



**CALEDONIA**  
INVESTMENTS

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# Annual report 2020

Year ended 31 March 2020

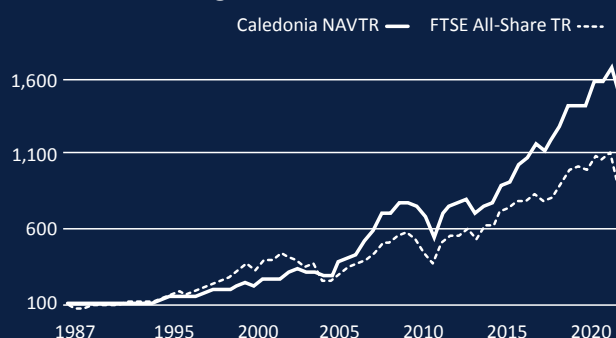


# Welcome to Caledonia

Caledonia is a self-managed investment trust company with net assets of £1.8bn. 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, we have 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 53 years of increasing its annual dividends.

NAV total return growth since 1987



## Strategic report

- 1 Company highlights
- 2 Chairman's statement
- 4 Chief Executive's report
- 8 Business model and strategy
- 12 Promoting the success of Caledonia
  - Investment review*
- 13 Performance and analysis
- 17 Quoted Equity – Capital strategy
- 18 Quoted Equity – Income strategy
- 19 Private Capital
- 20 Funds
- 21 Investments summary
- 22 Financial review
- 26 Valuation methodology
- 29 Performance measures
- 30 Risk management
- 34 Going concern and viability
- 35 Corporate social responsibility

## Directors' report

- 38 Board of directors
- 40 Corporate governance report
- 44 Nomination Committee report
- 46 Audit Committee report
- 49 Governance Committee report
  - Directors' remuneration report*
- 50 Annual Chairman's statement
- 52 Remuneration policy
- 61 Annual report on directors' remuneration
- 68 Other governance matters
- 72 Responsibility statements
- 73 Company performance record

## Financial statements

- 74 Independent auditor's report
- 80 Financial statements
- 84 Significant accounting policies
- 89 Notes to the financial statements

## Other information

- 108 Information for investors
- 109 Directors and advisers

# Company highlights

## for the year ended 31 March 2020

- Net asset value per share total return of -8.1%
- Annual dividend per share up 3.0% to 61.1p
- 53rd consecutive year of annual dividend increases

### Results summary

	31 March 2020	31 March 2019	Change %
NAV total return	-8.1%	10.9%	
NAV per share	3236p	3582p	(9.7)
Net assets	£1,787m	£2,002m	(10.7)
Annual dividend per share	61.1p	59.3p	3.0

### Performance

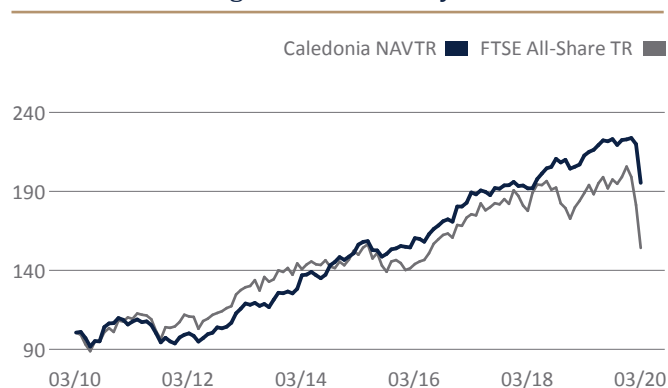
	1 year %	5 years %	10 years %
NAV total return	(8.1)	25.1	94.8
Total shareholder return	(16.7)	22.5	91.1
FTSE All-Share Total Return	(18.5)	2.9	53.6
Annual dividend growth	3.0	20.8	73.1

### Pools

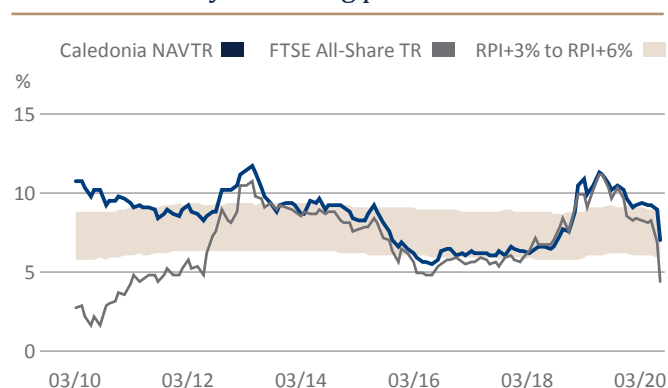
	Value £m	Return %
Quoted Equity	574.0	(0.3)
Private Capital	611.3	(18.0)
Funds	450.1	(2.8)
Portfolio	1,635.4	(7.9)
Cash and other <sup>1</sup>	151.9	
Net assets	1,787.3	(8.1)

1. Includes non-pool investments totalling £21.3m.

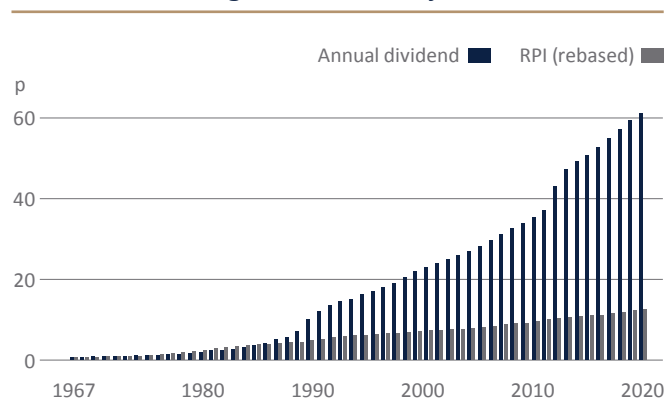
### NAV total return growth over ten years



### Annualised ten year rolling performance



### Annual dividend growth over 53 years



See page 29 for a description of performance measures used by the company.

# Chairman's statement



**David Stewart**  
Chairman

**Caledonia thinks long term and in this challenging environment is well positioned to take advantage of opportunities as they arise. We are committed to the dividend and have retained earnings to maintain payments in the future.**

## Results

The NAVTR of -8.1% for the year was a resilient performance despite the appearance of the Covid-19 virus in the last quarter. There was significant variance within the three pools through which Caledonia is managed. The Quoted Equity and Funds pools held up well on an absolute basis and relative to stock markets, proving effective at protecting shareholders' capital. Resulting from the Covid-19 pandemic, the exposure to the consumer leisure sector in Private Capital's portfolio resulted in a significant mark down in valuations, reflecting the disruption in two particularly affected businesses. The remainder of the Private Capital portfolio traded well during the year. Management, at Caledonia and in the portfolio businesses, have responded to the extreme events caused by Covid-19 to place our companies in the best possible position to recover when restrictions are lifted. Our strong balance sheet, with net cash of £115m and £250m of available facilities, gives us a secure platform to support our companies and take opportunities when they appear.

## Covid-19

The pandemic has caused a number of unexpected outcomes. On the positive side Caledonia's IT team has managed the move to home working very effectively with minimal disruption to normal business. We are now planning in line with official guidance how we might safely return to office life, and intend to consult staff on these plans.

There is likely to be more volatility in markets as the full economic impact of the pandemic becomes apparent. It is also to be expected that some of our investee companies will have to adapt to the longer-term implications of customer concerns, social distancing and changing consumer demand. A degree of uncertainty is to be expected after a shock of this magnitude ripples through the global economy.

## Income and dividend

Caledonia has a long and proud record of paying an increased dividend. In the year to 31 March, income totalled £53.4m which is a slight increase over the previous year. The portfolio is constructed to deliver sufficient income to cover both running costs and the annual dividend. This was achieved during the financial year. The board is proposing a final dividend of 44.5p per share, providing a full year dividend of 61.1p per share, an increase of 3.0% over last year.

As we look forward, it is likely that Caledonia will face a reduction in income from our investee companies suffering disruption from the Covid-19 pandemic. If this occurs, any shortfall would require utilisation of Caledonia's £256m of retained earnings. This leaves the company well placed to meet a temporary shortage of income and pay dividends in the future should the board deem this appropriate.

### Caledonia Fund

In response to the current crisis and the impact these events are having within some of our majority owned investee companies, a fund has been established to assist their employees suffering financial hardship. This is being funded by Caledonia, a contribution by our largest shareholder, The Cayzer Trust Company, and Caledonia's executive and non-executive directors.

The focus of the fund is on supporting employees at those companies where the business can no longer operate as normal and management have needed to utilise the Government backed furlough scheme. It should be noted this is primarily at Buzz Bingo and Liberation, where action has been taken to minimise costs wherever possible to preserve liquidity and reduce cash outflow. Measures include the use of the furlough scheme, reductions in senior management pay and the suspension of any cash payments to Caledonia.

Since the implementation of the Government's furlough scheme, no cash has been received by Caledonia from any of its majority owned investee companies that are accessing this scheme. In this regard, the proposed final dividend is not financed by any contribution made by these companies since the start of the Covid-19 pandemic.

### Board and staff

On behalf of the board I would like to thank all Caledonia staff for their hard work and the extra contribution that has been required in response to the pandemic. The ability seamlessly to conduct both board and executive meetings remotely has been exceptional. The safety and well-being of our employees, both Caledonia and our investee companies, remains our top priority.

During the year we said a sad farewell to Charles Gregson following his nine-year tenure. Graeme Denison, our company secretary, retired after 30 years with the company. I would like to thank Graeme for his enormous contribution and wish him all the best for a long and thoroughly well-deserved retirement. We welcomed Claire Fitzalan Howard as a new non-executive director and Richard Webster as our new company secretary.

### AGM

In light of ongoing restrictions imposed by the UK Government in response to the coronavirus pandemic, which may continue to prohibit, amongst other things, non-essential travel and certain public gatherings, it is possible that this year's AGM may be a closed meeting with the minimum necessary quorum of two shareholders present in order to conduct the business of the meeting. Shareholders will be updated closer to the AGM on whether or not attendance will be permitted.

