date of cessation, if earlier.
2. Mr Wyatt's beneficial interests included 1,004,296 shares (2018 – 1,001,366 shares) held by The Dunchurch Lodge Stud Company, a private family company controlled by Mr Wyatt and certain of his connected persons, and 1,000 shares in which The Hon C W Cayzer had a non-beneficial interest (2018 – 1,000 shares). His non-beneficial interests included 14,500 shares (2018 – 12,500 shares) in which The Hon C W Cayzer also held a non-beneficial interest. The Hon C W Cayzer's beneficial interests included 5,200 shares (2018 – 4,200 shares) in which Mr Wyatt and Mr Cayzer-Colvin had non-beneficial interests.
3. Mr Livett was appointed a director with effect from 12 March 2019.
4. Mr King ceased to be a director on 30 November 2018.

There have been no changes in the directors' interests shown above notified up to the date of this report.

Directors' remuneration report continued
Annual report on directors' remuneration

Directors' share scheme interests

The interests of directors as at 31 March 2019, or date of cessation of employment in the case of Mr King, in the share-based incentive schemes operated by the company are set out in the following table. Mr King's share scheme interests are shown after reduction as described under 'Payments for loss of office' above. Mr Livett did not have any share scheme interests as at 31 March 2019.

		Share price at date of award	Unvested with performance conditions[1]	Unvested without performance conditions[2]	Vested but un-exercised[3]	Total
W P Wyatt	*Performance share scheme awards*					
	Granted 27.11.14 (nil-cost)	2294p	–	12,695	–	12,695
	Granted 26.06.15 (nil-cost)	2435p	17,507	–	–	17,507
	Granted 26.05.16 (nil-cost)	2422p	17,601	8,712	–	26,313
	Granted 21.07.17 (nil-cost)	2837p	27,732	–	–	27,732
	Granted 30.05.18 (nil-cost)	2705p	29,945	–	–	29,945
			92,785	21,407	–	114,192
	Deferred bonus plan – compulsory awards					
	Granted 21.07.17 (nil-cost)	2837p	–	9,016	–	9,016
				9,016		9,016
	Total share scheme interests		92,785	30,423	–	123,208

During the year, Mr Wyatt exercised performance share scheme awards and deferred bonus plan awards over a total of 41,136 shares at a pre-tax gain of £1,196,029.

J M B Cayzer-Colvin	*Performance share scheme awards*					
	Granted 27.11.14 (nil-cost)	2294p	–	8,014	–	8,014
	Granted 26.06.15 (nil-cost)	2435p	10,504	–	–	10,504
	Granted 26.05.16 (nil-cost)	2422p	10,666	5,312	–	15,978
	Granted 21.07.17 (nil-cost)	2837p	16,800	–	–	16,800
	Granted 30.05.18 (nil-cost)	2705p	18,133	–	–	18,133
			56,103	13,326	–	69,429
	Deferred bonus plan – compulsory awards					
	Granted 21.07.17 (nil-cost)	2837p	–	5,464	–	5,464
			–	5,464	–	5,464
	Total share scheme interests		56,103	18,790	–	74,893

During the year, Mr Cayzer-Colvin exercised performance share scheme awards and deferred bonus plan awards over a total of 25,028 shares at a pre-tax gain of £727,689.

S A King	*Performance share scheme awards*					
	Granted 12.06.13 (nil-cost)	1802p	–	–	12,160	12,160
	Granted 27.11.14 (nil-cost)	2294p	9,138	–	–	9,138
	Granted 26.06.15 (nil-cost)	2435p	9,109	–	4,410	13,519
	Granted 26.05.16 (nil-cost)	2422p	12,333	–	–	12,333
	Granted 21.07.17 (nil-cost)	2837p	8,100	–	–	8,100
	Granted 30.05.18 (nil-cost)	2705p	3,498	–	–	3,498
			42,178	–	16,570	58,748
	Deferred bonus plan – compulsory awards					
	Granted 26.06.15 (nil-cost)	2435p	–	–	7,379	7,379
	Granted 21.07.17 (nil-cost)	2837p	–	–	6,461	6,461
			–	–	13,840	13,840
	Deferred bonus plan – matching awards					
	Granted 26.06.15 (nil-cost)	2435p	–	–	5,239	5,239
			–	–	5,239	5,239
	Total share scheme interests		42,178	–	35,649	77,827

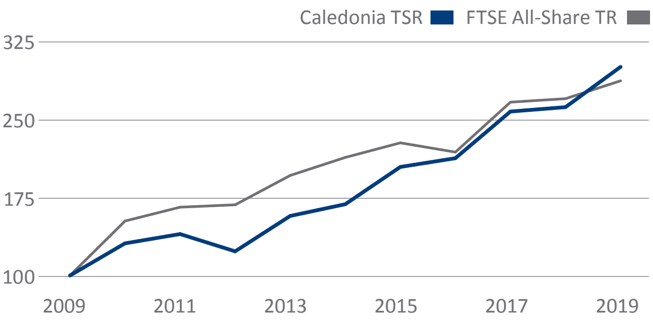
Mr King did not exercise any performance share scheme or deferred bonus plan awards during the part of the year up to his cessation of employment. Details of exercises following termination of his employment are set out on page 52 and 53.

1. **Performance conditions**
   Performance share scheme
   Of the awards shown as unvested with performance conditions, for nil-cost options granted to Mr Wyatt and Mr King on 26 June 2015, 26 May 2016, 21 July 2017 and 30 May 2018, shares will vest on a graduated basis, with vesting commencing at 10% if the company achieves an annualised NAVTR of 3%, rising incrementally to 100% vesting on achievement of an annualised NAVTR of 10%. For Mr Cayzer-Colvin, who is head of the Funds pool, 60% of his performance share scheme awards granted on these dates will be measured against the annualised total returns achieved by the Funds pool. Awards will similarly vest on a graduated basis, with vesting commencing at 10% on achievement of an annualised Funds pool total return of 6%, rising incrementally to 100% vesting on achievement of an annualised total return of 13.5%. The remaining 40% of Mr Cayzer-Colvin's performance share scheme awards for these grants will be measured against Caledonia's NAVTR as above. For the nil-cost options granted on 26 June 2015 and 26 May 2016, the relevant performance conditions will be tested over five years. For the nil-cost options granted on 21 July 2017 and 30 May 2018, the relevant performance conditions will be tested over three years for one-third of the shares comprised in an award and over five years for the remaining two-thirds of the shares comprised in an award.
   For the awards shown as unvested without performance conditions, the nil-cost options granted on 27 November 2014 were performance tested against their relevant target as at 31 March 2019 and achieved a vesting level of 92% for those measured against Caledonia's NAVTR. The proportion of Mr Cayzer-Colvin's nil cost options awarded at that date measured against the Funds pool's return achieved a 100% vesting level. The one-third of the shares comprised in the nil-cost options granted on 26 May 2016 subject to three-year performance testing was tested as at 31 March 2019 and achieved a 99% vesting level for those measured against Caledonia's NAVTR. The proportion of Mr Cayzer-Colvin's nil cost options measured against the Funds pool's total return achieved a 100% vesting level.
2. **Other exercise conditions**
   Performance share scheme
   Nil-cost options shares that vest following the three or five year performance testing become immediately exercisable on the third or fifth anniversary of grant, as applicable.
3. **Deferred bonus plan**
   Compulsory awards under the deferred bonus plan normally vest if the director remains an employee of the Caledonia group for a three year period commencing on the first day of the financial year in which the award is made.
4. **Vested but unexercised**
   Shares vested but unexercised represent those awards that are immediately exercisable without any conditions.

Performance graph of total shareholder return and table of Chief Executive's total remuneration

The graph below shows the company's total shareholder return ('TSR') against that of the FTSE All-Share Total Return index for the ten financial years ending on 31 March 2019. TSR has been calculated assuming that all dividends are reinvested on their ex-dividend dates. The FTSE All-Share Total Return index has been chosen as it is the benchmark by which the company measures its delivery of value over the longer term.

TSR growth over ten years



The table below shows the total remuneration received by the Chief Executive in each of the ten years to 31 March 2019, prepared on the same basis as in the single total figure in the table on page 50, and the percentage of the maximum potential short and long term incentives received in those years.

			Incentives vested as a percentage of maximum	
Years ended 31 March	Chief Executive[1]	Total remuneration £'000	Short term %	Long term %
2010	T C W Ingram	926	47.5	–
2011	T C W Ingram	215	–	1.5
2011	W P Wyatt	669	67.5	–
2012	W P Wyatt	585	–	50.0
2013	W P Wyatt	1,077	100.0	–
2014	W P Wyatt	1,196	100.0	10.1
2015	W P Wyatt	2,285	100.0	100.0
2016	W P Wyatt	1,648	45.0	100.0
2017	W P Wyatt	1,799	100.0	85.0
2018	W P Wyatt	1,795	40.0	84.7
2019	W P Wyatt	1,864	90.7	94.7

1. Mr Ingram served as Chief Executive until his retirement on 21 July 2010, at which time Mr Wyatt was appointed as his successor. The remuneration shown for 2011 represents the amounts paid to each in the period that they served as Chief Executive in that financial year. The long term incentives held by Mr Ingram which vested in 2011 were HMRC approved executive share options granted in 2008, which the Remuneration Committee determined should vest based on the measurement of the performance targets up to the date of his retirement. The percentage of short term incentives shown as vesting for Mr Wyatt in 2011 related to his annual bonus for that year, the total amount of which has been included in the corresponding single figure for total remuneration. Subsequent to his retirement, Mr Ingram exercised further share options at a pre-tax gain of £119,413 in the 2014 financial year.

Directors' remuneration report continued
Annual report on directors' remuneration

Percentage change in remuneration of Chief Executive

The following table shows the percentage change in the basic salary, value of taxable benefits and short term incentives paid to the Chief Executive in the year to 31 March 2019 against the previous financial year, compared with the average percentage changes in those components of pay of Caledonia's other staff on a per capita basis. The Chief Executive received an increase in basic salary for the 2019 financial year of 3.0%, the same as the standard increase awarded to Caledonia's staff.

The per capita percentage increase in basic salary for staff shown in the table is however higher due to the effect of non-standard increases awarded for promotions, increased responsibilities or other such adjustments. The average per capita percentage change for staff taxable benefits increased over the year principally due to changes in benefit cover for certain staff members under the company's private medical insurance plan. The Chief Executive was awarded a bonus of 91% of basic salary, based on the company's performance and individual objectives, compared with 40% in the previous year. Caledonia's staff were awarded bonuses of varying levels in each year depending on company performance, investment pool performance (where relevant) and individual performance.

	Chief Executive change %	Staff average per capita change %
Basic salary	3.0	4.8
Taxable benefits	1.5	5.3
Short term incentives	133.6	120.1

Pay ratio information in relation to the total remuneration of the Chief Executive

With less than 250 UK employees, Caledonia would not be required to disclose Chief Executive to employee pay ratios under The Companies (Miscellaneous Reporting) Regulations 2018, which would otherwise first apply for Caledonia's financial year ending 31 March 2020. However, as recommended by the Investment Association, the Remuneration Committee has decided voluntarily to publish the information below ahead of the implementation date of these regulations. The ratios compare the total remuneration of the Chief Executive, as set out on page 50, against the lower quartile, median and upper quartile total remuneration of the company's employees as at 31 March 2019. This disclosure will build up over time to cover a rolling ten year period.

A significant proportion of the Chief Executive's total earnings potential is comprised of share-based incentives, which are linked to Caledonia's performance and share price movement over the longer term. This will inevitably lead to an element of volatility in the year on year total remuneration of the Chief Executive and consequently variations in the ratios, as some employees do not participate in the long term incentive scheme or participate at lower levels. As the majority of awards under the scheme vest over five years, participants will only build up equivalent annual vesting to the Chief Executive over this period of time, which may further distort the comparison.

In order to provide further context, the table includes ratios based on basic salary only to demonstrate over time that the underlying pay structures do not show a divergent trend between the Chief Executive's pay and that of employees generally and also that employees are paid fairly.

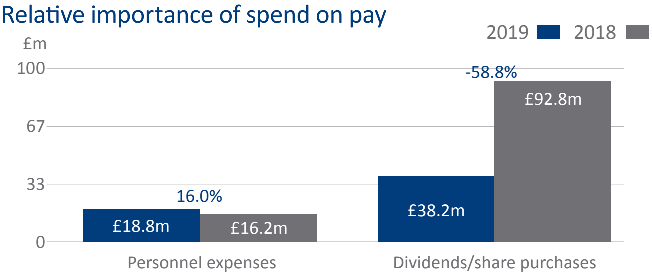
		Pay ratios				Remuneration values			
Year	Methodology	P25 (lower quartile)	P50 (median)	P75 (upper quartile)	Basis	Chief Executive	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2019	*Option A*	32:1	13:1	5:1	Total remuneration (£'000)	1,864	58	140	403
	Salary only	13:1	6:1	4:1	Salary only (£'000)	540	42	88	150

1. The employees at the lower, median and upper quartiles were determined as at 31 March 2019.
2. 'Option A' methodology, as set out in The Companies (Miscellaneous Reporting) Regulations 2018, which requires determination of the total full-time equivalent earnings of all UK employees for the relevant financial year, has been used as this is considered the most statistically accurate under the reporting regulations.
3. To determine full time equivalent earnings, joiners during the year are assumed to have worked for the full year with salary, benefits and bonus pro rated accordingly. Reduced hours employees similarly have been assumed to have worked on a full-time basis. No adjustments have been made to the value of share-based incentives that vested during the year for relevant employees, other than that awards held by reduced hours employees have been recalculated to reflect the number of shares that would have been granted based on the full-time equivalent salary of the participant at the time of grant.

Relative importance of spend on pay

The graph below shows the personnel expenses for the year of group companies consolidated under IFRS 10, compared with amounts distributed to Caledonia's shareholders by way of dividends and share purchases.

Relative importance of spend on pay



Statement of implementation of remuneration policy in the 2020 financial year

The company expects to operate the remuneration policy as described in the previous section without any changes in the financial year ending 31 March 2020, other than in respect of executive directors' pension entitlements which have been reduced to 15% of basic salary, as described in the Annual statement by the Remuneration Committee Chairman.

Basic salaries of executive directors

In respect of the 2020 financial year, the Remuneration Committee has awarded an inflation-based increase in basic salary of 2.5% to Mr Cayzer-Colvin, in line with the general staff increase. Mr Wyatt and Mr Livett have not received a pay increase and therefore the executive directors' salaries for the 2020 financial year are as follows:

	Salary for year to 31 March	
	2020 £	2019 £
W P Wyatt	540,000	540,000
T J Livett[1]	375,000	375,000
J M B Cayzer-Colvin	335,250	327,000

1. Mr Livett was appointed a director with effect from 12 March 2019.

Chairman's and non-executive directors' fees

The Chairman's and the non-executive directors' fees have not been increased for the 2020 financial year and therefore remain as follows:

	Fees for years to 31 March 2019 and 2020 £
Chairman	150,000
Non-executive director basic fee	39,900
Chairman of the Audit Committee	5,600
Member of the Audit Committee	2,300
Chairman of the Remuneration Committee	4,900
Member of the Remuneration Committee	1,600
Senior Independent Director/Chairman of the Governance Committee	5,100

Annual bonus scheme and long term incentive schemes

No changes to the company's annual bonus or long term incentive schemes are anticipated for the 2020 financial year.