### Outlook

Caledonia is well positioned to take a long-term view of its investments. As noted before, we expect the pandemic and its associated economic impact to provide both challenges and opportunities in the year ahead. At the time of writing the response by central banks has been extraordinary and the result of that action is being seen in a partial recovery in a number of markets. The issue is how sustainable this action is with Government borrowing at record levels and the potential distortion to asset pricing. As the market goes through a process of normalisation it would not be surprising if we see more volatility in the months ahead.

Caledonia thinks long-term and in this challenging environment is well positioned. It has available cash and banking facilities to ensure we have liquidity in place to take advantage of opportunities as they arise. As a board we are committed to the dividend and where income shortfalls do occur, we have retained earnings to maintain those payments in the future.

### David Stewart

Chairman

The Chairman's statement on pages 2 to 3, the Chief Executive's report on pages 4 to 7 and additional reports on pages 8 to 37 comprise the Strategic report of the company. The Strategic report was approved by the board on 26 May 2020 and signed by Mr Wyatt on its behalf.

# Chief Executive's report



**Will Wyatt**  
Chief Executive

**Our diversified portfolio and preference for investing in high quality businesses has so far provided some resilience to the impact of Covid-19. Despite a decrease in net assets for the year, the majority of our investments are in a good position to withstand this challenging economic period.**

## 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 for the year

Caledonia's portfolio is comprised of cash, listed equities, private equity funds and direct holdings in private businesses. This diversified portfolio offers shareholders some protection from over-exposure to particular sectors and geographies but, with an international pandemic of the scale of Covid-19, has inevitably suffered from some loss of value. The NAVTR for the year was -8.1%. The revenue account of the income statement shows minimal impact from the pandemic, with profits for the year of £34.6m in line with the previous year. However, in keeping with the conservative culture of Caledonia, we have assessed the potential impact of Covid-19 on our investments and have adjusted our valuations accordingly, resulting in a loss on the capital account of £207.5m, compared with a profit of £163.6m last year.

Our strong balance sheet, including £115m of cash and access to £250m in facilities, provides substantial liquidity with which to face an uncertain future. Our RBSI facilities of £137.5m were renewed in May for a further five-year term.

## Impact of Covid-19 pandemic

The impact of the pandemic was first felt in the final quarter of our financial year. At a practical level, the restrictions on movement have led to the head office staff working from home. Whilst no replacement for normalised operations, we have been able to carry out our functions and controls to ensure the smooth running of the business. The board has been kept informed throughout this period of uncertainty and board meetings have continued via conferencing technology.

The performance of the portfolio was strong for eleven months of the year with the pandemic only starting to have a notable effect in March, despite some exposure to Asia within the Funds pool. However, the precipitous stock market falls in March eroded the hitherto strong positive performance of our Quoted Equity holdings. On a relative basis, our listed portfolios produced results well ahead of comparative markets, thereby protecting shareholders' capital with a negative return of only 0.3% over the year.

The principal effect of the pandemic has been in our Private Capital valuations, where we have taken account of the potential Covid-19 impact in our internally generated company valuations and in the valuation of our fund interests, typically based on managers' reports dated 31 December 2019. A company by company breakdown of the Private Capital pool can be seen in the pool performance section of this report.

Much of the portfolio has performed in a resilient fashion despite the immense disruption caused by Covid-19. Until we have clarity on the lifting of restrictions and economies begin to normalise, it would be unwise to predict how quickly trading will recover in those companies most adversely affected.

### Investment performance

Caledonia aims to achieve a NAVTR of 3-6% ahead of inflation over the short-term, leading to results over the long-term that exceed the FTSE All-Share index. However, it is worth noting that our management and investment teams are incentivised on an absolute, not relative, basis.

The table below shows our investment performance over one, three, five and ten years, with the adverse performance in the current year having a negative impact on short-term metrics:

	1 year %	3 years %	5 years %	10 years %
NAV total return	(8.1)	3.3	25.1	94.8
<i>Annualised</i>				
NAV total return	(8.1)	1.1	4.6	6.9
Retail Prices Index	2.6	2.8	2.6	2.9
NAVTR vs RPI	(10.7)	(1.7)	2.0	4.0
FTSE All-Share Total Return	(18.5)	(4.2)	0.6	4.4
NAVTR vs FTSE All-Share TR	10.4	5.3	4.0	2.5

Long-term performance remains satisfactory though one and three-year numbers are weak compared with inflation. The element of protection afforded to shareholders' capital, compared on a relative basis to markets, is noteworthy.

### Strategy and allocation

As indicated in the half-year results to 30 September 2019, we undertook a review of the Income pool, its aims and targets due to poor performance. As a result, the portfolio is now managed by the Quoted Equity team, in place of a separate Income team, with a yield target of 3.5% (previously a yield target of 4.5%). The annual performance total return target remains at 7%. The Quoted Equity team has been managing separate strategies for the Capital and Income portfolios since the end of September.

The investment portfolio consists of three pools of capital as shown in the tables below:

Pool name	2020 %	2019 %	Strategic allocation %
Quoted Equity	32.1	34.4	35-50
Private Capital	34.2	32.9	35-45
Funds	25.2	24.2	20-25
Cash and other	8.5	8.5	+/-10
Net assets	100.0	100.0	

The allocation ranges expressed in the table above are a guide to ensure that the portfolio remains proportionately balanced.

The table below summarises the pool targets and strategic allocation:

Pool name	Description	Targets	Strategic allocation
Caledonia	Capital strategy	10% total return	35-50%
Quoted Equity		no yield target	
	Income strategy	7% total return 3.5% yield	
Caledonia	Investments in	14% total return	35-45%
Private Capital	UK mid-market companies with equity values of between £25m and £125m	5% yield	
Caledonia	US and Asian	12.5% total return	20-25%
Funds	private equity funds and funds of funds		

### Pool performance

Pool name	1 year %	3 years %	5 years %
Quoted Equity	(0.3)	13.5	28.8
Capital	1.3	27.0	42.4
Income	(3.8)	(10.5)	4.3
Private Capital	(18.0)	(4.2)	33.4
Funds	(2.8)	20.7	57.4
Portfolio	(7.9)	8.2	35.9

Ten-year figures are not available, as measurement by pool commenced in 2011.

## Chief Executive's report continued

### *Caledonia Quoted Equity*

Our two listed equity portfolios invest in well-managed businesses with good margins which are often leaders in their sectors, on a global basis. The performance of the Capital portfolio in exceptionally volatile markets was impressive, returning 1.3% for the year. The portfolio, which consists of high quality compounding businesses, proved resilient and largely avoided sectors hard hit by Covid-19. The Income portfolio produced a return of -3.8%, including the impact of exiting historic legacy positions. Our cautious approach to risk management resulted in high cash balances and the rebalancing of the Income portfolio helped to protect capital and performance as markets fell in February and March 2020.

### *Caledonia Private Capital*

Our diverse portfolio includes significant positions in six UK based businesses and one private European investment company, Cobepa, with which we also have a co-investment. These eight investments represent over 90% of the value of the Private Capital portfolio. Performance over the year, with a total return of -18.0%, was dominated by the impact of Covid-19 on Buzz Bingo, Liberation Group and, to a lesser extent, Seven Investment Management ('7IM'). However, trading across most portfolio companies was robust prior to the appearance of the pandemic. Deep Sea Electronics ('DSE'), our largest investment, has made good progress in growing its business year on year and formulating strategic plans for the future. One new investment was completed in the year, a minority shareholding in Stonehage Fleming, the international family office services provider, for £89.5m.

DSE, the industry leading manufacturer of genset and ATS control modules, battery chargers and power supplies, has traded strongly over the past year delivering double digit returns. The changes being seen elsewhere from the Covid-19 virus had only a marginal impact on DSE's operations, with its manufacturing site in the UK and representative offices in China and the US trading normally. We expect some reduction in demand in the current year. The valuation at 31 March 2020 was £122.6m, up 4.6% from March 2019.

Cobepa, the Belgian based investment company, owns a diverse portfolio of private global investments. We have used the net asset value at its year end of 31 December 2019 as the basis of valuation, applying a Covid-19 adjustment to each business, having assessed, in conjunction with the management of Cobepa, the likely impact of the virus. Cobepa had significant reserves of liquidity as at 31 December 2019. The valuation of

Cobehold, the holding company of Cobepa, at 31 March 2020 was £97.4m, down 7.1% from March 2019.

Stonehage Fleming, the international family office, continues to trade normally and reported record profits in the first year of our investment. The provision of management and advisory services to family offices, its main revenue stream, have been largely unaffected by Covid-19 to date. A smaller proportion of Stonehage Fleming's revenues are derived from assets under management ('AUM') related fees which will be impacted by the declines in public equity markets. The business remains profitable and has a strong balance sheet with plentiful liquidity. Caledonia owns a preferred position in the equity of Stonehage Fleming. The valuation at 31 March 2020 of £89.5m was in line with the cost of our 36.7% equity stake acquired in July 2019.

7IM, the retail investment manager, remains fully operational. Its revenue is directly linked to the value of its AUM, which have been negatively impacted by the declines in public equity markets. It is pleasing to note, however, that 7IM's defensively orientated funds have performed well on a relative basis. The business remains profitable and well-funded with significant amounts of available liquidity. The valuation at 31 March 2020 was £84.8m, down 21.3% from March 2019.

Liberation Group, a pub, restaurant and drinks business, with operations in the Channel Islands and South West England, has temporarily closed both its managed and tenanted pub estates in response to the coronavirus pandemic. The Jersey based brewery has also been closed. However, Butcombe brewery in the UK continues to brew on a much-reduced basis to fulfil increased online and trade demand. The wholesale distribution businesses in the Channel Islands continue to trade albeit at reduced levels. Costs have been reduced, including the furloughing of staff, to preserve liquidity and reduce the cash burn. Liberation owns a predominantly freehold estate with a net asset value of £124m. The business has net debt of £38.3m and cash on its balance sheet of £12.2m as at 31 March 2020. The valuation at 31 March 2020 was £50.6m, down 38.8% from March 2019.

Cooke Optics, a leading manufacturer of cinematography lenses, temporarily closed its facilities near Leicester, UK while it made arrangements for its workforce to operate safely within Covid-19 social distancing restrictions. It reopened in April, gradually increasing output towards full production. Unsurprisingly, Cooke is witnessing a reduction in demand for new lenses whilst studios are closed, though demand from Asia has begun to return. The business has a strong order book and a good liquidity position with the



£30m of senior debt on its balance sheet provided by Caledonia. The valuation at 31 March 2020 was £75.8m, down 18.1% from March 2019.

Buzz Bingo, the UK's biggest omni-channel bingo business, has temporarily closed all 118 retail venues in response to Government imposed social distancing measures. Buzz continues to operate and invest in its online business ([www.buzzbingo.com](http://www.buzzbingo.com)) which is showing strong growth. The company employs over 3,500 people, rents the majority of its properties and had net debt of £104m, with cash on its balance sheet of £41m as at 31 March 2020. Costs have been minimised wherever possible to preserve liquidity and reduce the cash burn of the retail business including use of the Government's furlough scheme. Buzz has good relationships with its debt providers, which remain supportive of the business. The valuation at 31 March 2020 was £41.0m, down 54.5% from March 2019.

BioAgilytix, a US based bioanalytical testing solutions provider, had a strong year of growth, including completing the expansion of its facilities to provide further capacity. Caledonia is a co-investor in the business and follows the valuation methodology utilised by Cobepa, the lead investor. Valuation at 31 March 2020 was £22.6m, similar to that at 31 March 2019, despite a small reduction in underlying value which was broadly offset by favourable exchange rate movements.

The three remaining businesses in the portfolio have a combined carrying value of £27.6m. They have been affected to varying degrees by Covid-19, but are well-positioned for the future and to take advantage of potential opportunities as they arise.

#### **Caledonia Funds**

The Funds portfolio valuations were based on the managers' latest published capital account statements, which, due to timing, did not take account of the potential impact of Covid-19. Therefore, managers' NAVs were adjusted by 16% overall, resulting in the Funds return reducing from 13.2% to -2.8%. The underlying performance of the portfolio was creditable, with some notable gains and distributions during the first nine months of the year. The investments are principally in private equity funds operating in the US and in Asia. We substantially exited our holdings in quoted market funds in 2019, a decision which avoided much of the volatility seen in US and Asian markets. The historic performance from this predominantly US dollar denominated portfolio has been strong, showing growth of 15.3% in the US and 11.0% in the more youthful Asian portfolio (prior to the application of the Covid-19 adjustments) aided by the weakness of Sterling against the US dollar.

#### **Geographic and foreign exchange exposure**

Caledonia's diverse portfolio includes substantial exposure to non-Sterling assets, as set out in the table below. In September 2019, we instigated a currency overlay to reduce exposure of the portfolio to the US dollar and the euro, following a period of particular Sterling weakness leading up to and post the UK General Election. On 31 March, the currency and exposure positions were as follows:

	Investment exposure %	Hedged exposure %
Sterling	48	69
US dollar	45	26
Euro	6	4
Other	1	1

Subsequent to the year end, and in light of events surrounding the Covid-19 pandemic, the overlay position (which generated the hedged exposure position shown in the table) was phased out and our currency exposure reverted to that provided by our investments.

#### **Outlook**

The outlook for our financial year 20/21 very much depends on the successful return to normal for societies and economies around the world. It is developing into an annus horribilis but we hope that it will provide the platform from which we are able to return to growth.

The majority of our investments are in a good position to withstand this challenging economic period though those in the consumer leisure sector face an uncertain future. It is likely that income for the year will be lower than in 2020. However, our strong balance sheet and, in particular, our reserves of retained earnings, should give shareholders comfort that Caledonia is well placed to achieve its aims of growing net assets and dividends over the long-term.

#### **Will Wyatt**

Chief Executive

The Chairman's statement on pages 2 to 3, the Chief Executive's report on pages 4 to 7 and additional reports on pages 8 to 37 comprise the Strategic report of the company. The Strategic report was approved by the board on 26 May 2020 and signed by Mr Wyatt on its behalf.

# Business model and strategy

## How we create value

### What we do

Caledonia is a self-managed investment trust company. We invest in proven well-managed businesses that combine long-term growth characteristics with an ability to deliver increasing levels of income.

## Strategic aims

### Grow net asset value

Grow capital value and income over the long-term, creating an increasing store of generational wealth for shareholders. We invest in companies with long-term growth potential and an ability to deliver improving levels of income.

### Pay increasing dividends

Pay an increasing annual dividend, which grows at or ahead of inflation over the long-term. We consider the ability to generate income sustainably as we select our portfolio companies.

### Manage risk

Manage risk in a manner consistent with long-term wealth generation. We manage the risk of a permanent loss of capital by diversifying our interests and avoiding excessively risky investments.

### Maintain and use our strong balance sheet

We aim to maintain sufficient cash, liquid assets and committed facilities to cover our liabilities and commitments, ensuring a resilient balance sheet. We invest our own capital, although we may use modest amounts of debt to manage liquidity, should the need arise.

## Objectives

1. Outperform the Retail Prices Index by at least 3% over the medium and longer term
2. Outperform the FTSE All-Share index over ten years
3. Pay annual dividends increasing by RPI or more over the longer-term
4. Manage investment risk effectively for long-term wealth creation

## 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 asset group. 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
- Portfolio construction
- Liquidity
- Sector exposures
- Geographic exposures
- Resources and relationships
- Reputation
- Investee leverage
- Regulation

# Business model and strategy continued

## Key performance indicators

### How we measure our performance

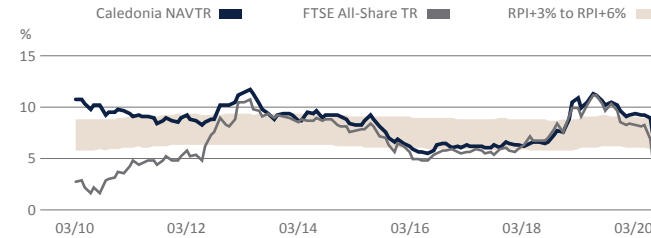
Metric

[Link to objective](#)

#### Net asset value total return ('NAVTR')

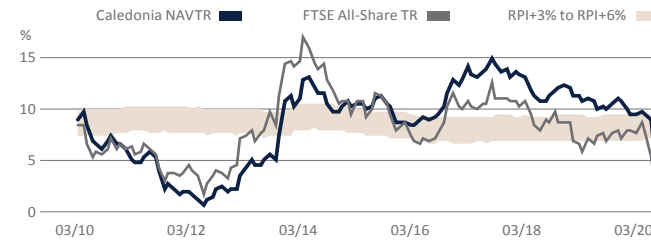
NAVTR is a measure of how the net asset value ('NAV') per share has performed over a period, taking account of both capital returns and dividends paid to shareholders. NAVTR is calculated as the increase in NAV per share plus the accretion from assumed dividend reinvestment over the period, detailed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

Ten year NAV total return



1

Five year NAV total return

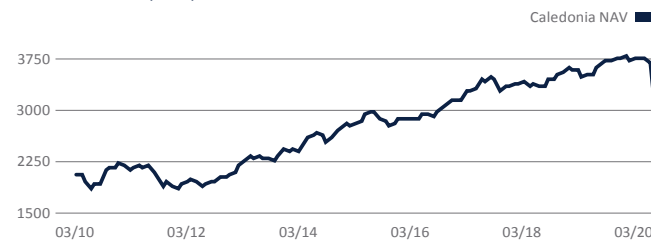


2

#### 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.

Net asset value (NAV)



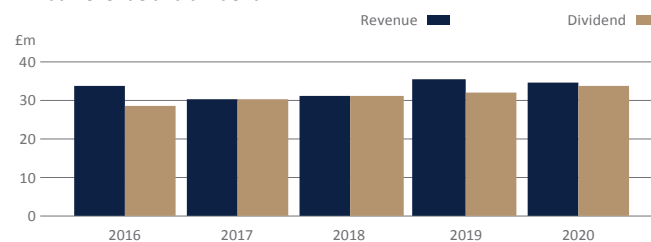
1

2

#### 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.

Annual revenue and dividend

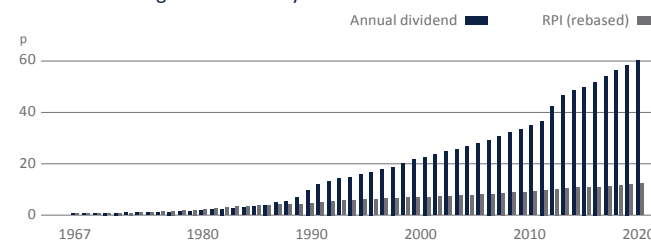


3

#### Annual dividend

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

Annual dividend growth over 53 years

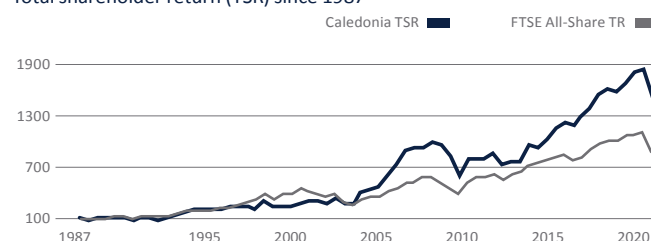


3

#### 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.

Total shareholder return (TSR) since 1987



3

4

## Our strategy

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

We organise our portfolio into three 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 Equity

#### Capital strategy

#### Income strategy

# 35-50%

**Strategic allocation**

Two concentrated portfolios of listed equities, pursuing capital and income strategies.

# 10%

**Total return**

Mature, long-term companies with significant presence in their market space and where assets consistently produce strong returns on capital.

# 7%

**Total return**

Mature, long-term companies whose business models are both resilient and have the capacity and management culture to pay sustainable dividends.