Approach

The Remuneration Committee will keep the implementation of the remuneration policy under review in order to take account of any changes in the company's business environment and remuneration practice generally, but with the overall aim of ensuring that Caledonia's remuneration arrangements continue to support the company's strategy and deliver long term shareholder value by attracting and retaining talent and rewarding executives appropriately in the light of the company's performance.

Consideration by the directors of matters relating to directors' remuneration

The current members of the Remuneration Committee are Charles Gregson (Chairman), David Stewart and Shonaid Jemmett-Page, all of whom served throughout the year.

During the year, the Remuneration Committee received advice from Freshfields Bruckhaus Deringer LLP, the company's main legal advisers, in relation to the preparation of the 2018 Directors' remuneration report, the termination of Stephen King's employment and the appointment of Tim Livett as his successor, the new provisions of the 2018 UK Corporate Governance Code and updated Investment Association Principals of Remuneration, the consistency of the malus and clawback provisions in the incentive scheme documentation, remuneration policy and employment contracts and the formulation of a malus and clawback policy. The Remuneration Committee also consulted with the Chief Executive in relation to the remuneration of the executive directors and other senior executives and internal support was provided to the Remuneration Committee by the Company Secretary.

Statement of voting at general meetings

At the annual general meeting of the company held on 19 July 2018, the proxy votes lodged for the resolution relating to directors' remuneration were as follows:

	Number	%
To approve the 2018 Directors' remuneration report (other than the directors' remuneration policy)		
Votes in favour	35,636,411	99.5
Votes against	175,610	0.5
Total votes cast	35,812,021	
Votes withheld	119,554	

The proxy votes lodged for the most recently approved remuneration policy, being at the annual general meeting held on 20 July 2017 were as follows:

	Number	%
Votes in favour	35,568,437	99.2
Votes against	285,805	0.8
Total votes cast	35,854,242	
Votes withheld	11,850	

This report was approved by the board on 28 May 2019 and signed on its behalf by:

Charles Gregson
Chairman of the Remuneration Committee

Other governance matters

Registered office and number

The registered office of the company is at: Cayzer House, 30 Buckingham Gate, London SW1E 6NN. The company is registered in England under number 235481.

Dividend policy

The company's policy is to pay an increasing annual dividend per share in real terms, which it has now done for 52 consecutive years. In addition, the company may supplement the annual dividend with special dividends when the board considers it appropriate, for example if the company has surplus cash reserves in excess of its strategic investment plans.

The board's objective is to ensure that the annual dividend is fully covered by investment income for the financial year, although the company has available distributable reserves of £1,794m, broadly equivalent to 55 years' payment of the current annual dividend, which could be used to smooth any investment income shortfall.

2019 dividend distributions

An interim dividend of 16.1p per share (2018 – 15.5p) was paid on 10 January 2019 and the board has recommended a final dividend of 43.2p per share (2018 – 41.5p), giving total annual dividends for the year of 59.3p per share (2018 – 57.0p).

Share capital structure

The company has two classes of share capital – ordinary shares of 5p each and deferred ordinary shares of 5p each.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All voting rights are however suspended in respect of any of the company's shares that are held in treasury or by group companies.

The deferred ordinary shares carry no voting rights and are not redeemable. They carry the right to a fixed cumulative preference dividend of 1% per annum (exclusive of any associated tax credit) of the nominal value of such deferred ordinary shares, being 0.05p per share, or £4,000 in aggregate, for all such shares currently in issue. The company is required to pay the dividend to the extent that it has distributable profits. On a winding-up or other return of capital, the deferred ordinary shares carry the right to the payment of the amount paid up on such shares only after holders of the ordinary shares have received the sum of £100,000 in respect of each ordinary share. All of the deferred ordinary shares are held by Sterling Industries Ltd, a wholly-owned subsidiary of Caledonia.

At 31 March 2019, 55,373,734 ordinary shares and 8,000,000 deferred ordinary shares were in issue. The ordinary shares therefore represented approximately 87% and the deferred ordinary shares approximately 13% of the total issued share capital by nominal value. Of the ordinary shares in issue at 31 March 2019, 3,000 shares were held by a group company. As stated above, all voting rights are suspended on these shares.

During the year, the company purchased 7,283 of its ordinary shares at a total cost of £0.2m. These shares had a nominal value of £364, represented 0.01% of the then issued ordinary share capital and were immediately cancelled. The shares were purchased to take advantage of a widening in the discount of the company's share price to its net asset value. No further purchases of ordinary shares have been made since the year end and accordingly the company's issued share capital as at 28 May 2019, being the latest practicable date prior to signature of these accounts, was 55,373,734 ordinary shares and 8,000,000 deferred ordinary shares.

Restrictions on the transfer of shares

There are no specific restrictions on the transfer of the company's shares, although the articles of association contain provisions whereby the directors may refuse to register a transfer of a certificated share which is not fully paid, provided that such refusal does not prevent dealings in the share from taking place on an open and proper basis. The directors may also refuse to register the transfer of a certificated share unless it is (a) lodged, duly stamped, at the registered office or at such other place as the directors may appoint, accompanied by the certificate for the shares to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer; (b) in respect of only one class of shares; and (c) in favour of not more than four transferees.

The directors may refuse to register a transfer of shares if a shareholder has not supplied information to the company in default of a request duly served under section 793 of the Companies Act 2006 and such shares represent at least 0.25% of the class of shares concerned.

Substantial interests

As at 31 March 2019, the following had notified the company that they held 3% or more of the voting rights of the company:

	Number of voting rights	Percentage of voting rights
The Cayzer Trust Company Ltd	19,472,364	35.2%
Wells Capital Management	2,875,916	5.2%

There have been no changes in the substantial interests notified to the company up to the date of this report.

Employee Share Trust

The Caledonia Investments plc Employee Share Trust acquires and holds ordinary shares in the company for subsequent transfer to employees exercising options under the company's performance share scheme or calling for awards vesting under the company's deferred bonus plan. The voting rights of shares held by the trust are exercisable by the independent trustee. The trust is financed by an interest free loan facility from Caledonia and the trustee has waived all dividends payable in respect of the ordinary shares held by the trust, except to the extent of 0.0001% of such dividends.

At 31 March 2019, the trust held 444,542 ordinary shares, representing 0.80% of the total issued voting share capital.

Restrictions on voting rights

The directors may direct that a shareholder shall not be entitled to attend and vote either personally or by proxy or exercise any other right conferred by membership in relation to general meetings of the company in respect of some or all of the shares held by him, if he or any person with an interest in such shares has been duly served with a notice under section 793 of the Companies Act 2006 and is in default for the prescribed period in supplying to the company the information required or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular.

Agreements which may restrict the transfer of shares or exercise of voting rights

The company is not aware of any arrangements which may restrict the transfer of any of its shares or the exercise of any voting rights.

Authority to allot and purchase shares

At the annual general meeting of the company held on 19 July 2018, shareholders granted to the directors authority to allot ordinary shares up to a nominal amount of £922,895, representing approximately one-third of the ordinary share capital then in issue, with authority to allot additional ordinary shares up to a nominal value of £922,895, representing approximately a further one-third of the ordinary share capital then in issue, by way of pre-emptive rights issues only, in accordance with guidance issued at that time by the Investment Association. The directors were further authorised to issue ordinary shares up to a nominal amount of £138,434 other than pro rata to existing ordinary shareholders. These authorities last until 19 October 2019 or, if earlier, the conclusion of the next annual general meeting.

At the annual general meeting held on 19 July 2018, shareholders also granted authority for the company to make market purchases of up to 5,537,370 of its own ordinary shares, being approximately 10% of the ordinary share capital then in issue, at a price not more than the higher of (a) 5% greater than the average of the middle market quotations for such ordinary shares during the five business days preceding any such purchase; and (b) the higher of (i) the price of the last independent trade in such ordinary shares; and (ii) the highest current independent bid relating thereto on the trading venue where the purchase is carried out, nor at a price less than 5p, being the nominal value of an ordinary share. This authority lasts until 19 October 2019 or, if earlier, the conclusion of the next annual general meeting. At the same time, shareholders who were not members of the Cayzer family concert party ('Cayzer Concert Party') gave their approval for a waiver by the Panel on Takeovers and Mergers of the obligation that could arise on the Cayzer Concert Party under Rule 9 of the City Code on Takeovers and Mergers to make a general offer for Caledonia on the implementation by the company of the above authority to purchase its own shares. The approval was subject to the maximum percentage of voting rights in which the Cayzer Concert Party is interested not exceeding 49.9% as a result of purchases by the company. This waiver expires on 19 October 2019 or, if earlier, the conclusion of the next annual general meeting.

Due to the level of the shareholding of the Cayzer Concert Party and the maximum percentage of voting rights permitted to be held by it under the Rule 9 waiver, the board has only limited scope to utilise the authority to purchase the company's shares. It will however consider using the authority when it considers it in the company's and shareholders' best interests to do so, for example when it believes that the shares represent good value in terms of the level of the discount to net asset value, and taking into account anticipated future cash requirements.

Change of control rights

There are no special control rights in relation to the company's shares.

Options granted under the company's performance share scheme and awards made under its deferred bonus plan may become exercisable or vest as a result of a change of control, although the number of shares comprised in those options or awards may be reduced. The service contracts of certain directors and other senior executives also contain provisions whereby a liquidated sum is payable by the company in the event of termination within one year following a change of control.

Further details of these change of control rights are set out in the Directors' remuneration report.

Investment trust status

Caledonia has been accepted as an approved investment trust by HM Revenue & Customs, subject to continuing to meet eligibility conditions. The directors are of the opinion that the company has conducted its affairs in a manner which will satisfy the conditions for continued approval as an investment trust under section 1158 of the Corporation Tax Act 2010.

Annual general meeting

The ninetieth annual general meeting of the company will be held at Cayzer House, 30 Buckingham Gate, London SW1E 6NN on Wednesday, 24 July 2019 at 11.30 am. The notice of the annual general meeting and details of all of the resolutions to be put to shareholders are set out in a separate circular published at the same time as this annual report.

Directors

The directors of the company are shown on pages 30 and 31. All of the directors served throughout the year other than Mr T J Livett who joined the board on 12 March 2019. Mr S A King also served as a director for part of the year, until 30 November 2018.

Directors' indemnity

Each of the directors has the benefit, under the company's articles of association, of an indemnity, to the extent permitted by the Companies Act 2006, against any liability incurred by him or her for negligence, default, breach of duty or breach of trust in relation to the affairs of the company.

Other governance matters continued

Appointment and removal of directors and the articles of association

The appointment and removal of directors is governed by the company's articles of association and prevailing company law.

The articles of association provide that at every annual general meeting one-third of the directors, or if not a multiple of three, the number nearest to one-third, shall retire by rotation and therefore be required to seek re-election by shareholders. New directors may be appointed by the board, but are subject to election by shareholders at the next annual general meeting of the company following their appointment. However, to comply with the provisions of the UK Corporate Governance Code, the company requires that all directors should be subject to annual election by shareholders. Shareholders may also appoint new directors by ordinary resolution. The articles of association limit the number of directors to not less than two and not more than twelve, unless the shareholders resolve otherwise.

In accordance with changes to the Financial Conduct Authority's Listing Rules introduced in 2014, the election of those directors determined by the board to be independent under the UK Corporate Governance Code must be subject to the approval of both all shareholders of the company and separately those shareholders who are not controlling shareholders, being the Cayzer Concert Party.

Customers and suppliers

The group's policy in relation to all of its suppliers is to settle the terms of payment when agreeing the terms of the transaction. The group will abide by those terms on condition that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The group does not follow any code or statement on payment practice.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's and Chief Executive's report on pages 2 to 5 and the Investment review on pages 10 to 18. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 19 to 21. In addition, note 21 to the financial statements includes the group's capital management policies and procedures and processes for managing market risk and exposures to currency risk, interest rate risk, price risk, credit risk and liquidity risk.

The group has cash and other liquid resources and committed bank facilities available to meet existing and new investment commitments. As a consequence, the directors believe that the group is well placed to manage business risks successfully.

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Viability statement

The directors have assessed the viability of the company over the three years to March 2022, taking account of the company's position, its investment strategy, and the potential impact of the relevant principal risks set out on pages 25 to 27. In making this statement, the board is satisfied that the company operates an effective risk management process and confirms that it has conducted a robust assessment of the principal risks facing the company. This includes those that would threaten its strategic objectives, its business as usual state, its business model, and its future performance, solvency or liquidity. Based on this assessment, the directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period to March 2022.

In making this assessment, the directors took comfort from the results of a series of stress tests that considered the impact of a number of severe market downturn scenarios on the company's financial position and, in particular, its ability to settle projected liabilities of the company as they fall due. The directors determined that a three year period to March 2022 is an appropriate period for which to provide this statement given the company's long term investment objective and the resilience demonstrated by the stress testing and the relatively low working capital requirements.

Post balance sheet events

There were no post balance sheet events.

The reports on pages 30 to 62 comprise the Directors' report of the company. The Directors' report was approved by the board on 28 May 2019 and signed on its behalf by:

Graeme Denison
Company Secretary

Cross references to information required to be disclosed by Listing Rule 9.8.4 R.

To comply with Listing Rule 9.8.4 C, the following table provides references to where relevant information required to be disclosed under Listing Rule 9.8.4 R can be found.

Listing Rule	Required information	Location
9.8.4 (5) R	Details of any arrangements under which a director has waived or agreed to waive any emoluments from the company or any subsidiary undertaking.	Directors' remuneration report – page 51. Waiver by Mr Boël in the prior year of all non-executive director fees to which he was otherwise entitled.
9.8.4 (6) R	Where a director has agreed to waive future emoluments, details of such waiver together with those relating to emoluments which were waived during the period under review.	As above.
9.8.4 (12) R	Details of any arrangement under which a shareholder has waived or agreed to waive any dividends.	Other governance matters – page 58. Waiver of all dividends by the trustee of the Caledonia Investments plc Employee Share Trust, except to the extent of 0.0001% of such dividends.
9.8.6 (13) R	Where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to dividends which are payable during the period under review.	As above.
9.8.4 (14)(a) R	A statement made by the board that the listed company has entered into an agreement with a controlling shareholder under Listing Rule 9.2.2 AR (2)(a).	Corporate governance report – page 35. Relations with controlling shareholders.
9.8.4 (14)(c) R	A statement made by the board that: 1. the listed company has complied with the independence provisions included in any agreement with a controlling shareholder entered into under Listing Rule 9.2.2 AR (2)(a) 2. so far as the listed company is aware, the independence provisions included in any agreement with a controlling shareholder entered into under Listing Rule 9.2.2 AR (2)(a) have been complied with during the period under review by the controlling shareholder or any of its associates 3. so far as the listed company is aware, the procurement obligation (as set out in Listing Rule 9.2.2 BR (2)(a)) included in any agreement entered into under Listing Rule 9.2.2 AR (2)(a) has been complied with during the period under review by a controlling shareholder.	As above.