# 3.5%

**Yield**

#### Private Capital

#### Funds

# 35-45%

**Strategic allocation**

# 14%

**Total return**

Majority and significant minority holdings in private companies, focusing on established businesses, led by sound management teams, where our target investment size of £25m to £125m provides a meaningful presence and growth capital.

# 5%

**Yield**

# 20-25%

**Strategic allocation**

# 12.5%

**Total return**

Private equity funds and funds of funds providing a broad exposure to areas of the world where it would prove more difficult for Caledonia to invest directly, predominantly in North America and Asia.

# Promoting the success of Caledonia

Section 172 of the Companies Act 2006 requires each board director to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this our directors are required to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long term
- interests of the company's employees
- need to foster the company's business relationships with suppliers, customers and others
- impact of the company's operations on the community and environment
- desirability of the company maintaining a reputation for high standards of business conduct
- need to act fairly as between members of the company.

In discharging their duties each director has regard to the factors set out above and to other factors which they consider relevant to the decision being made. Those factors may include, for example, the interests and views of our employees, pensioners, suppliers and regulators. It is acknowledged that every decision the board makes will not necessarily result in a positive outcome for all stakeholders. However, the board's aim is to make sure that decisions are consistent and predictable.

Details on how the board operates and the way directors reach decisions, including some of the matters discussed and debated during the year, the key stakeholder considerations that were central to those discussions and the way in which directors had regard to the need to foster the company's long-term relationship with investors, suppliers and other stakeholders, are included in the governance section of this report on pages 40 to 49.

# Investment review

## Performance and analysis

Despite early gains, the year was dominated by the Covid-19 pandemic, resulting in a -8.1% 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 -8.1%, following on from a total return of 10.9% in 2019, 1.4% in 2018, 18.0% in 2017 and 2.6% in 2016. 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 positive performance for most of the year was reversed by the economic impact of the Covid-19 pandemic in March 2020. Our investments, excluding non-pool investments, produced a -7.9% return. After returns on net cash (held centrally), together with management and other expenses, NAV total return was -8.1%.

The -7.9% investment return comprised valuations gains and losses on our investments, together with the income that they yielded.

Pool	At Mar 2019 £m	Invest- ments £m	Realis- ations £m	Gains/ losses <sup>2</sup> £m	At Mar 2020 £m	Income £m	Return <sup>2</sup> %
Quoted							
Capital	464.4	69.8	(105.1)	(4.5)	424.6	10.1	1.3
Quoted							
Income	224.5	78.1	(133.6)	(19.6)	149.4	12.3	(3.8)
Private							
Capital <sup>3</sup>	659.5	108.8	(4.4)	(157.1)	611.3	28.6	(18.0)
Funds	482.7	117.4	(134.0)	(16.0)	450.1	2.4	(2.8)
Total pools	1,831.1	374.1	(377.1)	(197.2)	1,635.4	53.4	(7.9)
Non-pool <sup>1</sup>	28.9	9.3	(7.8)	(9.1)	21.3	–	(21.2)
Investments	1,860.0	383.4	(384.9)	(206.3)	1,656.7	53.4	(8.1)
Cash	112.3				114.7		
Other items	29.7				15.9		
Net assets	2,002.0				1,787.3		(8.1)

1. Non-pool investments comprised legacy investments, cash and receivables in subsidiary investment entities and forward currency overlay contracts.

2. Returns for investments are calculated using the modified Dietz methodology and the overall return is the company's NAVTR.

3. Private Capital valuations at 31 March 2020 included accrued income of £8.5m (2019 – £4.0m).

# Investment review continued

## Performance and analysis

### Investment returns

The total return on investments, excluding non-pool subsidiary investment entities holding cash and receivables, was -7.9%. The principal contributors to this performance were as follows:

Name	Gain/loss £m	Income £m	Return £m	Return %
Microsoft	15.1	0.5	15.6	44.0
Deep Sea Electronics	5.2	7.6	12.8	11.2
Buzz Bingo	(60.9)	2.5	(58.4)	(58.7)
Liberation Group	(40.1)	2.1	(38.0)	(43.0)
Seven Investment Management	(26.1)	4.2	(21.9)	(20.9)
AG Barr	(13.0)	0.8	(12.2)	(36.4)
Aberdeen US PE funds	(13.6)	1.6	(12.0)	(14.2)
Cooke Optics	(17.0)	8.6	(8.4)	(9.3)
Other investments	(46.8)	25.5	(21.3)	
Total pool returns	(197.2)	53.4	(143.8)	(7.9)

The principal factor affecting performance over the year was the impact of the Covid-19 pandemic.

Microsoft's recent change in strategy to focus on cloud software subscription offerings has enabled it to weather the Covid-19 storm and, indeed thrive as home working has created a significant demand for Microsoft's collaboration solutions.

Deep Sea Electronics ('DSE') is the industry leading manufacturer of genset and ATS control modules, battery chargers and power supplies. It has traded strongly over the past year delivering double digit returns. The changes being seen elsewhere from the Covid-19 virus have had only marginal impact on DSE's operations with its manufacturing site in the UK and representative offices in China and the US continuing to trade normally.

Buzz Bingo is the UK's biggest omni-channel bingo business and has been severely impacted by the Covid-19 pandemic. It has temporarily closed all 118 retail venues in response to Government imposed social distancing measures, but continues to operate and invest in its online business ([www.buzzbingo.com](http://www.buzzbingo.com)) which is showing strong growth. The company has a largely leasehold estate and employs over 3,500 people.

Liberation Group is a pub, restaurant and drinks business, with operations in the Channel Islands and South West England. It has temporarily closed both its managed and tenanted pub estates in response to the Covid-19 pandemic. The Jersey-based brewery has also been closed, however, Butcombe brewery in the UK continues to brew on a much-reduced basis to fulfil online and trade demand. The wholesale distribution businesses in the Channel Islands continue to trade albeit at reduced levels. The company has a largely freehold estate and employs over 900 people.

Seven Investment Management ('7IM') is a retail investment manager. It remains fully operational, however, its revenue is directly linked to the value of its assets under management which have been negatively impacted by the declines in public equity markets. Its defensively orientated funds have performed well on a relative basis and the business has positive net asset flows.

AG Barr had seen a decline in its share price after a strong prior year and then warning of a challenging year, with poor spring and early summer weather, some brand-specific challenges and imposition of the sugar tax.

The valuation of the Aberdeen US PE funds of funds was based on the latest manager's NAV, adjusted down by some 25% to take account of the potential impact of the Covid-19 pandemic, not reflected in the manager's NAV.

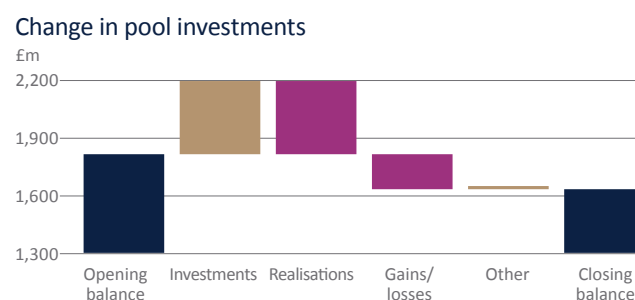
Cooke Optics is a leading manufacturer of cinematography lenses. The business temporarily closed its facilities near Leicester, UK while it made arrangements for its workforce to operate safely with Covid-19 social distancing restrictions. It reopened in April, gradually increasing output towards full production. Cooke has witnessed a reduction in demand for new lenses whilst studios are closed, although demand from Asia has begun to return.

Net losses from other investments totalling -£21.3m comprised investments with individual returns amounting to less than £10.0m.

Overall, the total return of -7.9% was after some 2.3% of currency gains, as Sterling weakened against the US dollar, reflecting Covid-19 impact on government debt, despite the currency strengthening earlier in the year due to renewed confidence in the economy after the general election.

### Investment movements

At the beginning of the year, the overall value of our pool investments (excluding cash and other net assets) was £1,831.1m. After, principally, £374.1m of investments, £377.1m of realisations and £197.2m of net losses, the pool investments value decreased to £1,635.4m at the year end. The following chart illustrates the components of this movement:





## Investments

Total pool investments during the year were £374.1m (2019 – £560.7m), summarised as follows:

Name	Pool	Cost £m
<b>New investments</b>		
Stonehage Fleming	Private Capital	89.5
Fastenal	Quoted Equity	22.3
Croda International	Quoted Equity	17.3
New fund drawdowns	Funds	21.4
Other new investments		39.9
		190.4
<b>Follow-on investments</b>		
Texas Instruments	Quoted Equity	17.3
Unilever	Quoted Equity	15.8
Other fund drawdowns	Funds	96.1
Other follow-on investments		54.5
		183.7
<b>Total pool investments</b>		<b>374.1</b>

During the year, we invested £190.4m in new holdings, including £89.5m in Stonehage Fleming, the Jersey-based supplier of family office services. We invested £22.3m in Fastenal, the Minnesota, US industrial supply company, reselling industrial, safety and construction supplies, and £17.3m in Croda International, the UK speciality company in the personal care, life sciences and performance technologies markets.

New fund investments comprised initial drawdowns by new fund commitments to Transom Capital, a US operations-focused fund in the lower-middle market, AE Industrial, a US fund specialising in aerospace, power generation and specialty industrial markets, Riverside Partners, a US fund investing in leading technology and healthcare companies, KLH Capital, a US fund making equity investments in small businesses to unlock value and enable growth, and INCE Capital, a Chinese venture capital fund.

Follow-on investments totalled £183.7m, including £17.3m in Texas Instruments and £15.8m in Unilever.