Responsibility statements

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report, the Directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the group and parent company financial statements respectively
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance and position, business model and strategy.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

1. so far as the director is aware, there is no relevant information of which the company's auditor is unaware
2. the director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

Responsibility statements under the Disclosure Guidance and Transparency Rules and the UK Corporate Governance Code

Each of the directors, whose names and functions are listed on pages 30 and 31 confirm that, to the best of their knowledge:

1. 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
2. the strategic report contained on pages 2 to 29 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 by:

Will Wyatt	Tim Livett
Chief Executive	Chief Financial Officer
28 May 2019	28 May 2019

Independent auditor's report

KPMG

Independent auditor's report

to the members of Caledonia Investments plc

1. Our opinion is unmodified

We have audited the financial statements of Caledonia Investments plc for the year ended 31 March 2019 which comprise the Group statement of comprehensive income, statement of financial position for Group and Company, statement of changes in equity for Group and Company, statement of cash flows for Group and Company, and the related notes, including the accounting policies on pages 72 to 76.

In our opinion:

— the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2019 and of the Group's profit for the year then ended;

— the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);

— the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and

— the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 27 October 2011. The period of total uninterrupted engagement is for the 8 financial years ended 31 March 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: group financial statements as a whole	£18.3m (2018:£16.6m) 0.9% (2018: 0.9%) of total assets	
Coverage	100% (2018:100%) of group profit before tax	
Key audit matters		**vs 2018**
Event driven	**New:** The impact of uncertainties due to the UK exiting the European Union on our audit	▲
Recurring risks	Valuation of unlisted investments for the Group and the Company	◄►

Independent auditor's report continued

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit Refer to page 3 (strategic report) and page 26-27 (principal risks).	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in Valuation of unlisted investments for the Group and the Company below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see section 4 of this report). All of these depend on assessments of the future economic environment and the Group's and the Company's future prospects and performance. In addition, we are required to consider the other information presented in the annual report including the principal risks disclosure and viability statement and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the Company's position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: **Our Brexit knowledge:** We considered the directors' assessment of Brexit related sources of risk for the Group's and the Company's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. **Sensitivity analysis:** When addressing the valuation of unlisted investments for the Group and the Company and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. **Assessing transparency:** As well as assessing individual disclosures as part of our procedures the valuation of unlisted investments for the Group and the Company, we considered all of the Brexit related disclosures together, comparing the overall picture against our understanding of the risks. **Our results:** As reported under unlisted investments for the Group and the Company, we found the resulting estimates and related disclosures of sensitivity and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implication for a company and this is particularly the case in relation to Brexit.

KPMG

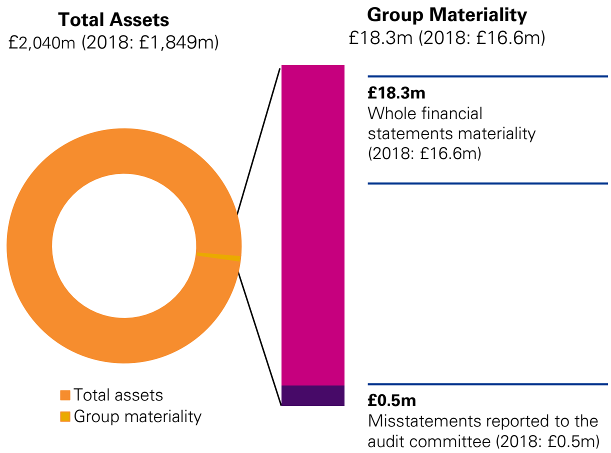
	The risk	Our response
Valuation of unlisted investments for the Group and the Company (£1,157.5m; 2018: £963.0m) Refer to page 38 (Audit Committee Report), pages 74- 75 (accounting policy) and page 79 (financial disclosures	**Subjective valuation** 56.7% (2018: 51.4%) of the group's total assets (by value) and 56.9% (2018: 51.6%) of the company's total assets (by value) are held in investments where no quoted market price is available. Unlisted investments comprise investments in equity, investment property and funds. Unlisted investments are measured at fair value, which is established in accordance with International Private Equity and Venture Capital Valuations Guidelines by using measurements of value such as price of recent orderly transactions, earnings multiples and net assets and valuing fund interests. There is a significant risk over the judgements and estimates inherent in the valuation and therefore one of the key areas that our audit focused on. The effect of these matters is that, as part of our risk assessment, we determined that the Fair value of the unlisted investments has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. [The financial statements (note 21) disclose the sensitivity estimated by the Group and the Company.	Our procedures included: **Control operation:** Documenting and assessing the design and implementation and operational effectiveness of the investment valuation processes and controls; **Control observation:** Attendance at bi-annual Valuations Committee meetings and Audit Committee meetings where we assessed the Audit Committee's and Valuations Committee's challenge and approval of unlisted investment valuations; **Historical Comparisons:** Assessment of investment realisations in the period, comparing actual investment sales proceeds to prior year-end valuations to understand the reasons for significant variances and determine whether they are indicative of bias and error in the group's approach to valuations; **Methodology choice:** In the context of observed industry best practice and the provisions of the Internal Private Equity and Venture Capital Valuation Guidelines, we challenged the appropriateness of the valuation basis selected; **Our valuations experience:** Challenging the investment manager on key judgments affecting investee company valuations, such as discount factors, and the choice of benchmark for earnings multiples. We compared key underlying financial data inputs to external sources such as financial information of comparable businesses, the investee company audited accounts and management information as applicable. We challenged the assumptions around sustainability of earnings based on the plans of investee companies and whether these are achievable and we obtained an understanding of existing and prospective investee company cash flows to understand whether borrowings can be serviced or refinancing may be required. Our work included consideration of events which occurred subsequent to the year end up until the date of this audit report. **Comparing valuations:** Where a recent transaction has been used to value any holding, we obtained an understanding of the circumstances surrounding the transaction and whether it was considered to be on an arm's-length basis and suitable as an input into a valuation. We also assessed whether subsequent changes or events such as market or entity specific factors would imply a change in value. For the valuation of fund interests, we obtained and agreed the latest reported net asset values from the fund managers. **Assessing transparency:** Consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unlisted investments and the disclosure of changing one or more inputs to reasonably possible alternative valuation assumptions. **Our results:** We found the valuation of unlisted investments to be acceptable (2018: acceptable)

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group and Company financial statements as a whole was set at £18.3 million (2018: £16.6 million), determined with reference to a benchmark of total group assets, of which it represents 0.9% (2018: 0.9%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.5m (2018: £0.5m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group team performed the audit of the Group as if it was a single aggregated set of financial information, including the audit of the parent company. The audit was performed using the materiality levels set out above and covered 100% of total group revenue, group profit before tax and total group assets and was all performed at the Group's head office in London.



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Independent auditor's report continued

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period was the impact of Brexit uncertainty on the Group's liquidity and capital resources.

As this was the risk that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from this risk and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise.

Based on this work, we are required to report to you if:

— we have anything material to add or draw attention to in relation to the directors' statement on page 62 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or

— the related statement under the Listing Rules set out on page 32-35 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information

Strategic report and directors' report

Based solely on our work on the other information:

— we have not identified material misstatements in the strategic report and the directors' report;

— in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

— in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

— the directors' confirmation within the viability statement on page 60 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;

— the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and

— the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

— we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or

— the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

— adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

— the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

— certain disclosures of directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 62, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, as well as the company's qualification as an Investment Trust under UK tax legislation, any breach of which could lead to the company losing various deductions and exemptions from UK corporation tax. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines.

We identified the following areas as those most likely to have such an effect: the Listing Rules and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we did not became aware of actual or suspected non-compliance.

These limited procedures did not identify actual or suspected noncompliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Thomas Brown (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
28 May 2019

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Group statement of comprehensive income
for the year ended 31 March 2019

	Note	2019 Revenue £m	2019 Capital £m	2019 Total £m	2018 Revenue £m	2018 Capital £m	2018 Total £m
Revenue							
Investment income	1	52.1	–	52.1	46.0	–	46.0
Other income	1	0.1	0.9	1.0	0.2	–	0.2
Net gains and losses on fair value investments	8	–	176.7	176.7	–	6.8	6.8
Net gains and losses on fair value property	9, 10	–	(5.3)	(5.3)	–	(5.9)	(5.9)
Total revenue		52.2	172.3	224.5	46.2	0.9	47.1
Management expenses	2	(17.9)	(8.6)	(26.5)	(16.9)	(5.9)	(22.8)
Profit before finance costs		34.3	163.7	198.0	29.3	(5.0)	24.3
Treasury interest receivable	3	0.5	–	0.5	0.6	–	0.6
Finance costs	4	(2.1)	–	(2.1)	(2.1)	–	(2.1)
Exchange movements		0.5	–	0.5	(0.6)	–	(0.6)
Profit before tax		33.2	163.7	196.9	27.2	(5.0)	22.2
Taxation	5	1.4	(0.1)	1.3	4.3	–	4.3
Profit for the year		34.6	163.6	198.2	31.5	(5.0)	26.5
Other comprehensive income items never to be reclassified to profit or loss							
Gain on acquisition of pension scheme	23	1.4	–	1.4	–	–	–
Re-measurements of defined benefit pension schemes	23	–	(0.1)	(0.1)	–	(0.8)	(0.8)
Tax on other comprehensive income	5	–	0.2	0.2	–	(0.3)	(0.3)
Total comprehensive income		36.0	163.7	199.7	31.5	(6.1)	25.4
Basic earnings per share	7	63.0p	297.9p	360.9p	57.4p	-9.1p	48.3p
Diluted earnings per share	7	61.9p	292.8p	354.7p	56.3p	-9.1p	47.4p

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.

The accounting policies and notes on pages 72 to 94 are an integral part of these financial statements.

Statement of financial position
at 31 March 2019

	Note	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Non-current assets					
Investments held at fair value through profit or loss	8	1,860.0	1,609.9	1,864.2	1,613.6
Investments in subsidiaries held at cost	8	–	–	0.9	0.8
Investment property	9	6.7	10.4	–	–
Property, plant and equipment	10	28.4	29.2	–	–
Deferred tax assets	11	3.6	3.2	–	–
Employee benefits	23	2.6	2.3	–	–
Non-current assets		1,901.3	1,655.0	1,865.1	1,614.4
Current assets					
Trade and other receivables	12	21.3	3.9	50.8	38.0
Current tax assets	5	5.3	5.4	5.2	4.7
Cash and cash equivalents	13	112.3	207.8	111.3	207.4
Current assets		138.9	217.1	167.3	250.1
Total assets		2,040.2	1,872.1	2,032.4	1,864.5
Current liabilities					
Trade and other payables	14	(28.1)	(26.5)	(34.3)	(34.0)
Employee benefits	23	(2.8)	(2.2)	–	–
Current liabilities		(30.9)	(28.7)	(34.3)	(34.0)
Non-current liabilities					
Employee benefits	23	(7.3)	(6.6)	–	–
Deferred tax liabilities	11	–	(0.2)	–	–
Non-current liabilities		(7.3)	(6.8)	–	–
Total liabilities		(38.2)	(35.5)	(34.3)	(34.0)
Net assets		2,002.0	1,836.6	1,998.1	1,830.5
Equity					
Share capital	15	3.2	3.2	3.2	3.2
Share premium		1.3	1.3	1.3	1.3
Capital redemption reserve		1.3	1.3	1.3	1.3
Capital reserve		1,748.4	1,584.9	1,754.2	1,585.6
Retained earnings		292.4	284.1	282.7	277.3
Own shares		(44.6)	(38.2)	(44.6)	(38.2)
Total equity		2,002.0	1,836.6	1,998.1	1,830.5
Undiluted net asset value	16	3645p	3344p		
Diluted net asset value	16	3582p	3285p		

The financial statements on pages 68 to 94 were approved by the board and authorised for issue on 28 May 2019 and were signed on its behalf by:

Will Wyatt
Chief Executive

Tim Livett
Chief Financial Officer

The accounting policies and notes on pages 72 to 94 are an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 March 2019

	Share capital £m	Share premium £m	Capital redemption reserve £m	Capital reserve £m	Retained earnings £m	Own shares £m	Total equity £m
Group							
Balance at 31 March 2017	3.2	1.3	1.3	1,591.0	332.9	(30.9)	1,898.8
Total comprehensive income							
Profit for the year	–	–	–	(5.0)	31.5	–	26.5
Other comprehensive income	–	–	–	(1.1)	–	–	(1.1)
Total comprehensive income	–	–	–	(6.1)	31.5	–	25.4
Transactions with owners of the company							
Contributions by and distributions to owners							
Exercise of share options	–	–	–	–	–	0.2	0.2
Share-based payments	–	–	–	–	5.0	–	5.0
Own shares purchased	–	–	–	–	–	(7.5)	(7.5)
Dividends paid	–	–	–	–	(85.3)	–	(85.3)
Total transactions with owners	–	–	–	–	(80.3)	(7.3)	(87.6)
Balance at 31 March 2018	3.2	1.3	1.3	1,584.9	284.1	(38.2)	1,836.6
Total comprehensive income							
Profit for the year	–	–	–	163.6	34.6	–	198.2
Other comprehensive income	–	–	–	0.1	1.4	–	1.5
Total comprehensive income	–	–	–	163.7	36.0	–	199.7
Transactions with owners of the company							
Contributions by and distributions to owners							
Share-based payments	–	–	–	–	3.9	–	3.9
Own shares cancelled	–	–	–	(0.2)	–	–	(0.2)
Own shares purchased	–	–	–	–	–	(6.4)	(6.4)
Dividends paid	–	–	–	–	(31.6)	–	(31.6)
Total transactions with owners	–	–	–	(0.2)	(27.7)	(6.4)	(34.3)
Balance at 31 March 2019	3.2	1.3	1.3	1,748.4	292.4	(44.6)	2,002.0
Company							
Balance at 31 March 2017	3.2	1.3	1.3	1,594.2	326.1	(30.9)	1,895.2
Profit and total comprehensive income	–	–	–	(8.6)	31.5	–	22.9
Transactions with owners of the company							
Contributions by and distributions to owners							
Exercise of share options	–	–	–	–	–	0.2	0.2
Share-based payments	–	–	–	–	5.0	–	5.0
Own shares purchased	–	–	–	–	–	(7.5)	(7.5)
Dividends paid	–	–	–	–	(85.3)	–	(85.3)
Total transactions with owners	–	–	–	–	(80.3)	(7.3)	(87.6)
Balance at 31 March 2018	3.2	1.3	1.3	1,585.6	277.3	(38.2)	1,830.5
Profit and total comprehensive income	–	–	–	168.8	33.1	–	201.9
Transactions with owners of the company							
Contributions by and distributions to owners							
Share-based payments	–	–	–	–	3.9	–	3.9
Own shares cancelled	–	–	–	(0.2)	–	–	(0.2)
Own shares purchased	–	–	–	–	–	(6.4)	(6.4)
Dividends paid	–	–	–	–	(31.6)	–	(31.6)
Total transactions with owners	–	–	–	(0.2)	(27.7)	(6.4)	(34.3)
Balance at 31 March 2019	3.2	1.3	1.3	1,754.2	282.7	(44.6)	1,998.1

The accounting policies and notes on pages 72 to 94 are an integral part of these financial statements.

Statement of cash flows
for the year ended 31 March 2019

	Note	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Operating activities					
Dividends received		45.9	46.6	45.9	46.6
Interest received		1.6	0.9	1.6	0.5
Cash received from customers		0.1	0.2	–	–
Cash paid to suppliers and employees		(19.2)	(17.2)	(25.9)	(23.3)
Taxes received		–	0.2	–	0.2
Taxes paid		(0.1)	(0.1)	(0.1)	(0.1)
Group tax relief received		2.5	1.6	2.5	2.0
Group tax relief paid		(1.5)	–	(1.5)	–
Net cash flow from operating activities		29.3	32.2	22.5	25.9
Investing activities					
Purchases of investments		(558.2)	(218.4)	(558.2)	(215.9)
Proceeds from disposal of investments		473.7	305.3	476.9	288.3
Purchases of property, plant and equipment		(2.0)	(10.9)	–	–
Net cash flow from/(used in) investing activities		(86.5)	76.0	(81.3)	72.4
Financing activities					
Interest paid		(1.8)	(2.7)	(1.8)	(2.3)
Dividends paid to owners of the company		(31.6)	(85.3)	(31.6)	(85.3)
Loan receipts from subsidiaries		1.7	–	7.0	24.7
Loan payments to subsidiaries		–	(12.4)	(4.3)	(26.3)
Exercise of share options		–	0.2	–	0.2
Purchase of own shares		(6.6)	(7.5)	(6.6)	(7.5)
Net cash flow used in financing activities		(38.3)	(107.7)	(37.3)	(96.5)
Net increase/(decrease) in cash and cash equivalents		(95.5)	0.5	(96.1)	1.8
Cash and cash equivalents at year start		207.8	207.3	207.4	205.6
Cash and cash equivalents at year end	13	112.3	207.8	111.3	207.4

The accounting policies and notes on pages 72 to 94 are an integral part of these financial statements.

Significant accounting policies

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.

These financial statements were authorised for issue by the directors on 28 May 2019.

These financial statements are presented in pounds sterling, as this is the currency of the primary economic environment in which Caledonia operates.

Significant accounting policies

Critical accounting judgements and estimates

Critical judgements

In the course of preparing the financial statements, judgement has been made in the process of applying the group's accounting policies, other than those involving estimations, that has had a significant effect on the amounts recognised in the financial statements as follows:

1. Assessment as an investment entity

The board has concluded that the company continues to meet the definition of an investment entity, as its strategic objective of investing in a portfolio of investments for the purpose of generating returns in the form of income and capital appreciation remains unchanged.

Critical estimates

In addition to this significant judgement the directors have made estimates, which they deem may have a significant risk of resulting in a material adjustment to the amounts recognised in the financial statements within the next financial year. Details of these estimates are as follows:

1. Fair values of financial instruments

Most of the group's financial instruments are measured at fair value in the Statement of financial position and it is usually possible to determine their fair values within a reasonable range of estimates.

For actively traded financial instruments, quoted market prices are readily available. For other financial instruments, such as unlisted securities, valuation techniques 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).

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision.

See note 21 for further explanation of the development of unobservable inputs used for valuations.

2. Valuation of defined benefit pension schemes

The group considered that the required estimate of an appropriate discount rate in accordance with IAS 19 is a critical estimate. The sensitivity to changes in discount rates is shown in note 23.

Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU and therefore the group financial statements comply with Article 4 of the EU IAS Regulation. IFRSs comprise accounting standards issued by the International Accounting Standards Board and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee and its predecessor body.

The financial statements have been prepared on an historical cost basis, except for the revaluation of certain financial instruments and properties. Where presentational guidance set out in the *Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts* ('SORP') issued by the Association of Investment Companies in January 2017 is consistent with the requirements of IFRSs as adopted by the EU, the directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The statement of comprehensive income of the company has been omitted from these financial statements in accordance with section 408 of the Companies Act 2006.

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. The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future, as discussed on page 60. Accordingly, they continue to adopt the going concern basis of preparing the financial statements.

Adopted IFRSs

In the current year, the group has adopted IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*

- IFRS 9 *Financial Instruments* revises the approach to financial instruments framework replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The classification and measurement of the group's financial instruments were not impacted upon adoption of IFRS 9. The group continues to apply fair value to investment assets as either the cash flows are not 'solely payments of principal and interest' or the business model is to manage them on a fair value basis.
- IFRS 15 *Revenue from Contracts with Customers* revises the approach to revenue recognition from contracts with customers and replaces IAS 11 *Accounting for construction contracts.* The majority of the group's income is received from financial instruments which are excluded from the scope of IFRS 15.

IFRSs not yet applied

At the date of approval of these financial statements, the following standard, which has not been applied in these financial statements, was in issue but not yet effective.

- IFRS 16 *Leases* provides a new approach to lease accounting replacing IAS 17 *Leases*. The group is required to recognise lease contracts as a lessee on the balance sheet as a right of use asset with a corresponding lease liability with the exception of short term or low value leases. Due to immaterial lease obligations, the standard is not expected to impact on the financial position of the group. The standard is not being early adopted and will be applied in the financial statements for the year ended 31 March 2020.

The directors anticipate that the adoption of the standard in future periods in the issued form will have no material impact on the financial statements.

Assessment as investment entity

Entities that meet the definition of an investment entity within IFRS 10 are required to account for most investments in controlled entities as held at fair value through profit or loss. Subsidiaries that provide investment related services or engage in permitted investment related activities with investees continue to be consolidated unless they are also investment entities. The board has concluded that the company meets the definition of an investment entity.

Basis of consolidation

In accordance with the IFRS 10/IAS 28 *Investment entities amendments*, the consolidated financial statements include the financial statements of the company and service entities controlled by the company made up to the reporting date. Control is achieved where the company has power over the investee as a result of voting or other rights, has rights to positive or negative variable returns from its involvement with the investee and has the ability to use its power over the investee to affect significantly the amount of its returns.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at the reporting date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to the functional currency using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair values were determined.

In the financial statements, foreign exchange gains or losses are recognised in capital or revenue reserve depending on whether the gain or loss is of a capital or revenue nature respectively.

Income

Dividends receivable on equity shares are recognised as revenue when the shareholders' right to receive payment has been established, normally the ex-dividend date. Where no ex-dividend date is available, dividends receivable on or before the period end, are treated as revenue. Provision is made for any dividends not expected to be received.

The fixed returns on debt securities, loans and non-equity shares are recognised on an effective interest rate basis, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income is recognised on a straight-line basis over the lease term.

The company's share of net income from limited partnerships is recognised as revenue when received.

Where uncertainty arises over the collectability of an amount already included in income, the uncollectible amount or the amount in respect of which the recovery has ceased to be probable, is recognised as an expense. When the uncertainty over collectability is removed, normally on receipt, the income is recognised in the Statement of comprehensive income.

Expenses

All expenses are accounted for on an accrual basis. In the financial statements, ongoing management expenses are included in revenue reserves, whereas performance fees and share-based payment expenses – costs relating to compensation schemes that are linked directly to investment performance – are included in capital reserves. Expenses of acquisition of an investment designated as held at fair value through profit or loss or expenses of an aborted acquisition or disposal of an investment are presented as transaction costs, or deducted from the proceeds of sale as appropriate, and included in capital reserves.

Operating leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Employee benefits

Pension schemes

Payments to defined contribution schemes are charged as an expense as they fall due.

For defined benefit schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. Re-measurement gains and losses are recognised in full in the period in which they occur in other comprehensive income.

Past service cost is recognised immediately in the period of a plan amendment.

The retirement benefit obligation recognised in the Statement of financial position represents the present value of the defined benefit obligations as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Significant accounting policies continued

Profit sharing and bonus plans
The group recognises a liability and an expense for bonuses and profit sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based payments
The group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant and the fair value is expensed on a straight-line basis over the vesting period, based on the group's estimate of the number of shares that will eventually vest.

Where employees of a subsidiary are granted rights to the equity instruments of its parent as consideration for the services provided to the subsidiary, the subsidiary recognises an equity-settled share-based payment transaction expense with a corresponding increase recognised in equity representing a contribution from the parent. In addition, the parent recognises an increase in equity and an increase in subsidiary investment equivalent to the amount of the share-based payment transaction.

An employee share trust is used for distributing option and performance share and deferred bonus awards to employees under Caledonia's share remuneration schemes. The trustee purchases shares with money lent interest free by Caledonia and transfers shares to participating employees on receipt of the requisite consideration or calling of awards.

The transactions the employee share trust undertakes are considered to be performed by the trust as an agent for Caledonia. The transactions of the employee share trust are included in the separate financial statements of the parent company and, following the requirements of IFRS 10, in the consolidated financial statements as if they arose in that company. Own shares held by the employee share trust as at the reporting date are accounted for as if they were treasury shares.

National Insurance on share option scheme gains and performance share and deferred bonus awards
National Insurance payable on the exercise of certain employee share options and performance share awards at the date of exercise and deferred bonus awards at the date of call has been charged as an expense spread over the respective vesting periods. The charge is based on the difference between the market value of the underlying shares at the reporting date and the exercise price for share options or £nil for performance share awards and deferred bonus awards and calculated at the latest enacted National Insurance rate.

Taxation
The tax expense represents the sum of tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the Statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

The group's liability for current tax is calculated using tax rates that were applicable at the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Investment trust companies that have approval as such under section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains.

The carrying amount of deferred tax assets is reviewed at each reporting date and adjusted to the extent that it is probable that sufficient future taxable profits will be available to allow all or part of the assets to be recovered.

Dividend distribution
Dividends are recognised in the period in which they are appropriately authorised and no longer at the discretion of the entity. For interim dividends, this will normally mean the date on which they are paid and, for final dividends, the date on which they are approved in general meeting.

Investments
Investments are recognised and derecognised on the date when their purchase or sale is subject to a relevant contract and the associated risks and rewards have been transferred. Where a purchase or sale is made under a contract whose terms require delivery within the timeframe established by the market concerned, transactions are recognised on the trade date.

Investments held as part of the group's business of investing in financial assets are designated as held at fair value through profit or loss in both the consolidated financial statements and the company financial statements.

Investments designated as held at fair value through profit or loss are measured at subsequent reporting dates at fair value. Gains or losses arising from changes in the value of investments designated as held at fair value through profit or loss, including foreign exchange movements, are included in net profit or loss for the period as a capital return.

Listed investments are valued at bid price or the last traded price when a bid price is not available. Unlisted investments are valued using recognised valuation methodologies, based on the International Private Equity and Venture Capital Valuation Guidelines, which reflect the amount for which an asset could be exchanged between knowledgeable, willing parties on an arm's length basis. The portfolio valuation methodology is detailed on pages 22 and 23.

Distributions from investment limited partnerships are treated as disposal proceeds or income in accordance with the nature of the distribution. Any surplus capital distributions after repaying partner's capital are treated as realised gains.

Derivative financial instruments

Derivatives are recognised at fair value on the date a contract is entered into and are subsequently re-measured at their fair value.

Hedge accounting is not applied. Changes in the fair value of derivative financial instruments are recognised in the Statement of comprehensive income as they arise.

Capital reserve

The company maintains a capital reserve. The following items are transferred into the capital reserve from profit or loss:

- gains and losses on investments held at fair value through profit or loss
- gains and losses on derivatives entered into as part of the company's investment strategy
- fees and share-based payment expenses linked to investment performance
- expenses and finance costs incurred directly in relation to capital transactions
- actuarial gains and losses on defined benefit pension schemes
- taxation on items recognised in the capital reserve.

Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value.

The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

Any gain or loss arising from a change in fair value is recognised in profit or loss. Rental income is recognised on a straight-line basis over the lease term.

Property, plant and equipment

Property is measured at fair value. Gains arising from changes in the fair value are included in other comprehensive income for the period in which they arise and losses included in profit or loss. To the extent gains represent the reversal of cumulative losses previously recognised they are included in profit or loss.

Plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment loss.

Assets in course of construction are measured at cost less any accumulated impairment loss.

Depreciation is calculated to write off the fair value or cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives. Land and assets in course of construction are not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	25 and 50 years
Fixtures and fittings	5-10 years
Office equipment	3-5 years

Accumulated depreciation on revalued property is eliminated against the gross carrying amount of the asset.

The gain or loss on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of comprehensive income.

Impairment of assets

At each reporting date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Significant accounting policies continued

Receivables
Receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents
Cash comprises cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Borrowings
Interest-bearing bank loans and overdrafts are recorded at the fair value of proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the Statement of comprehensive income using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. The effective interest method allocates the interest expense over the life of the instrument so as to reflect a constant return on the carrying amount of the liability.

Provisions
A provision is recognised in the Statement of financial position when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

In the financial statements, provisions recognised for investments are included in the Statement of comprehensive income as a capital return.

Share capital
Equity instruments issued by the company are recorded as the proceeds received, net of direct issue costs.

Where the Caledonia Investments plc Employee Share Trust purchases the company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's owners until the shares are transferred. Where such shares are subsequently transferred, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's owners.

Operating segments
Operating segments are based on the financial information reported to the chief operating decision maker.

Notes to the financial statements

1. Revenue

Investment income

	2019 £m	2018 £m
Income from portfolio investments		
Dividends from UK listed companies	14.2	11.2
Dividends from overseas listed companies	8.8	9.4
Dividends from unlisted companies	26.6	15.5
Distributions from limited partnerships	1.5	1.5
Interest on loans	1.0	–
	52.1	37.6
Income from unallocated investments		
Dividends from unlisted companies	–	8.0
Interest on loans	–	0.4
	52.1	46.0

Other income

	2019 £m	2018 £m
Income statement revenue column		
Property income	0.1	0.2
Income statement capital column		
US limited partnerships tax refunds	0.9	–

2. Expenses

Management expenses

	2019 £m	2018 £m
Income statement revenue column		
Personnel expenses	10.6	10.4
Depreciation	1.0	0.8
Auditor's remuneration	0.3	0.2
Other administrative expenses	7.2	7.0
Directors' fees and disbursements recharged	(1.0)	(1.0)
Management fees and recharges	(0.2)	(0.5)
	17.9	16.9
Income statement capital column		
Personnel expenses	8.2	5.8
Transaction costs	0.4	0.1
	8.6	5.9
	26.5	22.8

Further information

Auditor's remuneration

Fees payable to KPMG LLP in respect of services to Caledonia Investments plc were as follows:

	2019 £m	2018 £m
Audit services		
Annual report	0.2	0.1
Other services		
Other assurance and tax compliance	0.1	0.1
	0.3	0.2

Fees payable to KPMG LLP in respect of services to Caledonia Investments plc's non-consolidated subsidiaries were as follows:

	2019 £m	2018 £m
Audit services		
Annual report[1]	0.6	0.5
Other services		
Other assurance, due diligence and tax compliance	0.1	0.1
	0.7	0.6

1. Included £0.1m (2018 – £0.1m) payable to KPMG Channel Islands Ltd.

Personnel expenses

	2019 £m	2018 £m
Income statement revenue column		
Wages and salaries	8.6	8.4
Compulsory social security contributions	1.3	1.4
Contributions to defined contribution plans	0.7	0.9
Defined benefit pension plans expense (note 23)	–	(0.3)
	10.6	10.4
Income statement capital column		
Equity-settled share-based payments (note 22)	6.6	5.0
National Insurance on share awards	1.6	0.8
	8.2	5.8
	18.8	16.2

Notes to the financial statements continued

The average number of employees, including executive directors, throughout the year was as follows:

	2019 No	2018 No
Average number of employees	53	52

Total directors' remuneration expensed for the year was £4.2m (2018 – £3.8m), as detailed in the related party key management compensation (note 18).