## Realisations

Proceeds from pool realisations during the year totalled £377.1m (2019 – £491.1m), summarised as follows:

Name	Pool	Proceeds £m
Arlington AVM Ranger fund	Funds	32.4
Nestle SA	Quoted Equity	26.3
Overlook Investments	Funds	25.8
Spirax-Sarco Engineering	Quoted Equity	19.8
Microsoft	Quoted Equity	18.4
Aberdeen US PE funds	Funds	15.9
Phoenix Group	Quoted Equity	15.8
Ageas	Quoted Equity	14.8
SCOR	Quoted Equity	13.9
GlaxoSmithKline	Quoted Equity	12.8
Lloyds Banking Group	Quoted Equity	10.2
JF Lehman funds	Funds	10.1
Other realisations		160.9
<b>Total pool realisations</b>		<b>377.1</b>

In the Funds pool, we redeemed our interest in the Arlington AVM Ranger and Overlook Investments quoted market funds, receiving £32.4m and £25.8m respectively and received distributions from various private equity funds, including the Aberdeen US PE funds, totalling £75.8m.

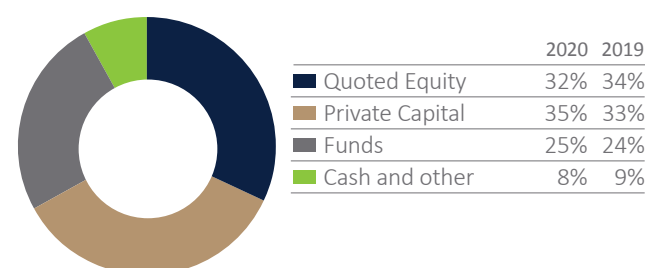
We made a number of realisations in the Quoted Equity pool, partly in reshaping the Income portfolio and also to generate liquidity in the early days of the market response to the Covid-19 pandemic.

## Distribution analysis

### Pools

The following chart shows the distribution of net assets at 31 March 2020 between the pools of capital and cash.

### Pool distribution



The table illustrates the reduction in the Quoted Equity pool as part of reshaping the Income portfolio and an overall minor increase in the size of other pools, albeit that Private Capital invested £89.5m in Stonehage Fleming, but saw a somewhat greater reduction in overall valuation.

Our current allocation between pools is within our long-term strategic target allocation.

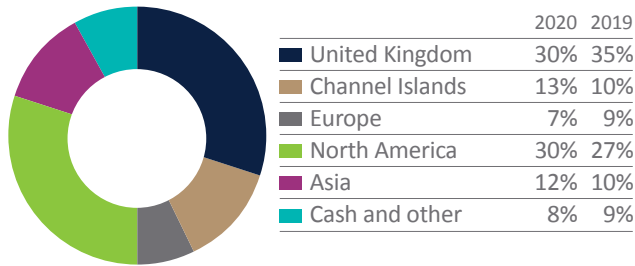
# Investment review continued

## Performance and analysis

### Geography

The following chart shows the distribution of net assets at 31 March 2020 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

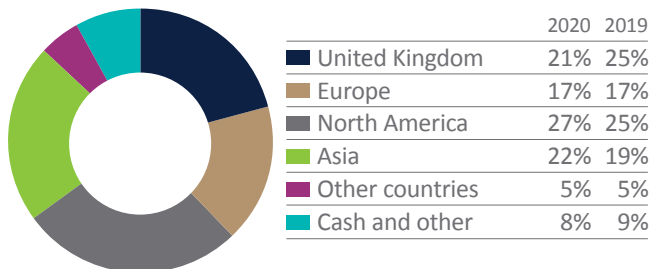


We do not manage our portfolio through a strategic geographical allocation. Nonetheless, the mix of pool strategies provides a broad geographical portfolio.

Over the year, there has been a shift of focus from the UK to North America and Asia, reflecting the Covid-19 impacted valuation movement on UK Private Capital investments. The Private Capital Channel Island investments were also impacted by Covid-19, but this was offset by the new investment in Jersey-based Stonehage Fleming.

At the end of the year, non-UK investments accounted for 61% 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 2020 by revenue generation, which shows an investment exposure to non-UK economies of 71% of net assets.

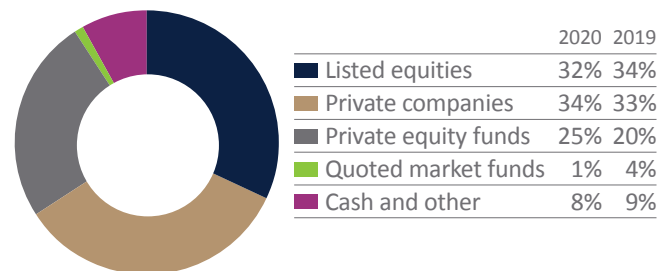
#### Geographic by revenue generation



### Asset class

The following chart shows the distribution of net assets at 31 March 2020 by asset class. Listed securities represented 32% of net assets at the year end and unlisted investments (direct investments and funds) in total accounted for 59%, overall a small move from quoted market to private equity funds over the year.

#### Asset class distribution

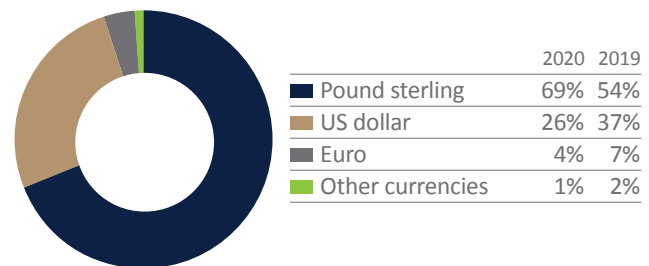


The periodic sale and purchase of large direct unlisted investments can cause shorter term changes in the above distribution of asset classes.

### Currency

The following chart analyses net assets at 31 March 2020 by currency exposure, based on the currencies in which investments or cash and other assets are denominated or traded.

#### Currency exposure



During the year, the effect of taking out foreign currency contracts to sell forward the US dollar (\$350m) and euro (€50m) against Sterling had been to manage our currency exposures.

## Quoted Equity – Capital strategy

The Quoted Equity Capital portfolio comprises 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, providing the opportunity to reinvest and grow their businesses.

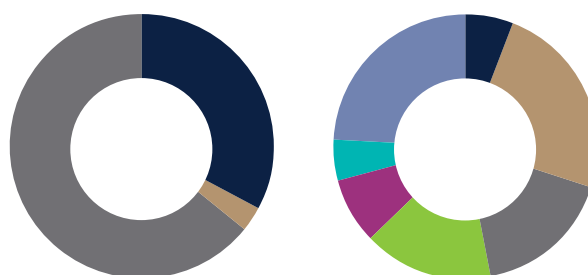
The Quoted Equity Capital portfolio comprises holdings in well-managed publicly quoted companies, held for the long-term.

The pool holds around 20 core investments, started the year valued at £464.4m and ended with a value of £424.6m. Strategically, we made new investments in Fastenal, the US fastener distributor, and Croda International, the UK speciality chemicals company, and realised our holdings in Nestlé and Flowserve. Whilst Quoted Equity Capital's performance to January 2020 was significantly ahead of the market, the year was dominated by the impact of the Covid-19 pandemic in the last two months. Operationally, the team repositioned the portfolio to better weather the storm and raise liquidity.

# +1.3%

return over the year

24% of net assets at 31 March 2020



	£m
Opening value	464.4
Investments	69.8
Realisations	(105.1)
Valuation gains/losses	(4.5)
Closing value	424.6
Investment income	10.1

United Kingdom	33%
Europe	3%
North America	64%

Basic materials	6%
Industrials	24%
Consumer goods	17%
Health care	16%
Telecommunications	8%
Financials	5%
Technology	24%

## Significant pool investments

Name	Business	Geography	First invested	Equity held %	Book cost £m	Value £m	Pool %	Income in the year		Total return %
								Revenue £m	Capital £m	
Microsoft	Software	US	2014	<0.1	8.3	39.8	9.4	0.5	15.1	44.0
Oracle	Infrastructure technology	US	2014	<0.1	27.1	37.1	8.7	0.5	(1.4)	(2.9)
Charter Communications	Cable communications	US	2017	<0.1	20.6	32.0	7.5	–	8.8	33.9
Becton Dickinson	Medical technology	US	2015	0.1	15.1	27.0	6.4	0.3	(1.1)	(2.7)
Spirax-Sarco	Steam engineering	UK	2011	0.7	6.5	26.0	6.1	0.5	5.5	17.7
Watsco	Ventilation products	US	2017	0.6	23.0	24.9	5.9	0.8	2.8	18.6
Thermo Fisher Scientific	Biotech development	US	2015	<0.1	9.6	24.8	5.8	0.1	2.7	9.4
Texas Instruments	Semiconductors	US	2018	<0.1	22.9	23.1	5.4	0.4	0.1	3.4
Polar Capital	Fund manager	UK	2001	6.1	0.4	21.9	5.2	1.9	(7.2)	(19.1)
AG Barr	Soft drinks	UK	1977	3.7	2.5	20.9	4.9	0.8	(13.0)	(36.4)
British American Tobacco	Tobacco	UK	2015	<0.1	25.2	20.7	4.9	1.2	(2.5)	(7.6)
Hill & Smith	Infrastructure products	UK	2011	2.8	7.5	20.5	4.8	0.7	(6.3)	(20.9)
Other investments					96.2	105.9	25.0	2.4	(8.0)	
					264.9	424.6	100.0	10.1	(4.5)	1.3

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

## Investment review continued

### Quoted Equity – Income strategy

The Quoted Equity Income portfolio comprises a concentrated portfolio of listed equities. Our focus is on mature, long-term companies whose business models are both resilient and have the capacity and management culture to pay sustainable dividends.

# -3.8%

return over the year

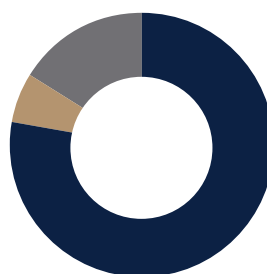
8% of net assets at 31 March 2020

	£m
Opening value	224.5
Investments	78.1
Realisations	(133.6)
Valuation gains/losses	(19.6)
Closing value	149.4
Investment income	12.3

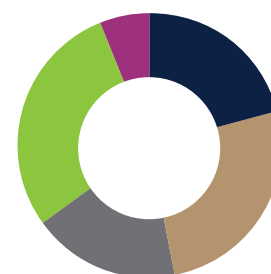
The Quoted Equity Income portfolio provides Caledonia with a different approach to delivering equity income. Capital is invested in the same careful way as in the Capital portfolio with general stock market volatility providing opportunities to acquire dividend income across the portfolio above the initial yield target of 3.5%. Once invested we will not sell down positions only because the dividend yield reduces as a result of share price growth. Indeed, the strategic aim of the portfolio is to invest in good quality companies whose progress over time will grow the absolute amount of dividend ahead of inflation.