3. Treasury interest receivable

	2019 £m	2018 £m
Interest on bank deposits and liquidity funds	0.5	0.6

4. Finance costs

	2019 £m	2018 £m
Interest on bank loans and overdrafts	2.1	2.1

5. Taxation

Recognised in comprehensive income

	2019 £m	2018 £m
Current tax income		
Current year	1.2	0.7
Adjustments for prior years	(0.7)	3.8
	0.5	4.5
Deferred tax income		
Origination and reversal of temporary differences	0.8	(0.2)
Total tax income	1.3	4.3

Adjustments for prior years represented settlement of prior year tax loss relief surrendered to group companies, finalised in the year.

Reconciliation of effective tax expense

	2019 £m	2018 £m
Profit before tax	196.9	22.2
Tax expense at the domestic rate of 19%	(37.4)	(4.2)
Non-deductible expenses	(0.1)	0.6
Losses arising in the year not recognised	(3.5)	(4.4)
Non-taxable gains on investments	32.5	0.1
Non-taxable UK dividend income	7.5	6.2
Tax exempt revenues	2.2	2.4
Other temporary differences	0.6	(0.2)
Adjustments for prior years	(0.5)	3.8
Tax income	1.3	4.3

Recognised in other comprehensive income

	2019 £m	2018 £m
Deferred tax income/(expense)		
On re-measurements on defined benefit pension schemes	–	0.1
On share options and awards	0.2	(0.4)
	0.2	(0.3)

Current tax assets

Current tax assets of £5.3m in the group and £5.2m in the company represented tax loss relief surrender for settlement (2018 – £5.4m in the group and £4.7m in the company).

6. Dividends

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

	2019		2018	
	p/share	£m	p/share	£m
Final dividend for the year ended 31 March 2018 (2017)	41.5	22.8	39.9	21.9
Special dividend for the year ended 31 March 2017	–	–	100.0	54.9
Interim dividend for the year ended 31 March 2019 (2018)	16.1	8.8	15.5	8.5
	57.6	31.6	155.4	85.3

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 2019	43.2	23.7		

The proposed final dividend for the year ended 31 March 2019 was not included as a liability in these financial statements. This dividend, if approved by shareholders at the annual general meeting to be held on 24 July 2019, will be payable on 8 August 2019 to holders of shares on the register on 28 June 2019. The ex-dividend date will be 27 June 2019. The deadline for elections under the dividend reinvestments plan offered by Link Asset Services will be the close of business on 18 July 2019.

For the purposes of section 1158 of the Corporation Tax Act 2010 and associated regulations, the dividends payable for the year ended 31 March 2019 are the interim and final dividends for that year, amounting to £32.5m (2018 – £31.3m).

7. 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:

	2019 £m	2018 £m
Revenue	34.6	31.5
Capital	163.6	(5.0)
Total	198.2	26.5

The weighted average number of shares was as follows:

	2019 000's	2018 000's
Issued shares at the year start	55,381	55,381
Effect of shares cancelled	(6)	–
Effect of shares held by the employee share trust	(451)	(464)
Basic weighted average number of shares in the year	54,924	54,917
Effect of performance shares, share options and deferred bonus awards	960	984
Diluted weighted average number of shares in the year	55,884	55,901

8. Investments

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Investments held at fair value through profit or loss				
Investments listed on a recognised stock exchange	688.9	646.9	688.9	646.9
Unlisted investments	1,171.1	963.0	1,175.3	966.7
	1,860.0	1,609.9	1,864.2	1,613.6
Investments held at cost				
Service subsidiaries	–	–	0.9	0.8
	1,860.0	1,609.9	1,865.1	1,614.4

The movements in non-current investments were as follows:

	Listed equity £m	Unlisted equity[1] £m	Unlisted debt £m	Total £m
Group				
Balance at 31 March 2017	682.2	986.1	20.3	1,688.6
Purchases at cost	86.4	129.5	2.5	218.4
Disposal proceeds	(96.2)	(185.8)	(22.0)	(304.0)
Gains/losses on investments	(25.5)	32.3	–	6.8
Accrued income	–	0.2	(0.1)	0.1
Balance at 31 March 2018	646.9	962.3	0.7	1,609.9
Transfer	–	(1.3)	1.3	–
Purchases at cost	136.2	338.4	83.8	558.4
Disposal proceeds	(166.8)	(271.4)	(50.6)	(488.8)
Gains/losses on investments	72.6	104.8	(0.7)	176.7
Accrued income	–	3.8	–	3.8
Balance at 31 March 2019	688.9	1,136.6	34.5	1,860.0
Company				
Balance at 31 March 2017	682.2	1,000.7	0.1	1,683.0
Purchases at cost	86.4	134.5	–	220.9
Disposal proceeds	(96.2)	(190.8)	–	(287.0)
Gains/losses on investments	(25.5)	22.8	–	(2.7)
Accrued income	–	0.2	–	0.2
Balance at 31 March 2018	646.9	967.4	0.1	1,614.4
Transfer	–	(1.3)	1.3	–
Purchases at cost	136.2	342.3	83.8	562.3
Disposal proceeds	(166.8)	(275.2)	(50.0)	(492.0)
Gains/losses on investments	72.6	104.7	(0.7)	176.6
Accrued income	–	3.8	–	3.8
Balance at 31 March 2019	688.9	1,141.7	34.5	1,865.1

1. Unlisted equity included limited partnership and open ended fund investments. It also included £28.9m (2018 – £29.0m) of non-pool investments.

9. Investment property

	Freehold property £m
Cost	
Transfer from property, plant and equipment	10.1
Acquisitions	0.3
Balance at 31 March 2018	10.4
Transfer from property, plant and equipment	2.4
Acquisitions	1.1
At 31 March 2019	13.9
Revaluation	
Revaluation in the year	(7.2)
Balance at 31 March 2019	(7.2)
Carrying amounts	
At 31 March 2018	10.4
At 31 March 2019	6.7

At 31 March 2019, the group held one property classified as investment property, comprising that part of its head office building currently being redeveloped for lease to a third party.

The fair value of the investment property was determined by Tuckerman, an external, independent property valuer, holding recognised and relevant professional qualifications and with recent experience in the location and category of the property

Notes to the financial statements continued

being valued. The valuation conforms to the Royal Institution of Chartered Surveyors ('RICS') Valuation Professional Standards. Fees paid to the valuer are based on a fixed price contract.

As the property is currently being redeveloped, it was valued on the basis of its development potential, considering the gross development value of the completed scheme based upon assumptions of capital value, rental value and yields that would be created through the implementation of the development. Deduction is then made for anticipated costs to complete, before arriving at a valuation.

The investment property held by the group is classified as Level 3.

Property	Market value £m	Valuation technique	Key unobservable inputs	Range (weighted average)
Buckingham Gate	6.7	Residual development value	Construction costs	£6.5m
			Rent per sq ft pa	£36.75–£72.50 (£67.20)
			Rent-free period	2.5 yrs
			Capitalisation rate	4.5%
			Purchaser's costs	6.8%

An increase in the estimated construction costs of 10% would result in a decrease in the asset valuation of £0.6m and a decrease of 10% would result in an increase in the asset valuation of £0.6m. An increased capitalisation rate of 0.25% would result in a decreased asset valuation of £0.7m and a decrease of 0.25% would result in an increased asset valuation of £0.8m. Conversely, an increase in the estimated rent by 5% would result in an increase in the asset valuation of £0.6m and a decrease of 5% would result in a decrease in the asset valuation of £0.6m. The above inputs are interdependent and partially determined by market conditions. The impact on the valuation could be mitigated by the inter-relationship between these inputs.

During the prior year the head office refurbishment was completed and property with a value of £10.1m was transferred from property, plant and equipment to investment property, being the planned third party tenant areas of the completed building.

10. Property, plant and equipment

Group

	Property £m	Under construction £m	Office equipment £m	Total £m
Cost				
Balance at 31 March 2017	23.8	13.1	1.1	38.0
Acquisitions	0.9	8.2	1.4	10.5
Reclassification	19.0	(21.3)	2.3	–
Transfer to investment property	(10.1)	–	–	(10.1)
Balance at 31 March 2018	33.6	–	4.8	38.4
Acquisitions	0.9	–	–	0.9
Disposals	–	–	(0.2)	(0.2)
Transfer to investment property	(2.4)	–	–	(2.4)
Balance at 31 March 2019	32.1	–	4.6	36.7
Depreciation				
Balance at 31 March 2017	–	–	(1.0)	(1.0)
Depreciation charge	(0.5)	–	(0.3)	(0.8)
Eliminate depreciation	0.5	–	–	0.5
Balance at 31 March 2018	–	–	(1.3)	(1.3)
Depreciation charge	(0.6)	–	(0.4)	(1.0)
Eliminate depreciation	0.6	–	–	0.6
Balance at 31 March 2019	–	–	(1.7)	(1.7)
Revaluation				
Balance at 31 March 2017	(1.5)	–	–	(1.5)
Revaluation in the year	(5.9)	–	–	(5.9)
Eliminate depreciation	(0.5)	–	–	(0.5)
Balance at 31 March 2018	(7.9)	–	–	(7.9)
Revaluation in the year	1.9	–	–	1.9
Eliminate depreciation	(0.6)	–	–	(0.6)
Balance at 31 March 2019	(6.6)	–	–	(6.6)
Carrying amounts				
At 31 March 2017	22.3	13.1	0.1	35.5
At 31 March 2018	25.7	–	3.5	29.2
At 31 March 2019	25.5	–	2.9	28.4

Property is measured at fair value and comprised freehold land and building. During the prior year property under construction was completed and transferred to property and office equipment.

Property was revalued at 31 March 2019 by an independent valuer. Had the property been carried under the cost model, the carrying amount would have been £27.1m (2018 – £25.6m).

11. Deferred tax

Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities were attributable to the following:

	Assets £m	Liabilities £m	Net £m
2019			
Employee benefits	3.6	–	3.6
	3.6	–	3.6
2018			
Employee benefits	3.2	–	3.2
Other items	–	(0.2)	(0.2)
	3.2	(0.2)	3.0

Movement in temporary differences during the year

	Balance at year start £m	Compre-hensive income £m	Other compre-hensive income £m	Acquired £m	Balance at year end £m
2019					
Employee benefits	3.2	0.6	0.2	(0.4)	3.6
Other items	(0.2)	0.2	–	–	–
	3.0	0.8	0.2	(0.4)	3.6
2018					
Employee benefits	3.7	(0.2)	(0.3)	–	3.2
Other items	(0.2)	–	–	–	(0.2)
	3.5	(0.2)	(0.3)	–	3.0

Group and company

Unrecognised deferred tax assets

Deferred tax assets were not recognised in respect of the following items:

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Tax losses	8.9	5.4	8.8	5.0

A deferred tax asset was not recognised in respect of the tax losses because it was not probable that future taxable profits would be available against which the company could utilise the losses.

12. Trade and other receivables

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Trade receivables	19.5	2.7	18.8	2.1
Non-trade receivables and prepayments	1.8	1.2	0.4	0.6
Other receivables	–	–	31.6	35.3
	21.3	3.9	50.8	38.0

Other receivables included short term lending to subsidiaries.

13. Cash and cash equivalents

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Bank balances	1.3	3.5	0.8	3.3
Short term deposits	111.0	204.3	110.5	204.1
Cash and cash equivalents	112.3	207.8	111.3	207.4

14. Trade and other payables

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Trade payables	0.5	0.5	–	3.9
Non-trade payables and accrued expenses	1.5	1.5	7.1	1.9
Other payables	26.1	24.5	27.2	28.2
	28.1	26.5	34.3	34.0

Other payables included short term borrowing from subsidiaries.

15. Share capital

	Ordinary shares £m	Deferred ordinary shares £m	Share premium £m	Total £m
Balance at 31 March 2017, 2018 and 2019	2.8	0.4	1.3	4.5

The number of fully paid shares in issue was as follows:

	Ordinary shares		Deferred ordinary shares	
	2019 000's	2018 000's	2019 000's	2018 000's
Balance at the year start and end	55,374	55,381	8,000	8,000

The company had outstanding performance share scheme and deferred bonus awards (note 22).

As at 31 March 2019, the issued share capital of the company comprised 55,374,734 ordinary shares (2018 – 55,381,017) and 8,000,000 deferred ordinary shares (2018 – 8,000,000). The ordinary and deferred ordinary shares have a nominal value of 5p each.

Notes to the financial statements continued

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. In respect of the company's ordinary shares that are held by subsidiaries, all voting rights are suspended.

The deferred ordinary shares carry no voting rights and are not redeemable. They carry the right to a fixed cumulative preference dividend of 1% per annum (exclusive of any associated tax credit) of the nominal value of such deferred ordinary shares, being 0.05p per share, or £4,000 in aggregate, for all such shares currently in issue. The company is required to pay the dividend to the extent that it has distributable profits. On a winding-up or other return of capital, the deferred ordinary shares carry the right to the payment of the amount paid up on such shares only after holders of the ordinary shares have received the sum of £100,000 in respect of each such ordinary share. All of the deferred ordinary shares are held by Sterling Industries Ltd, a wholly-owned group company.

16. 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.

	2019			2018		
	Net assets £m	Number of shares 000's	NAV p/share	Net assets £m	Number of shares 000's	NAV p/share
Undiluted	2,002.0	54,929	3645	1,836.6	54,927	3344
Share awards	–	960	(63)	–	984	(59)
Diluted	2,002.0	55,889	3582	1,836.6	55,911	3285

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.

	2019 p	2018 p
Diluted NAV at year start	3285	3395
Diluted NAV at year end	3582	3285
Dividends payable in the year	58	155
Reinvestment adjustment[1]	3	2
	3643	3442
NAVTR over the year	10.9%	1.4%

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

17. Operating segments

The chief operating decision maker has been identified as the Executive Committee, which reviews the company's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The performance of operating segments is assessed on a measure of group total revenue, principally comprising gains and losses on investments and investment income. Reportable profit or loss is after treasury income and 'Other items', which comprise management and other expenses and provisions. Reportable assets equate to the group's total assets. Cash and cash equivalents and other items are not identifiable operating segments.

'Other investments' comprise subsidiaries not managed as part of the investment portfolio.

	Profit before tax		Total assets	
	2019 £m	2018 £m	2019 £m	2018 £m
Quoted pool	88.9	16.3	464.4	452.3
Income pool	6.7	(21.2)	224.5	194.6
Unquoted pool	63.4	24.5	659.5	463.5
Funds pool	69.9	34.1	482.7	470.5
Investment portfolio	228.9	53.7	1,831.1	1,580.9
Other investments	(4.4)	(6.6)	28.9	29.0
Total revenue/investments	224.5	47.1	1,860.0	1,609.9
Cash and cash equivalents	0.5	0.6	112.3	207.8
Other items	(28.1)	(25.5)	67.9	54.4
Reportable total	196.9	22.2	2,040.2	1,872.1

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the currency of primary listing for listed securities, or country of residence for unquoted investments, and segment assets are based on the geographical location of the assets.

	UK £m	US £m	Other £m	Total £m
2019				
Revenue	64.2	130.6	29.7	224.5
Non-current assets	35.1	–	–	35.1
2018				
Revenue	36.1	3.1	7.9	47.1
Non-current assets	39.6	–	–	39.6

Non-current assets exclude financial instruments, deferred tax and employee benefit assets.

18. Related parties

Identity of related parties

The group and company had related party relationships with its subsidiaries (note 26) and associates (note 25) and with its key management personnel, being its directors.

Transactions with key management personnel

Certain directors of the company and their immediate relatives had significant influence in The Cayzer Trust Company Ltd, which held 35.2% of the voting shares of the company as at 31 March 2019 (2018 – 35.1%).