Management of the Income portfolio changed during the year and an active process of repositioning the portfolio was undertaken. At the year end, a number of holdings had been sold and the portfolio now reflects the first stage of a rebuild process. Net dividend income during the year was £12.3m, representing a net yield of 6.3% on average invested capital, compared with 5.7% in the previous year.

The Income portfolio's performance to January 2020 was ahead of the market, but the year was dominated by the impact of the Covid-19 pandemic in the last two months.



United Kingdom	78%
Europe	6%
North America	16%



Industrials	21%
Consumer goods	26%
Utilities	18%
Financials	29%
Technology	6%

### Significant pool investments

Name	Business	Geography	First invested	Equity held %	Book cost £m	Value £m	Pool %	Income in the year		Total return %
								Revenue £m	Capital £m	
Sabre Insurance	Insurance	UK	2017	2.0	12.4	15.3	10.2	0.9	0.3	8.4
Pennon Group	Waste management	UK	2015	0.3	10.5	14.6	9.8	0.6	5.0	52.9
Unilever	Consumer goods	UK	2015	<0.1	14.6	13.1	8.8	0.1	(1.7)	(11.2)
National Grid	Electricity	UK	2015	<0.1	12.5	12.4	8.3	0.6	1.3	17.5
British American Tobacco	Tobacco	UK	2015	<0.1	15.1	11.9	8.0	0.7	(1.2)	(4.4)
Direct Line Insurance	Insurance	UK	2017	0.2	12.4	10.1	6.8	1.0	(2.0)	(8.6)
Other investments					84.7	72.0	48.1	8.4	(21.3)	
					162.2	149.4	100.0	12.3	(19.6)	(3.8)

The above table included the pool's investments over £10m at the year end.

## Private Capital

Private Capital comprises 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.

# -18.0%

return over the year

34% of net assets at 31 March 2020

	£m
Opening value	659.5
Investments	108.8
Realisations	(4.4)
Valuation gains/losses	(157.1)
Accrued income	4.5
Closing value	611.3
Investment income	28.6

After £108.8m of investments, £4.4m of realisations and net valuation losses of £157.1m, Private Capital decreased in value from £659.5m to £611.3m. Including £28.5m of income, the return over the year was -18.0%.

One significant investment was made during the year. In July 2019, we acquired a 36.7% minority stake in Stonehage Fleming for £89.5m, plus deferred consideration of up to £21m, contingent on Stonehage Fleming achieving financial targets. Registered in Guernsey and based in Jersey, Stonehage Fleming is the largest family office in EMEA and the second largest non-bank provider of family office services globally, a market which was estimated to be growing at around 9% per annum, driven by the rising demand of ultra-high net worth families for assistance in the organisation of their wealth.

Despite strong trading performances across the portfolio for the majority of the year, the Covid-19 pandemic has had a significant effect on the valuation of the Private Capital investments as at 31 March 2020 resulting in substantial reductions in value over the year. Buzz Bingo and Liberation Group respectively closed their retail venues and pubs during March 2020, as a result of government requirements. Since the year end, prompt management action has reduced cash burn materially at both businesses. Moreover, losses have been partially mitigated by the strong growth seen at BuzzBingo.com, Buzz's online business, and the continued trading at Liberation's UK brewery and all of its trade distribution operations. Cooke Optics suspended manufacturing for a period, whilst it reorganised its facility to comply with government social distancing guidelines. In contrast, Seven Investment Management and Stonehage Fleming have been able to maintain operations, and Deep Sea Electronics has seen continued strong demand for its products.

### Significant pool investments

Name	Business	Geography	First invested	Equity held %	Book cost £m	Value £m	Pool %	Income in the year		Total return %
								Revenue £m	Capital £m	
Deep Sea Electronics	Control systems	UK	2018	98.9	117.3	122.6	20.1	7.6	5.2	11.2
Cobehold	Investment company	Belgium	2004	5.4	32.3	97.4	15.9	2.0	(7.5)	(5.3)
Stonehage Fleming	Family office services	Guernsey	2019	36.7	89.3	89.5	14.6	–	0.2	(2.6)
Seven Investment Mgmt	Investment management	Jersey	2015	94.3	93.3	84.8	13.9	4.2	(26.1)	(20.9)
Cooke Optics	Cine lens manufacturer	UK	2018	88.9	93.0	75.8	12.4	8.6	(17.0)	(9.3)
Liberation Group	Pubs and restaurants	Jersey	2016	97.9	97.8	50.6	8.3	2.1	(40.1)	(43.0)
Buzz Bingo	Bingo operator	UK	2015	98.9	122.1	41.0	6.7	2.5	(60.9)	(58.7)
BioAgilytix	Bioanalytical testing	US	2019	8.8	23.0	22.0	3.6	0.4	(1.4)	(4.4)
Other investments					20.1	27.6	4.5	1.2	(9.5)	
					688.2	611.3	100.0	28.6	(157.1)	(18.0)

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

## Investment review continued

### Funds

Funds comprises investments in private equity funds and funds of 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.

# -2.8%

return over the year

25% of net assets at 31 March 2020

	£m
Opening value	482.7
Investments	117.4
Realisations	(134.0)
Valuation gains/losses	(16.0)
Closing value	450.1
Investment income	2.4

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 fund's 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 \$35m (£28.2m) to three new funds, and, in the US, we committed \$47.5m (£38.3m) to two new funds.

Realisations in the year amounted to £134.0m, comprising £62.9m of redemption from quoted market funds and £71.1m of private equity fund distributions.

At the year end, private equity and quoted market fund investments amounted to £446.5m (the Funds pool also contains £3.6m of other investments) and had undrawn fund commitments of £305.2m. The following charts show the fund investments analysed by region and fund type:



North America	44%
Asia	54%
United Kingdom	2%

Private equity funds	63%
Funds of PE funds	35%
Quoted market funds	2%

### Significant pool investments

Name	Business	Geography	First invested	Book cost £m	Value £m	Pool %	Income in the year		Total return %
							Revenue £m	Capital £m	
Aberdeen US PE funds	Funds of funds	US	2013	95.3	70.0	15.6	1.6	(13.6)	(14.2)
Axiom Asia funds	Funds of funds	Asia	2012	36.8	49.0	10.9	0.2	2.8	7.3
JF Lehman funds	Private equity funds	US	2011	38.4	31.6	7.0	–	3.4	10.3
Asia Alternatives funds	Funds of funds	Asia	2012	19.1	30.1	6.7	–	(3.4)	(10.3)
Stonepeak funds	Private equity funds	US	2015	30.4	26.1	5.8	0.1	(0.8)	(2.7)
Decheng funds	Private equity funds	Asia	2015	16.8	22.0	4.9	–	2.8	17.3
PAG Asia fund	Private equity fund	Asia	2015	14.5	20.5	4.6	–	–	(0.1)
North Haven fund	Private equity funds	Asia	2014	12.5	18.8	4.2	0.1	0.9	4.9
Other investments				177.1	182.0	40.3	0.4	(8.1)	
				440.9	450.1	100.0	2.4	(16.0)	(2.8)

The above table included the pool's investments over 1% of company net assets at the year end. The total returns are based on Covid-19 adjusted managers' published capital statements.

## Investments summary

Holdings over 1% of net assets at 31 March 2020 were as follows:

Name	Pool	Geography <sup>1</sup>	Business	Value £m	Net assets %
Deep Sea Electronics	Private Capital	UK	Control systems	122.6	6.9
Cobehold	Private Capital	Belgium	Investment company	97.4	5.4
Stonehage Fleming	Private Capital	Guernsey	Family office services	89.5	5.0
Seven Investment Management	Private Capital	Jersey	Investment management	84.8	4.7
Cooke Optics	Private Capital	UK	Cine lens manufacturer	75.8	4.2
Aberdeen US PE funds	Funds	US	Funds of funds	70.0	3.9
Liberation Group	Private Capital	Jersey	Pubs and restaurants	50.6	2.8
Axiom Asia funds	Funds	Asia	Funds of funds	49.0	2.7
Buzz Bingo	Private Capital	UK	Bingo operator	41.0	2.3
Microsoft	Quoted Equity	US	Software	39.8	2.2
Oracle	Quoted Equity	US	Infrastructure technology	37.1	2.1
Watsco	Quoted Equity	US	Ventilation products	34.3	1.9
British American Tobacco	Quoted Equity	UK	Tobacco	32.6	1.8
Charter Communications	Quoted Equity	US	Cable telecommunications	32.0	1.8
Texas Instruments	Quoted Equity	US	Semiconductor manufacturer	31.8	1.8
JF Lehman funds	Funds	US	Private equity funds	31.6	1.8
Asia Alternatives funds	Funds	Asia	Funds of funds	30.1	1.7
Unilever	Quoted Equity	UK	Consumer goods	28.3	1.6
Becton Dickinson	Quoted Equity	US	Medical technology	27.0	1.5
Stonepeak funds	Funds	UK	Infrastructure funds	26.1	1.5
Spirax Sarco	Quoted Equity	UK	Steam engineering	26.0	1.5
Thermo Fisher Scientific	Quoted Equity	US	Biotechnology development	24.8	1.4
Fastenal	Quoted Equity	US	Fasteners	22.6	1.3
BioAgilytix	Private Capital	US	Bioanalytical testing services	22.0	1.2
Decheng funds	Funds	Asia	Private equity funds	22.0	1.2
Polar Capital	Quoted Equity	UK	Fund manager	21.9	1.2
AG Barr	Quoted Equity	UK	Soft drinks	20.9	1.2
Hill & Smith	Quoted Equity	UK	Infrastructure products	20.5	1.1
PAG Asia funds	Funds	Asia	Private equity fund	20.5	1.1
North Haven fund	Funds	Asia	Private equity fund	18.8	1.1
Other investments				384.0	21.6
Investment portfolio				1,635.4	91.5
Non-pool investments				21.3	1.2
Cash and other				130.6	7.3
Net assets				1,787.3	100.0

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

2. Funds pool investment valuations are based principally on managers' NAV statements at 31 December 2019, adjusted to reflect the potential impact of the Covid-19 pandemic.

# Financial review



**Tim Livett**  
Chief Financial Officer

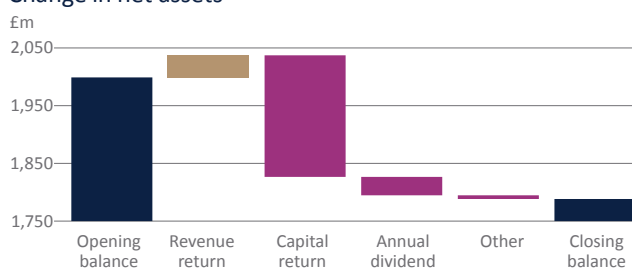
The company has a long-term, risk managed approach to capital accumulation; even so, this year there has been a marked negative impact from the Covid-19 pandemic. However, sustained growth in net revenue supports a record of 53 consecutive years of annual dividend growth.

Caledonia's net assets are significantly exposed to global equity markets. The current year has been impacted by a period of strong growth through the first three quarters of the year, with some volatility in the UK market reflecting the uncertainty surrounding Brexit, but dominated in the latter part of our fourth quarter by the Covid-19 pandemic and resulting reduction in economic activity. Our non-UK assets benefited from further sterling weakness in the latter part of the year, as the outlook for the UK economy, particularly in terms of Covid-19 pandemic impact, remained uncertain.

Our balanced exposure to worldwide markets and asset classes has helped to manage risk. After management expenses and non-pool investments, comprising subsidiary investment entities holding cash and receivables, the overall return was -8.1%, compared with the FTSE All-Share Total Return of -18.5%.

Caledonia's net assets decreased to £1,787.3m at 31 March 2020, from £2,002.0m at the start of the year, largely due to capital losses principally arising from the potential value risk posed by the Covid-19 pandemic.

## 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 2020, the total return was a loss of £172.5m (2019 – £199.7m gain), of which £34.6m (2019 – £36.0m) derived from income and £207.1m loss (2019 – £163.7m gain) from capital.

## Revenue performance

Investment income in the year of £53.4m was 2.5% higher than last year's £52.1m. Dividends were received for the first time from Cooke Optics (£7.2m) and DSE (£7.6m) following their acquisition in the prior year; these receipts offset two significant one-off payments received last year, the £7.1m pre-sale dividend from Choice Care Group and a £9.0m dividend from Sports Information Services, following the sale of SIS Live. Dividend income from listed companies was in line with the prior year, but there was a small increase in distributions from limited partnerships



and also in interest income, the latter mainly arising from providing debt finance to Cooke Optics.

Investment income represented a net yield on monthly average investment assets of 2.8%, compared with 2.9% last year.

Overall, the company's revenue management expenses were 3.9% lower than last year at £17.2m (2019 – £17.9m). This primarily reflected a reduction in personnel expenses of £1.1m: the level of loss recorded in 2020 directly impacts annual bonus payments, which are significantly lower than in the prior year.

Total return derived from income and shown in the revenue column was £34.6m; last year's comparative figure of £36.0m was boosted by a £1.4m one-off gain on the acquisition of the Sterling Industries Pension Scheme, with a flat underlying return year on year.

### Capital performance

Valuation net losses on investments totalled £206.3m (2019 – £176.7m gain). Overall, our investment structure continued to provide a degree of diversification, particularly in terms of valuation reduction arising from Covid-19 pandemic risk: with Quoted Equity investments recording a net valuation loss of £24.1m, Funds investments a net loss of £16.0m and Private Capital investments more significantly impacted with a net loss of £157.1m.

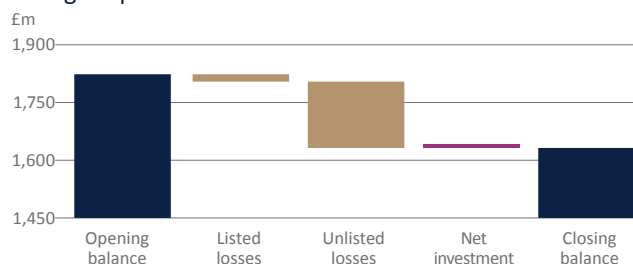
The loss of £24.1m on Quoted Equity investments included disposals from the Income portfolio undertaken during the first nine months of the year as the holdings were rationalised in line with our new approach in this area; losses were incurred in the first quarter of 2020 as public markets declined as the Covid-19 impact became more apparent.

The underlying capital gains in the private equity funds portfolio were strong throughout the year, aided slightly by further weakness of sterling compared with the US dollar. However, the Covid-19 adjustment included in March of £86.1m more than offset these gains, leaving a net loss of £16.0m for the year.

The Private Capital investments were more profoundly affected by the Covid-19 pandemic and resulting restrictions on movement: all businesses have had to make changes to how they operate, but the leisure businesses have been impacted more severely. The online business of Buzz Bingo has continued to progress well, but the retail bingo halls have been forced to close. Liberation Group has also seen the closure of pubs and restaurants, but the distribution and retail businesses continue to operate.

These two leisure businesses were responsible for £101.0m of the capital loss (63% of total Private Capital movement); the remaining losses were spread across the rest of the Private Capital businesses, mainly reflecting an assessment of adverse risk arising from the Covid-19 pandemic.

### Change in pool investments value



The company's capital management expenses were a credit of £0.6m (2019 – £8.6m expense), a reduction of £9.2m year on year. This primarily reflected a reduction in personnel expenses: £3.4m credit in the year compared with £8.2m cost in 2019, reflecting the significantly reduced levels of expected vesting of the performance share awards. Transaction costs of £2.8m (2019 – £0.4m) were incurred, mainly linked to the acquisition of the minority stake in Stonehage Fleming.

Total return derived from capital was a loss of £207.1m (2019 – £163.7m gain). The movement is dominated by the move from capital gains on investments last year of £176.7m to losses of £206.3m in the current year.

### Valuation

The company maintains a considered valuation approach to all investments, applying care in exercising judgement and making the necessary estimates. Our valuation methodology is described on pages 26 to 28. 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 the 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.

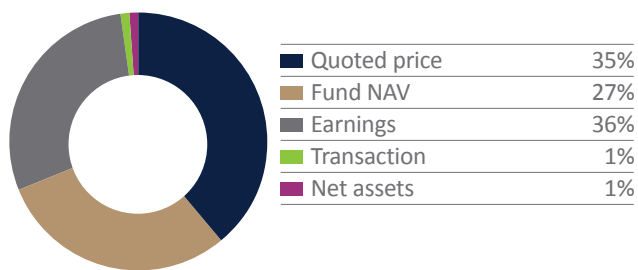
The Covid-19 pandemic has introduced an increased level of uncertainty into the process of valuing private assets held at the end of March 2020. In response, our valuation

## Financial review continued

methodology for unquoted companies and for fund interests has been enhanced to address this issue: this is described on page 27 and 28. Our methodology includes an assessment of the risk potential posed by the Covid-19 pandemic to our investee businesses and our fund holdings: this has been used to provide a stratified analysis of valuation sensitivity to key inputs, shown in note 21 to the financial statements.

The following chart summarises the source of valuations across the portfolio, illustrating that 62% of the portfolio value is subject to either market prices or independent external valuation:

### Pool investments by valuation method



### Expenses

Caledonia allocates expenses between revenue and capital in accordance with guidance from the Association of Investment Companies 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 0.85% (2019 – 0.92%). 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.

### 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 53 consecutive years.

We paid an interim dividend of 16.6p per share on 9 January 2020 and have proposed a final dividend of 44.5p. The total annual dividend for the year of 61.1p is an increase of 3.0% on last year.

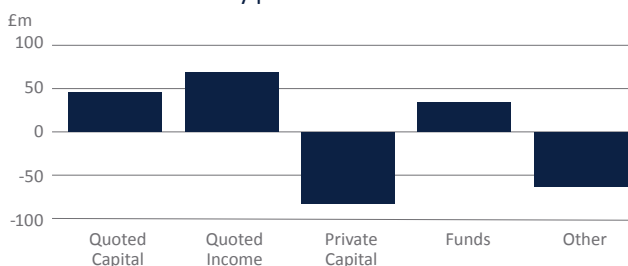
Including the proposed final dividend, the dividends to be paid out of revenue earnings for the year ended 31 March 2020 totalled £33.5m, which was more than covered by the net revenue for the year of £34.6m.

### Cash flows, liquidity and facilities

Over the year, we invested in the first half, including the purchase of our stake in Stonehage Fleming, and made net realisations in the second half, mainly from our quoted market funds and quoted equity holdings; closing the year with £114.7m of cash (2019 – £112.3m). This small movement was broadly accounted for by £397.2m received from realisations and £30.9m generated by operating activities, offset by £383.1m paid for investment purchases and dividends paid in the year totalling £32.8m.

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

### Net cash movement by pool



At 31 March 2020, the company had undrawn committed facilities of £250m; this comprised £112.5m from ING Group expiring in July 2022 and £137.5m from RBSI, including £25m in our treasury subsidiary. The RBSI facilities, which were due to expire in July 2020, were renewed in May 2020: the new facilities are for a five year term. In addition, the company had £26.5m of undrawn overdraft facilities, together providing total available liquid facilities of £276.5m.

## Treasury management

Our 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 the treasury function's role to ensure that the group has sufficient available funds to meet its needs in the foreseeable future.