During the year, the group invoiced and received £0.1m (2018 – £0.1m) in rent and administration fees from The Cayzer Trust Company Ltd.

In addition to their salaries, the group provided non-cash and post-employment benefits to directors and executive officers. Details of directors' pension benefits are set out in the Directors' remuneration report on pages 51 and 52.

The key management personnel compensation was as follows:

	Group	
	2019 £m	2018 £m
Short term employee benefits	2.2	2.3
Equity compensation benefits	2.0	1.5
	4.2	3.8

Total remuneration of directors is included in 'Personnel expenses' (note 2).

Other related party transactions

Investees

Transactions between the company and its subsidiaries were as follows:

	2019		2018	
	Amount of trans-actions £m	Balance at year end £m	Amount of trans-actions £m	Balance at year end £m
Comprehensive income items				
Dividends receivable on equity shares	13.7	–	17.3	–
Interest receivable	1.2	–	0.2	–
Capital distributions receivable	3.8	–	5.0	–
Management fees payable	(23.7)	(3.7)	(21.0)	(1.0)
Taxation received	2.5	–	2.0	–
Taxation paid	(1.5)	–	–	–
Financial position items				
Equity subscribed	31.9	–	65.7	–
Capital contributions	3.9	–	5.0	–
Loans receivable	(3.7)	31.6	2.0	35.3
Loans payable	1.0	(27.2)	(9.5)	(28.2)

Associates and joint ventures

Transactions between the company and group and associates and joint ventures were as follows:

	2019		2018	
	Amount of trans-actions £m	Balance at year end £m	Amount of trans-actions £m	Balance at year end £m
Company				
Dividends receivable on equity shares	9.0	–	3.4	–

19. Capital commitments

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

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Investments				
Contracted but not called	330.6	320.1	339.0	324.8
Conditionally contracted	167.6	24.3	167.6	24.3
	498.2	344.4	506.6	349.1

Conditionally contracted commitments at 31 March 2019 included £142.6m in respect of the acquisition of a minority holding in Stonehage Fleming, subject to regulatory approval.

20. Contingencies

The company has provided guarantees capped at £6.5m, £9.0m and £5.0m to the trustees of the Caledonia Pension Scheme, the Sterling Industries Pension Scheme and the Amber Industrial Holdings PLC Pension & Life Assurance Scheme respectively in respect of the liabilities of the participating employers of those schemes.

21. Financial instruments

Financial instruments comprise securities and other investments, cash balances, borrowings and receivables and payables that arise from operations. The investment portfolio includes listed and unlisted equity investments, debt instruments and investments in funds that are intended to be held for the long term.

Risk analysis

The main types of financial risk to which the group is exposed are market risk, credit risk and liquidity risk.

The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed are discussed below.

Market risk

Market risk embodies the potential for both losses and gains and includes price risk, currency risk and fair value interest rate risk.

Notes to the financial statements continued

The strategy for managing market risk is driven by the company's objectives, which are to outperform RPI by 3% to 6% in the short term and the FTSE All-Share Total Return index over rolling five and ten year periods. Investments are made in a range of instruments, including listed and unlisted equities, debt and non-equity investment funds, in a range of sectors and regions.

Price risk
Price risk may affect the value of listed and unlisted investments as a result of changes in market prices (other than arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

As the majority of financial instruments are carried at fair value, with fair value changes recognised in the Statement of comprehensive income, all changes in market conditions will directly affect reported portfolio returns.

Price risk is managed by constructing a diversified portfolio of instruments traded on various markets and hedging where appropriate.

The exposures of listed and unlisted equity investments and equity fund interests were as follows:

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Investments held at fair value through profit or loss	1,825.5	1,609.2	1,829.7	1,613.5

The following table details the sensitivity to a 10% variation in equity prices. The sensitivity analysis includes all equity and fund investments held at fair value through profit or loss and adjusts their valuation at the year end for a 10% change in value.

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Increase in prices	182.5	160.9	183.0	161.4
Decrease in prices	(182.5)	(160.9)	(183.0)	(161.4)

The sensitivity to equity and fund investments has increased during the year due to investment portfolio gains and net investments.

Currency risk
Investments in financial instruments and other transactions may be denominated in currencies other than the functional currency. Consequently, there is exposure to the risk that the exchange rate of the functional currency may change relative to other currencies in a manner that has an adverse effect on the value of that portion of assets and liabilities denominated in currencies other than the functional currency.

The company's non-functional currency denominated investments and gains and losses thereon are reviewed regularly by the directors and the currency risk is managed by the directors within the overall asset allocation strategies.

The fair values of the monetary items that have foreign currency exposure were as follows:

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Cash and cash equivalents	0.7	2.3	0.5	2.2

The following table details the sensitivity to a 10% variation in exchange rates. This level of change is considered to be reasonable, based on observation of market conditions and historic trends. The sensitivity analysis includes all foreign denominated debt investments.

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Sterling depreciates (weakens)	(0.1)	(0.2)	–	(0.2)
Sterling appreciates (strengthens)	0.1	0.2	–	0.2

The exposure to foreign currency has reduced in the year due to a reduction in foreign denominated cash and cash equivalents.

Interest rate risk
Interest rate movements may affect the fair value of investments in fixed interest securities and the level of income receivable from fixed income securities and cash at bank and on deposit.

The company and group held cash at bank and term deposits, with the term to maturity of up to three months, and floating rate, interest-bearing financial assets. The group also held fixed rate, interest-bearing financial assets, with maturities of up to five years.

The exposure to interest rate risk on financial assets and liabilities was as follows:

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Fixed rate				
Interest-bearing loans to non-consolidated subsidiaries	34.4	0.6	34.4	–
Floating rate				
Investments in debt instruments	0.1	0.1	0.1	0.1
Cash and cash equivalents	112.3	207.8	111.3	207.4

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date from a 50 basis point change taking place at the beginning of the financial year and held constant throughout the year. This level of change is considered to be reasonable, based on observation of market conditions and historic trends.

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Decrease in interest rates	1.3	(0.8)	1.3	(0.8)
Increase in interest rates	(1.3)	0.8	(1.3)	0.8

The group's sensitivity to interest rates has changed in the year due to an increase in fixed interest loans, at a relatively higher rate of interest, than floating rate investments.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment. A credit policy is in place and exposure to credit risk is monitored regularly.

The exposure to credit risk in financial assets was as follows:

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Investments in debt instruments	34.5	0.7	34.5	0.1
Operating and other receivables	21.3	3.9	50.8	38.0
Cash and cash equivalents	112.3	207.8	111.3	207.4
	168.1	212.4	196.6	245.5

Prior to making investments in debt instruments, management has in place a process of review that includes an evaluation of a potential investee company's ability to service and repay its debt. Management reviews the financial position of investee companies, including their continuing ability to service and repay debt, on a regular basis.

The exposure to credit risk on operating and other receivables is mitigated by performing credit evaluations on investee companies as part of the due diligence process.

Credit risk arising on money market funds and cash and cash equivalents is mitigated by spreading investments and deposits across a number of approved counterparties in accordance with board policy. These are either investment grade banks with a credit rating of 'AA3' or 'AA-' or higher, as determined by the rating agencies Moody's and Fitch, or banks specifically approved by the board. These credit ratings are reviewed regularly.

At the year end, the group and company had sterling liquidity fund investments of £111.0m and £110.5m respectively (2018 – group and company £204m). At the year end, the group and company had £25.5m and £25.0m invested in the HSBC Sterling Liquidity Fund respectively. The group and company had £25.0m invested in the Standard Life Investments Liquidity Fund plc Sterling, £20.5m in the Insight Liquidity Funds plc Sterling and £20.0m each in the Goldman Sachs Sterling Liquid Reserves Fund and Blackrock Institutional Sterling Liquidity Fund.

In the prior year, the group and company had sterling liquidity fund investments of £204m. £24m was invested in the HSBC Sterling Liquidity Fund, with the balance invested equally between Goldman Sachs Sterling Liquid Reserves Fund, Blackrock Institutional Sterling Liquidity Fund, Standard Life Investments Liquidity Fund plc Sterling and Insight Liquidity Funds plc Sterling.

All transactions in listed securities are settled on contract terms using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet their obligations. Listed security trades are settled through HSBC Global Custody.

Fair value

Most of the financial instruments are carried at fair value in the Statement of financial position. Usually, the fair value of the financial instruments can be reliably determined within a reasonable range of estimates. For certain other financial instruments, specifically operating and other receivables and payables, the carrying amounts approximate fair value due to the immediate or short term nature of these financial instruments.

Liquidity risk

Liquidity risk arises as a result of the possibility that the group and company may not be able to meet their obligations as they fall due.

The corporate treasury function provides services to the company and group, coordinating access to domestic financial markets for both borrowing and depositing. Group companies access local financial markets when this is more favourable, in liaison with the corporate treasury function. Executive management monitors the group's liquidity on a weekly basis, including the level of undrawn committed bank facilities.

Bank facilities were undrawn at 31 March 2019 and 2018.

Capital management policies and procedures

The group's capital management objectives are:

- to ensure that the group and company will be able to continue as a going concern
- to maximise the income and capital return to the company's shareholders, principally through the use of equity capital, although the group will maintain appropriate borrowing facilities, to be used for short term working capital or bridging finance, currently £250m (2018 – £250m).

The group's total capital at 31 March 2019 was £2,002.0m (2018 – £1,836.6m) and comprised equity share capital and reserves. The group was ungeared at the year end (2018 – ungeared) and had a further £250m of undrawn committed bank facilities.

The board monitors and reviews the broad structure of the group's and company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account planned investment activity
- the possible buy-back of equity shares for cancellation, which takes account of the discount of the share price to net asset value per share
- the annual dividend policy.

The group's objectives, policies and processes for managing capital are unchanged from the preceding year.

Notes to the financial statements continued

The parent company is subject to the following externally imposed capital requirements:

- as a public limited company, the company is required to have a minimum issued share capital of £50,000
- to maintain its approval as an investment trust company, the company is required to comply with the provisions of section 1158 of the Corporation Tax Act 2010 as amended by the Investment Trust (Approved Company) (Tax) Regulations 2011.

The parent company has complied with these requirements, which are unchanged since the previous year end.

Fair value hierarchy

The table below analyses financial instruments held at fair value according to the inputs used in the valuation technique, as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets.

Level 2 Inputs other than quoted prices included in Level 1 that are directly or indirectly observable.

Level 3 Inputs for assets that are not based on observable market data.

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Investments held at fair value				
Level 1	688.9	646.9	688.9	646.9
Level 2	79.0	183.5	83.8	187.6
Level 3	1,092.1	779.5	1,091.5	779.1
	1,860.0	1,609.9	1,864.2	1,613.6

Movement in Level 3 financial instruments was as follows:

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Balance at the year start	779.5	822.5	779.1	808.9
Purchases	417.1	121.5	417.1	121.5
Disposal proceeds	(214.4)	(191.5)	(214.4)	(178.3)
Gains and losses on investments sold in the year	67.5	89.5	67.5	89.5
Gains and losses on investments held at the year end	38.6	(62.7)	38.4	(62.7)
Accrued income	3.8	0.2	3.8	0.2
Balance at the year end	1,092.1	779.5	1,091.5	779.1

The directors have used several valuation techniques as prescribed in the Valuation methodology to arrive at the best estimate of fair value, including the price of recent investments, revenue and earnings multiples and recent market transactions where available.

Significant observable inputs used in measuring Level 2 financial instruments were developed as follows:

- Fund NAVs, being the price at which fund units can be bought and sold at the reporting date.
- Property valuations, indirectly derived from observable market data including prices of observed transactions involving comparable buildings in similar locations.

Significant unobservable inputs used in measuring Level 3 financial instruments were developed as follows:

- Maintainable earnings, being reported earnings adjusted for non-recurring items, such as restructuring expenses. The most common measure is EBITDA and is usually derived from the latest 12 months, unless forecasts provide a more reliable measure.
- Adjustments to earnings multiples to reflect points of difference between the comparators and the company being valued, with respect to the risk profile and earnings growth prospects that underpin the earnings multiple. Such adjustments ranged from nil to 30% (2018 – 15% to 30%), weighted average 6.8% (2018 – 20.5%).
- EBITDA multiples represent amounts that market participants would use when pricing investments. EBITDA multiples are selected from comparable public companies based on geographic location, industry, size, target markets and other factors that management consider reasonable, or are derived from M&A transactions involving comparable companies. The traded multiples for comparable companies are determined by dividing the enterprise value of the company by its EBITDA. EBITDA multiples ranged from 5 to 13 (2018 – 5 to 12), weighted average 9.6 (2018 – 10.4).

The table below sets out information about Level 3 investments whose valuation is based on significant internally developed unobservable inputs and those externally developed, either using net assets or a fund NAV.

Description/ valuation technique	Fair value £m	Unobservable input	Weighted average input	Input sensitivity +/-	Change in valuation +/- £m
Internally developed					
Private companies					
Price of recent investment	23.8	Multiple	1.0x	0.1x	2.4
Earnings	522.3	EBITDA multiple	9.6x	1.0x	59.1
		Multiple adjustment	6.8%	1%	33.3
Net assets	29.9	Multiple	1.0x	0.1x	3.0
	576.0				97.8
Externally developed					
Private equity fund investments					
Net asset value[1]	516.1				
	1,092.1				

1. The entity has determined that the net asset values reported by the fund managers represented fair value at the fund reporting date.

Private equity fund investments, included in Level 3, are valued in accordance with the valuation guidelines and are based on information provided by the fund manager. The fund managers' policy in valuing unlisted investments is to carry them at fair value. Similarly, externally managed unquoted investment valuations are based on information provided by the managers.

22. Share-based payments

The company has a performance share scheme that entitles senior executives to receive options over the company's shares, which are exercisable subject to service and performance conditions. All nil-cost option awards granted in 2012 may be exercised between five and ten years after the date of grant. For nil-cost option awards granted in 2013 and 2014, half of the shares comprised in the awards may be exercised after three years, and half after five years. For nil-cost option awards granted in 2015 onwards, one-third of the shares comprised in the awards may be exercised after three years, and two-thirds after five years.

The company also has a deferred bonus plan, under which senior employees compulsorily defer part of their annual bonus, being any bonus in excess of 50% of their basic salary for the bonus year, into shares. Prior to 2017, employees were able to voluntarily defer up to 50% of their remaining cash bonus into shares and the company matched the number of shares comprised in both compulsory and voluntary deferral, subject to service and company performance criteria. Voluntary deferral and matching awards were discontinued in 2017.

The terms and conditions of the grants outstanding were as follows, whereby all grants are settled by physical delivery of shares:

Grant date	Entitlement	Vesting conditions	Number of shares
Performance share scheme awards			
28.05.12	Award grant to senior staff	Note 1	1,703
12.06.13	Award grant to senior staff	Note 2	10,590
27.11.14	Award grant to senior staff	Note 3	93,635
26.06.15	Award grant to senior staff	Note 6	136,275
26.05.16	Award grant to senior staff	Note 6	188,066
21.07.17	Award grant to senior staff	Note 6	206,572
30.05.18	Award grant to senior staff	Note 6	238,088
			874,929
Deferred bonus awards to senior staff			
26.05.16	Voluntary award	Note 5	2,087
26.05.16	Compulsory award	Note 4	8,568
26.05.16	Matching shares	Note 7	10,548
21.07.17	Compulsory award	Note 4	45,090
30.05.18	Compulsory award	Note 4	493
			66,786

1. Three/five years of service and two-thirds vest if NAV total return outperforms the FTSE All-Share Total Return and/or one-third vest if NAV total return outperforms the FTSE Actuaries UK Index-linked Gilts (all stocks) Total Return, in each case over a three year period and with vesting on a straight-line basis from 10% to 100% on outperformance of 0.5% to 3.5%.
2. Three/five years of service and 50% vest if NAV total return outperforms the FTSE All-Share Total Return over five years and/or 50% vest if NAV total return outperforms the FTSE Actuaries UK Index-linked Gilts (all stocks) Total Return over three years, in each case with vesting on a straight-line basis from 10% to 100% on outperformance of 0.5% to 3.5%.
3. Three/five years of service with vesting on a graduated basis from 10% to 100% for annualised NAV total return of 3% to 10% and (for investment executives) annualised pool total returns in a range of 4% to 15%, in each case measured over three years for one-half of the award and five years for the other half of the award. Investment executives' awards are measured as to 80% by reference to pool total returns and 20% by reference to NAV total return, other than Mr Cayzer-Colvin's awards, which are 60% and 40% respectively.
4. Three years of service.
5. Three years of service or earlier termination of employment.
6. Three/five years of service with vesting on a graduated basis from 10% to 100% for annualised NAV total return of 3% to 10% and (for investment executives) annualised pool total returns in a range of 4% to 15%, in each case measured over three years for one-third of the award and five years for the remaining two-thirds of the award. Investment executives' awards are measured as to 80% by reference to pool total returns and 20% by reference to NAV total return, other than Mr Cayzer-Colvin's awards, which are 60% and 40% respectively.
7. Three years of service with vesting on a graduated basis from 20% to 100% for annualised NAV total return of 4% to 10% measured over three years.

All performance share awards have a life of ten years and all deferred bonus awards have a life of four years.

The number and weighted average exercise prices of share options were as follows:

	2019		2018	
	Weighted average exercise price p/share	Number of options 000's	Weighted average exercise price p/share	Number of options 000's
Outstanding at the year start	–	–	1446	18
Exercised during the year	–	–	1446	(18)
Outstanding at the year end	–	–	–	–

The fair value of services received in return for performance share scheme and deferred awards granted was measured indirectly, by reference to the share price at the date of grant.

Under the schemes, share options were granted with service and non-market performance conditions. Such conditions were not taken into account in the fair value measurement of the services received at the dates of grant. There were no market conditions associated with the share option grants.

The fair value of services received in return for deferred share awards was measured directly, by reference to the fair value of services received during the period. This was based on the amount of annual bonus that was compulsorily and voluntarily deferred in accordance with the rules of the company's deferred bonus plan.

Notes to the financial statements continued

Employee expenses were as follows:

Years ended 31 March	2019 £m	2018 £m
Performance share awards granted in 2014	–	0.2
Performance share awards granted in 2015	0.7	1.0
Performance share awards granted in 2016	1.1	0.8
Performance share awards granted in 2017	1.1	1.2
Performance share awards granted in 2018	1.4	1.1
Performance share awards granted in 2019	1.3	–
Deferred bonus awards for 2014	–	(0.2)
Deferred bonus awards for 2015	0.3	0.4
Deferred bonus awards for 2016	0.2	0.2
Deferred bonus awards for 2017	0.5	0.3
	6.6	5.0

23. Employee benefits

Group

	2019 £m	2018 £m
Non-current assets		
Defined benefit pension asset	2.6	2.3
Current liabilities		
Profit sharing bonus	(2.8)	(2.2)
Non-current liabilities		
Defined benefit pension obligations	(2.7)	(4.6)
National Insurance on performance shares and deferred bonus awards	(2.6)	(2.0)
Dividends payable on performance shares and deferred bonus awards	(2.0)	–
	(7.3)	(6.6)
Total employee liabilities	(10.1)	(8.8)

Defined benefit pension obligations

The group makes contributions to three (2018 – two) plans in the UK that provide pension benefits for employees. The schemes are approved by HMRC for tax purposes and operated separately from the group being managed by an independent set of trustees, whose appointment is determined by the schemes' documentation and legislation. The schemes are subject to UK funding regulations, which require the group and the trustees to agree a funding strategy and contribution schedule where necessary. Two (2018 – one) of the schemes were in surplus on an IAS 19 basis which is recognised in full as the company considers there is an unconditional right to a refund under IFRIC 14. Two schemes were effectively closed to new members in April 1996 and the other scheme in April 1997. New employees joining after that date were offered alternative defined contribution pension arrangements.

	2019 £m	2018 £m
Present value of funded obligations	74.0	48.5
Fair value of plan assets	(73.9)	(46.2)
Present value of net obligations	0.1	2.3

Changes in the present value of defined benefit obligations were as follows:

	2019 £m	2018 £m
Balance at the year start	48.5	46.5
Service cost	0.6	0.2
Interest cost	1.6	1.2
Actuarial loss/(gain) from changes in:		
– demographic assumptions	(2.3)	–
– financial assumptions	3.6	(0.3)
– experience gains	–	(0.8)
Actual benefit payments	(3.3)	(2.4)
Curtailment/settlement	(0.6)	4.1
Acquired	25.9	–
Balance at the year end	74.0	48.5

Changes in the fair value of plan assets were as follows:

	2019 £m	2018 £m
Balance at the year start	46.2	44.4
Interest income	1.6	1.2
Return on plan assets less interest income	1.2	(1.9)
Employer contributions	0.5	0.3
Actual benefit payments	(3.3)	(2.4)
Settlement	–	4.6
Acquired	27.7	–
Balance at the year end	73.9	46.2

Amounts recognised in management expenses in the Statement of comprehensive income were as follows:

	2019 £m	2018 £m
Service cost	0.6	0.2
Interest on obligations	1.6	1.2
Interest on plan assets	(1.6)	(1.2)
Gain on curtailment/settlement	(0.6)	(0.5)
	–	(0.3)

During the year, the Sterling Industries Pension Scheme was acquired by the group, resulting in a gain on acquisition in Other comprehensive income of £1.4m. In addition, changes to the members benefits immediately prior to the acquisition of the Sterling Industries Pension Scheme, resulted in a curtailment gain of £0.6m. In the prior year, a fellow participating employer withdrew from the Caledonia Pension Scheme, triggering a s75 event that resulted in a settlement gain of £0.5m.

Amounts recognised in other comprehensive income were as follows:

	2019 £m	2018 £m
Actuarial (losses)/gains arising from financial assumptions	(3.6)	0.3
Actuarial gains arising from demographic assumptions	2.3	–
Actuarial gains from experience adjustments	–	0.8
Return on plan assets less interest income	1.2	(1.9)
Re-measurement losses in the year	(0.1)	(0.8)

An analysis of plan assets at the end of the year was as follows:

	2019 £m	2018 £m
Equities	33.6	29.8
Bonds	18.8	6.4
Cash	21.5	10.0
	73.9	46.2

The analysis of plan assets above included an underlying asset allocation of investment funds.

Principal actuarial assumptions at the reporting date (expressed as weighted averages) were as follows:

	2019 %	2018 %
Discount rate at the year end	2.3	2.6
Future salary increases	4.5	4.4
Future pension increases	3.5	3.4
RPI price inflation	3.5	3.4

Mortality rates are assumed to follow the Self-Administered Pension Schemes 'Series 2' Light tables applicable to each member's year of birth, projected to calendar year 2012 in line with the core CMI scale of improvements. Allowance has also been made for further improvements in line with CMI core projections with a long term trend of 1.5% pa. Life expectancy on retirement in normal health is assumed to be 26.3 years (2018 – 27.7 years) for males and 26.7 years (2018 – 28.3 years) for females who are currently 62 years of age.

Expected contributions to group post-employment benefit plans for the year ending 31 March 2020 were £0.4m (2019 – £0.3m).

In the UK, the funding is set on the basis of a triennial funding valuation by the actuaries for which the assumptions may differ from those above. IAS 19 requires 'best estimate' assumptions to be used whereas the funding valuation uses 'prudent' assumptions. As a result of these valuations, the group and the scheme trustees agree a Schedule of Contributions, which sets out the required contributions from the employer and employees for current service. Where the scheme is in deficit, the Schedule of Contributions also includes required contributions from the employer to eliminate the deficit. The most recent triennial valuations were completed in 2017 and 2018. A summary of the recent funding obligations and weighted average duration of the defined benefit obligations was as follows:

	Obligations at 31 Mar 2018 £m	Weighted average duration at 31 Mar 2019 years
Amber Industrial Holdings pension scheme	12.5	15
Caledonia Pension Scheme	31.7	16

	At 30 Sept 2016 £m	At 31 Mar 2019 years
Sterling Industries Pension Scheme	29.0	15

Sensitivities

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises the estimated increase in defined benefit obligations to a change in individual actuarial assumptions, while holding all other assumptions constant. This sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in an assumption would occur in isolation, as some of the assumptions may be correlated.

	2019 £m	2018 £m
Reduction in the discount rate of 0.25%	3.0	2.0
Increase in inflation of 0.25%	2.0	1.3
Increase in life expectancy of one year	3.3	2.1

Risks

The pension schemes typically expose the group to risks such as:

- Investment risk – the schemes hold their investments in equities and bonds, the value of which fluctuates, whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.
- Interest rate risk – the schemes' liabilities are assessed using market rates of interest, based on corporate bond yields, to discount the liabilities and are therefore subject to any volatility in the movement of the market rate of interest. The net interest income or expense recognised in profit or loss is calculated using the market rate of interest.
- Inflation risk – a significant proportion of the benefits under the schemes is linked to inflation. Although the schemes' assets are expected to provide a good hedge against inflation over the long term, movements over the short term would increase the schemes' net deficit.
- Mortality risk – in the event that members live longer than assumed, the liabilities may turn out to have been understated originally and a deficit may emerge if funding has not been adequately provided for the increased life expectancy.

Notes to the financial statements continued

24. Post balance sheet events

There were no post balance sheet events.

25. Interests in associates

Company	Class	Holding %	Registered office
Bristow Aviation Holdings Ltd	A Ordinary	46.0	Redhill Aerodrome, Kings Mill Lane, Redhill HR1 5JZ
General Practice Holdings Ltd	Ordinary	25.0	32 Grosvenor Gardens, London SW1W 0DH
General Practice Investment Corporation Ltd	Ordinary	23.6	32 Grosvenor Gardens, London SW1W 0DH
	Preference	100.0	
GPG No.7 Ltd	Ordinary	23.2	32 Grosvenor Gardens, London SW1W 0DH
GPGL Ltd	Ordinary	25.0	32 Grosvenor Gardens, London SW1W 0DH
GPI Nominee Ltd	Ordinary	25.0	32 Grosvenor Gardens, London SW1W 0DH
Sports Information Services (Holdings) Ltd	Ordinary	22.5	Unit 1/2 Whitehall Avenue, Kingston, Milton Keynes MK10 0AX
Sterling Thermal Technology Holdings Ltd	Ordinary	29.9	South Building, Brunel Road, Rabans Lane, Aylesbury HP19 8TD

The company is an investment trust company and, accordingly, does not equity account for associates, which are designated as investments held at fair value through profit or loss.

Aggregated amounts relating to associates, extracted on a 100% basis, were as follows:

	2019 £m	2018 £m
Assets	148.3	245.1
Liabilities	(63.4)	(117.4)
Equity	84.9	127.7
Revenues	193.8	217.9
Profit	5.3	18.3

26. Subsidiaries

Company	Class	Holding %	Registered office
Amber 2010 Ltd	Ordinary	100.0[1]	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Buckingham Gate Ltd[2]	Ordinary	100.0[1]	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Caledonia CCIL Distribution Ltd	Ordinary	100.0[1]	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Caledonia Financial Ltd	Ordinary	100.0[1]	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Caledonia Group Services Ltd[2]	Ordinary	100.0[1]	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Caledonia Ireland ICAV	Ordinary	100.0[1]	32 Molesworth Street, Dublin 2, D02 Y512, Ireland
Caledonia Land & Property Ltd	Ordinary	100.0[1]	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Caledonia Treasury Ltd[2]	Ordinary	100.0[1]	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Crewkerne Investments Ltd	A Ordinary	50.5	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
	B Ordinary	100.0	
Easybox Self-Storage Ltd	Ordinary	100.0[1]	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Edinmore Investments Ltd	Ordinary	100.0[1]	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Garlandheath Ltd	Ordinary	100.0[1]	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Sterling Crewkerne Ltd	Ordinary	100.0[1]	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Sterling Industries Ltd	Ordinary	100.0[1]	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
The Union-Castle Mail Steamship Co Ltd	Ordinary	100.0[1]	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
	A Ordinary	100.0[1]	
BioAgilytix			
Caledonia Precision Blocker Inc	Common	100.0[1]	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA
Bloom Engineering			
Bloom Combustion (India) Private Ltd	Ordinary	100.0	410 Yusuf Building, Veer Nariman Road, Fort, Mumbai 400001, India
Bloom Combustion Products (Shanghai) Co Ltd	Ordinary	100.0	1383 Gu Gao Road, Pudong District, Shanghai 201209, China
Bloom Engineering (China) LLC	Member	100.0	PHS Corporate Services Inc, 1201 Market Street, Suite 1600, Wilmington, DE 19801, USA
Bloom Engineering (Europa) GmbH	Ordinary	100.0	Büttgenbachstraße 14, D-40549 Düsseldorf 11, Germany
Bloom Engineering Co Inc	Common	100.0	5460 Horning Road, Pittsburgh, PA 15236, USA
Bloom Engineering Holdings Ltd	Ordinary	100.0[1]	Kings Head House, 15 London End, Beaconsfield HP9 2HN
	A1 Growth	50.0[1]	
	B Growth	25.0[1]	
Bloom Produtos de Combustão do Brasil Ltda	Ordinary	100.0	Rua Guarani 173, Conceição, Diadema - SP, 09991-060, Brasil
Hotwork Combustion Technology Ltd	Ordinary	100.0	Bretton Street, Savile Town, Dewsbury WF12 9DB
Brookshire			
Brookshire Capital LLP	Member	70.0[1]	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Brookshire Trading Ltd	Ordinary	100.0	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Buzz Bingo			
Buzz Bingo Group Ltd	Ordinary	100.0	New Castle House, Castle Boulevard, Nottingham NG7 1FT
Buzz County Clubs Ltd	Ordinary	100.0	Buzz Clubs Regional Office, Kerse Lane, Falkirk FK1 1RJ
Buzz Entertainment Ltd	Ordinary	100.0	New Castle House, Castle Boulevard, Nottingham NG7 1FT
Buzz Group Ltd	Ordinary	100.0	New Castle House, Castle Boulevard, Nottingham NG7 1FT
Buzz Holdings Ltd	Ordinary	100.0	New Castle House, Castle Boulevard, Nottingham NG7 1FT
Buzz Leisure Ltd	Ordinary	100.0	New Castle House, Castle Boulevard, Nottingham NG7 1FT
Caledonia Venus Acquisition Ltd	Ordinary	100.0	New Castle House, Castle Boulevard, Nottingham NG7 1FT
Caledonia Venus Group Ltd	Ordinary	100.0	New Castle House, Castle Boulevard, Nottingham NG7 1FT
Caledonia Venus Holdings Ltd	Ordinary A	99.5[1]	New Castle House, Castle Boulevard, Nottingham NG7 1FT
	Preference	100.0[1]	
Cooke Optics			
Chaplin Bidco Ltd	Ordinary	100.0	1 Cooke Close, Thurmaston, Leicester LE4 8PT
Chaplin Midco Ltd	Ordinary	100.0	1 Cooke Close, Thurmaston, Leicester LE4 8PT
Chaplin Topco Ltd	A Ordinary	100.0[1]	1 Cooke Close, Thurmaston, Leicester LE4 8PT
	B Ordinary	0.5[1]	
	C Ordinary	5.1[1]	
	A Growth	0.7[1]	
	B Growth	2.4[1]	

Notes to the financial statements continued

Company	Class	Holding %	Registered office
Cooke (Shanghai) Optics Technology Co Ltd	Ordinary A	100.0	Rooms 503/504, No 1 Building, No 908 Xiuwen Road, Minhang District, Shanghai, China
Cooke Optics Group Ltd	A Ordinary	100.0	1 Cooke Close, Thurmaston, Leicester LE4 8PT
	B Ordinary	100.0	
	C Ordinary	100.0	
	D Ordinary	100.0	
	Preferred Ord	100.0	
	A Preference	100.0	
	B Preference	100.0	
Cooke Optics Holdings Ltd	Ordinary	100.0	1 Cooke Close, Thurmaston, Leicester LE4 8PT
Cooke Optics Ltd	Ordinary	100.0	1 Cooke Close, Thurmaston, Leicester LE4 8PT
Cooke Optics TV Ltd	Ordinary	100.0	1 Cooke Close, Thurmaston, Leicester LE4 8PT
ZGC Inc	Ordinary	100.0	264 Morris Avenue, Mountain Lakes, NJ 07046, USA
Deep Sea Electronics			
Caledonia Quint Bidco Ltd	Ordinary	100.0	Highfield House, Hunmanby Industrial Est, Hunmanby YO14 0PH
Caledonia Quint Midco Ltd	Ordinary	100.0	Highfield House, Hunmanby Industrial Est, Hunmanby YO14 0PH
Caledonia Quint Topco Ltd	Ordinary	85.2[1]	Highfield House, Hunmanby Industrial Est, Hunmanby YO14 0PH
Deep Sea Electronics Inc	Common	100.0	3230 Williams Avenue, Rockford, IL 61101, USA
Deep Sea Electronics India Pte Ltd	Ordinary	100.0	3/31 First Floor, West Patel Nagar, New Delhi 110008, India
Deep Sea Electronics Ltd	Ordinary	100.0	Highfield House, Hunmanby Industrial Est, Hunmanby YO14 0PH
DSE Development Ltd	Ordinary	100.0	Highfield House, Hunmanby Industrial Est, Hunmanby YO14 0PH
Liberation Group			
A.E. Smith & Son Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
A.S.B.M. Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
A.S.B.O. Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
A.S.B.T. Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Aurora Hotel Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Bath Street Wine Cellar Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Brasserie du Centre Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Bucktrout & Company Ltd	Deferred	100.0	Hougue Jehannet, Vale, Guernsey GY3 5UF
	Ordinary	100.0	
	Preference	100.0	
Butcombe Brewery (EBT) Ltd	Ordinary	100.0	Butcombe Brewery, Cox's Green, Wrington, Bristol BS40 5PA
Butcombe Brewery Ltd	Ordinary	100.0	Butcombe Brewery, Cox's Green, Wrington, Bristol BS40 5PA
Butcombe Brewing Company Ltd	Ordinary	100.0	Butcombe Brewery, Cox's Green, Wrington, Bristol BS40 5PA
Butcombe Inns Ltd	Ordinary	100.0	Butcombe Brewery, Cox's Green, Wrington, Bristol BS40 5PA
Butcombe Pubco Ltd	Ordinary	100.0	Butcombe Brewery, Cox's Green, Wrington, Bristol BS40 5PA
Caesarea Hotel (Jersey) Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Café de Paris (Jersey) Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Caledonia TLG Bidco Ltd	Ordinary	100.0	Butcombe Brewery, Havyatt Road Trading Estate, Wrington, Bristol BS40 5PA
Caledonia TLG Ltd	Ordinary A	87.1[1]	19 Royal Square, St Helier, Jersey JE2 4WA
	Ordinary B	31.4[1]	
	Ordinary C	21.2[1]	
	Preference	100.0[1]	
Caledonia TLG Midco Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Captains Holdings Ltd	Ordinary	100.0	Hougue Jehannet, Vale, Guernsey GY3 5UF
Channel Wines & Spirits (Jersey) Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Citann Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Cosy Corner (Jersey) Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Craig Street Brewing Company Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Divette Holdings Ltd	Ordinary	100.0	Hougue Jehannet, Vale, Guernsey GY3 5UF
Don Inn (Jersey) Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Evenstar Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Exeter Hotel (Jersey) Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Farmers Inn Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Five Oaks Hotel Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA

Company	Class	Holding %	Registered office
Foresters Arms (Jersey) Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Gimbels (Jersey) Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Glo'ster Vaults Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Great Union Hotel (Holdings) Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Great Western Hotel Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Guernsey Leisure Company Ltd	Ordinary	100.0	Hougue Jehannet, Vale, Guernsey GY3 5UF
Guppy's Holdings Ltd	Ordinary	100.0	Hougue Jehannet, Vale, Guernsey GY3 5UF
Guppy's of Guernsey Ltd	Ordinary	100.0	Hougue Jehannet, Vale, Guernsey GY3 5UF
Hautville Ltd	Ordinary	100.0	Hougue Jehannet, Vale, Guernsey GY3 5UF
Horse & Hound (Jersey) Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
John Tregear Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
La Cave des Vins Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
La Rocque Enterprises Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
La Rocque Inn (Jersey) Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Lapwing (Trading) Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Le Hocq Hotel Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Les Garcons Ltd	Ordinary	100.0	Hougue Jehannet, Vale, Guernsey GY3 5UF
Longueville Distributors Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
M Still Catering Ltd	Ordinary	100.0	Butcombe Brewery, Cox's Green, Wrington, Bristol BS40 5PA
Marais Hall Ltd	Ordinary	100.0	Marais Hall, Marais Square, St Anne, Alderney GY9 3TS
Mary Ann Products (Jersey) Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Mitre Hotel (Jersey) Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Nightbridge Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Old Court House Hotel (St Aubin) 1972 Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Parade Hotel (Jersey) Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Peirson (1971) Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Puffin NewCo Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Red Lion Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Robin Hood (Jersey) Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
S.L. Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Ship Holdings Ltd	Ordinary	100.0	Hougue Jehannet, Vale, Guernsey GY3 5UF
Square Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
St John's Hotel Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Stag Hotel (Jersey) Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Sussex Hotel Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
The Guernsey Brewery Co (1920) Ltd	Ordinary Preference	100.0 100.0	Hougue Jehannet, Vale, Guernsey GY3 5UF
The Independent Brewing Company Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
The Liberation Group Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
The Liberation Group UK Ltd	Ordinary	100.0	Butcombe Brewery, Havyatt Road Trading Estate, Wrington, Bristol BS40 5PA
The Liberation Pub Company (Guernsey) Ltd	Ordinary	100.0	Hougue Jehannet, Vale, Guernsey GY3 5UF
The Liberation Pub Company (Jersey) Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
The Long Ashton Cider Company Ltd	Ordinary	100.0	Butcombe Brewery, Cox's Green, Wrington, Bristol BS40 5PA
The Post Horn Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
The Royal Oak Inn Trading Ltd	Ordinary	100.0	Butcombe Brewery, Cox's Green, Wrington, Bristol BS40 5PA
Trafalgar Hotel (Jersey) Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Triple Rock Ltd	Ordinary	100.0	Butcombe Brewery, Cox's Green, Wrington, Bristol BS40 5PA
Union Inn (Jersey) Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Victor Hugo Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Victoria (Valley) Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Victoria Hotel (Jersey) Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Wellington Hotel Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
Wests Cinemas Ltd	Ordinary	100.0	19 Royal Square, St Helier, Jersey JE2 4WA
White Hart Ltd	Ordinary	100.0	Hougue Jehannet, Vale, Guernsey GY3 5UF

Notes to the financial statements continued

Company	Class	Holding %	Registered office
Seven Investment Management			
7IM Financial Solutions Ltd	Ordinary	100.0	Level 1 Princes Exchange, 1 Earl Grey Street, Edinburgh EH3 9BN
7IM Holdings Ltd	Ordinary	100.0	55 Bishopsgate, London EC2N 3AS
	Preference	100.0	
7IM Investment & Retirement Solutions Ltd	Ordinary	100.0	55 Bishopsgate, London EC2N 3AS
7IM Ltd	Ordinary	100.0	55 Bishopsgate, London EC2N 3AS
7IM Trustees Ltd	Ordinary	100.0	55 Bishopsgate, London EC2N 3AS
Caledonia Thames Acquisitions (Jersey) Ltd	Ordinary	100.0	44 Esplanade, St Helier, Jersey JE4 9WG
Caledonia Thames Group (Jersey) Ltd	Ordinary	100.0	44 Esplanade, St Helier, Jersey JE4 9WG
Caledonia Thames Holdings (Jersey) Ltd	Ordinary	93.0[1]	44 Esplanade, St Helier, Jersey JE4 9WG
Seven Investment Management LLP	Member	95.0	55 Bishopsgate, London EC2N 3AS
Tcam Asset Management Group Ltd	Ordinary	100.0	55 Bishopsgate, London EC2N 3AS
Tcam Nominees (No. 1) Ltd	Ordinary	100.0	Level 1 Princes Exchange, 1 Earl Grey Street, Edinburgh EH3 9BN
Tcam Nominees (No. 6) Ltd	Ordinary	100.0	Level 1 Princes Exchange, 1 Earl Grey Street, Edinburgh EH3 9BN
Tcam Nominees Ltd	Ordinary	100.0	55 Bishopsgate, London EC2N 3AS

1. Directly held by the company.
2. Included in the consolidation.

Company performance record

The ten year record of the company's financial performance is as follows:

	Profit/(loss) for the year £m	Diluted earnings per share p	Annual dividend p	Net assets £m	Diluted NAV per share p	Share price p	Rolling ten years annualised: Total shareholder return %	Rolling ten years annualised: FTSE All-Share Total Return %
2010	312.4	539.6	35.3	1,182	2034	1625	11.5	2.6
2011	84.1	145.1	37.1	1,259	2165	1725	10.5	4.7
2012	(93.2)	(161.8)	42.9	1,134	1977	1486	8.2	5.2
2013	206.8	361.9	47.2	1,299	2299	1840	13.6	10.7
2014	183.1	327.4	49.1	1,446	2593	1923	8.9	8.6
2015	207.7	371.1	50.6	1,627	2906	2281	7.5	7.7
2016	41.1	73.1	52.6	1,644	2890	2285	3.8	4.7
2017	290.1	518.4	54.8	1,899	3395	2750	5.2	5.7
2018	26.5	47.4	57.0	1,837	3285	2650	5.3	6.7
2019	198.2	354.7	59.3	2,002	3582	2980	11.6	11.1

1. Profits, earnings and net assets from 2014 were from the group results, prepared in accordance with IASB *Investment Entities* amendments to IFRS 10 *Consolidated Financial Statements*. Pre-2014, they were from the company results.
2. Annual dividends are stated in relation to the year's results from which they were paid. Dividends for 2017 exclude the special dividend of 100.0p.

Information for investors

Registrar

Our Registrar is:
Link Assets Services ('Link')
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Shareholder enquiries: (open 9.00am to 5.30pm)
0871 664 0300 or +44 371 644 0300 if calling from overseas

Share dealing service: (open 8:00am to 4.30pm)
0371 664 0445 or +44 371 664 0445 if calling from overseas

Dividend reinvestment plan: (open 9.00am to 5.30pm)
0371 664 0381 or +44 371 664 0381 if calling from overseas

(UK calls cost 12p per minute plus your phone company's access charge. Calls from outside the UK will be charged at the applicable international rate. Lines are open Monday to Friday, excluding UK public holidays.)

Link also provide an online service, Signal Shares, by which you can view your shareholding details, transaction and dividend histories, change your address, bank mandate and electronic communication preference and use the online proxy voting service. Signal Shares is available at www.signalshares.com.

Shareholder services offered by Link

Share dealing service
Link's share dealing service offers a quick and easy way to sell or buy shares in Caledonia. The service is available online at www.linksharedeal.com or by telephone as above.

Dividend reinvestment plan
A dividend reinvestment plan is available if you would like to re-invest dividends rather than receiving them in cash. You can elect for the dividend reinvestment plan online at www.signalshares.com or by telephone as above.

International payment service
Link also offer an international payment service whereby overseas shareholders may convert their dividend payments into a chosen currency and receive payment either in the form of a currency draft or by a direct payment into an overseas bank account. Details of the currencies available under this service and how to apply, including terms and conditions, are available online at www.signalshares.com (by clicking on 'your dividend options' and following the on-screen instructions) or an application pack can be requested by telephone on Link's shareholder enquiries number above.

Electronic communications

You may elect to receive communications from the company electronically via its website as an alternative to receiving hard copy accounts and circulars. If you would like to change your communication preference, you may do so at www.signalshares.com or by writing to Link at FREEPOST SAS, 34 Beckenham Road, Beckenham, Kent BR3 9ZA (if you are a UK shareholder) or SAS, 34 Beckenham Road, Beckenham, Kent BR3 9ZA, England (if you are a non-UK shareholder). No stamp is required for letters from UK shareholders.

Investing in Caledonia

Caledonia Investments ISA

The Caledonia Investments Individual Savings Account ('ISA') is a tax efficient savings account that allows participants to invest up to an annual amount of £20,000 for the tax year ending 5 April 2020. Lump sum payments or regular monthly deposits can be made into the ISA. Details of the ISA are available on Caledonia's website or by request from the company.

Caledonia Investments Share Savings Scheme

The Caledonia Investments Share Savings Scheme is a plan that aims to provide a simple and flexible way for investors to purchase shares in Caledonia. Lump sum payments or regular monthly deposits can be made into the Share Savings Scheme. Details of the Share Savings Scheme are available on Caledonia's website or by request from the company.

Share price information

The company's ordinary shares are premium listed on the London Stock Exchange under the SEDOL code of 0163992 or TIDM code of CLDN. Prices are published daily in the Financial Times under the 'Investment Companies' heading and in other leading newspapers and can also be viewed on the company's website at www.caledonia.com.

The ISIN for Caledonia's ordinary shares is GB0001639920.

Monthly net asset value

The company releases a net asset value announcement and publishes a fact sheet shortly after each month end. These can be found on the company's website at www.caledonia.com.

Directors and advisers

Chairman
David C Stewart[2,3]

Executive directors
William P Wyatt (Chief Executive)[2]
Timothy J Livett (Chief Financial Officer)
Jamie M B Cayzer-Colvin

Non-executive directors
Stuart J Bridges[1,2,4]
The Hon Charles W Cayzer[2]
Guy B Davison[1,2]
Charles H Gregson (Senior Independent)[2,3,4]
Shonaid C R Jemmett-Page[1,2,3,4]

1. Member of the Audit Committee
2. Member of the Nomination Committee
3. Member of the Remuneration Committee
4. Member of the Governance Committee

Secretary
Graeme P Denison

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Registered number
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Registrar
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The Registry
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The Association of
Investment Companies

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