The underlying assets held within the investment pools create a foreign currency exposure for the group: around 52% of the assets are non-sterling denominated. This risk is fully recognised by the business and normally no action is taken to reduce this exposure. However, during the year there was a marked decline in the value of sterling as uncertainty surrounding the outcome of discussions on the UK departure from the EU reached a peak: at this point, based on an assessment that there was directional asymmetry in the risk of further exchange rate movements, action was taken to reduce the level of exposure to movements in sterling against the US dollar and the euro. This was achieved through the use of vanilla forward contracts (referred to as the 'FX Overlay'): these arrangements were maintained through the second half of the year and then phased out in April 2020, as currencies started to stabilise.

### Tim Livett

Chief Financial Officer

26 May 2020

# 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. A full review and update of the company's Valuation policy was undertaken during the last year.

## 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 2018), 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:

### *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 predictability 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 the 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.

### **Valuation impact of Covid-19 pandemic**

The Covid-19 pandemic has created a significant degree of uncertainty: our valuation methodology for unquoted companies and for fund interests has been enhanced to address this issue. However, it should be noted that this is a very unusual event, which is still evolving, and therefore there remains an elevated degree of uncertainty in the valuations generated as at 31 March 2020. Our approach is consistent with the International Private Equity and Venture Capital Special Valuation Guidance issued at the end of March 2020.

### **Unquoted companies**

The valuation methodology is based principally on the application of an earnings multiple to the maintainable earnings of the business to derive the enterprise value, followed by suitable adjustments to derive the value of the underlying financial instruments. The principles of this approach have been maintained but amended as described below, to address two key issues.

### **Earnings multiple**

In cases where public markets provide high quality, comparative earnings multiples which are relevant to the investments within the Private Capital portfolio, these have been used in the valuation process. The public markets swiftly reflected valuation changes in areas such as financial services and hospitality businesses.

## Valuation methodology continued

In cases where suitable earnings multiple information was not readily available an alternative approach has been applied. The earnings multiple is still used to derive enterprise value; however, a further adjustment to the ordinary equity valuation has been applied based on the anticipated severity of the Covid-19 impact on the individual business. The businesses have been ranked in terms of level of impact and the following equity value reductions applied: zero for low impact, 10% for medium impact and 20% for high impact and 35% for very-high impact.

### *Net debt adjustment*

In cases where businesses are very severely impacted by government-imposed restrictions, such as the leisure and hospitality sector, there is a potential impact on net debt. This arises from the need to fund ongoing business costs during a period when trading activity is largely suspended: particularly relevant for our businesses in this sector. An adjustment to reflect cash outflow during the anticipated period of closure of retail bingo venues, pubs and restaurants has been made for the businesses operating in this sector.

### **Fund interests**

The valuation methodology is to utilise the most recent valuations provided by the fund managers, subject to cash movements from the valuation date. Fund NAV reports are normally received some time after the reporting date and therefore will precede the potentially negative impact of the Covid-19 pandemic. In recognition of this timing difference, an adjustment approach has been applied.

The adjustment has been assessed by classifying the holdings of our fund managers, based on a sector analysis, into three categories: (i) significant impact; (ii) partial impact; and (iii) no material impact. Relevant market indices (Russell 2000 for US investments and MSCI Asia excluding Japan for Asian funds) have been referenced: the market movement in each index between 31 December 2019 (likely valuation date for individual funds) and 31 March 2020 has been calculated. For investments with an assessment of significant impact, the full market movement has been applied as a value reduction due to Covid-19; in the case of partial impact, the value reduction is 50% of the market movement and no reduction has been applied to those investments where the assessment is no material impact. The total value reduction is referred to as the Covid-19 Funds adjustment (detailed on page 23).

# 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 company's 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 also relate to the company's investment performance.

# Risk management

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

## Caledonia risk governance and structure

Risk management and its governance is the responsibility of the board, with the executive given the task of managing an effective and transparent process to ensure emerging and principal 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 dashboard and a portfolio investment risk report.

The business risk dashboard 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 to provide risk visibility to both the executive team and the wider board.





### 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.



### Covid-19 pandemic risk management

In March 2020, the Audit Committee conducted a review of the emerging risks arising from the Covid-19 pandemic and the mitigating actions taken by the business. The Committee considered actions to address financial risks arising from market volatility, liquidity and highly exposed Private Capital businesses. In addition, the operational risks associated with safety of staff, operational integrity and IT systems were all reviewed to ensure robust mitigation plans were in place.

The board continues to monitor progress on this issue and receives regular updates. The business has been able to conduct its activity fully in the period of restricted movement which commenced on 23 March 2020, with all staff working remotely: key business control processes have continued to operate effectively.

# Risk management continued

## Principal risks

## Mitigation

### 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 between public and private equity, and in relation to geography, sector, currency, yield and liquidity.

The company's business model and strategy are reviewed periodically, against market conditions and target returns.

The performance of the company and its key risks are monitored regularly by management and the board.

### 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 value.

Investment opportunities are subject to rigorous appraisal and a multi-stage approval process. Investment managers have well-developed networks through which they attract proprietary deal flow. Target entry and exit events and prices are monitored and updated regularly, in relation to market conditions and strategic aims.

### Market (risk level increased to reflect potential Covid-19 impact)

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.

Market risks and sensitivities are reviewed weekly and actions taken, where appropriate, to balance risk and return.

A regular review of market and portfolio volatility is conducted by the board. Reviews also consider investment concentration, currency exposure and portfolio liquidity.

### Liquidity (risk level increased to reflect potential Covid-19 impact)

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

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

Loan facilities are maintained to provide appropriate liquidity headroom. The liquidity of the portfolio is reviewed regularly.

### Operational (risk level increased to reflect potential Covid-19 impact)

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

Operational risks arise from the recruitment, development and retention of staff, systems and procedures and business disruption.

Systems and control procedures are developed and reviewed regularly. They are tested to ensure effective operation.

Appropriate remuneration and other policies are in place to encourage the retention of key staff. Business continuity plans are maintained and updated as the business evolves.

### 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.

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.

### EU/UK trade

Risk arising from a failure to agree a trade agreement with the EU will add cost to UK trade and impact economic growth.

Potential volatility to public equity and foreign exchange markets due to uncertainty as to any trade agreement and its impact.

Continued monitoring of directly held unquoted investment performance and business model exposure to potential EU/UK trade arrangements.

Continued monitoring of public equity and foreign exchange market responses to EU/UK trade negotiations.

## Key developments

Risk level  
change

Quoted Equity approach adopted for Income portfolio.  
Funds investment reduced by disposal of quoted market funds.  
Approach to broad ESG issues under development.



Continued development of risk management processes at portfolio and company levels.  
Active management of Private Capital businesses to improve performance.  
Level of new fund commitments pared back and more focused.



Performance issues with Income portfolio recognised and corrective action taken.  
A foreign currency overlay strategy was implemented to address asymmetric currency risk arising from Brexit process.  
Response to Covid-19 pandemic for Private Capital businesses has focused on cost and liquidity management to protect key business assets.



Use of banking facilities limited to short-term only. Undrawn committed banking facilities of £250m in place.  
Cash at year end of £115m, following sale of Quoted Equity assets in March to provide additional liquidity to manage Covid-19 related risks. Planning processes enhanced in response to Covid-19 risks.



Continued investment in IT security and business continuity.  
Technology development completed to allow the business to operate remotely ahead of Covid-19 impact in the UK.  
Risk raised to reflect concerns around staff health, remote operation and broader business continuity issues.



US private equity fund interests moved into a UK holding company from existing Irish based ICAV structure, following UK departure from the EU.  
New carbon disclosure regulations incorporated into reporting regime.



Review of the continuing business models of our Private Capital businesses have not revealed significant exposures to trading arrangements which may be impacted by the outcome of EU/UK trade negotiations.  
We continue to monitor potential impacts to our public equities as the EU/UK trade negotiation position develops.



# Going concern and viability

## Going concern and viability

The review of going concern and viability was discussed and approved by the board, after full scrutiny by the Audit Committee; the review considered the key risks to the group, their potential financial impact and mitigating actions.

A number of scenarios were considered to test the robustness of the group's position to adverse events. This year, the scenarios were amended to reflect the potential impact of the Covid-19 pandemic: both a base case and a downside stress test were developed and evaluated.

## 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 Strategic report. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Financial review. In addition, note 21 of the financial statements includes the group's capital management policies, 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 to meet existing and new investment commitments.

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for a period of at least 12 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 group over the three years to May 2023, taking into account the group's position, its investment strategy and the potential impact of the relevant risks set out in this section, including those arising from the Covid-19 pandemic. In making this statement, the board is satisfied that the group operates an effective risk management process and confirms that it has conducted a robust assessment of the principal risks facing the group. 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 group will be able to continue in operation and meet its liabilities as they fall due over the period to May 2023.

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. Initially, the three-year financial plan was revised to reflect the likely impact of Covid-19: this reduces investment income materially in the short-term, defers the receipt of distributions from our private equity funds and assumes some additional investment into the Private Capital businesses to support them through the peak of the outbreak and the resulting recovery period. This was then tested against two further scenarios: initially, a deeper reduction in income and further reduction in fund distributions, plus greater capital support for our investee businesses; and then on top of this scenario, the ability to fund a full call of our outstanding private equity fund commitments at any point during the three-year period. In all cases, we were able to demonstrate the strength of the group's financial position and, in particular, its ability to settle projected liabilities of the group as they fall due. The directors determined that a three-year period to May 2023 is an appropriate period for which to provide this statement given the group's long-term investment objective, the resilience demonstrated by the stress testing and the relatively low working capital requirements of the group.

# Corporate social responsibility

**We are committed to building our business for the long-term. To this end, we consider the impact of the investments we make, plus the impact of our business on the workplace and the environment.**

## Responsible investment

As an investment company, our purpose is to grow capital value and income over the long-term, creating an increasing store of generational wealth for our shareholders. We invest in companies with a long-term view and are committed to maintaining effective relationships with those companies in which we invest.

As long-term investors our aim is to identify companies that can generate sustainable growth. We believe that companies should observe high standards of governance; moreover, we recognise that management must address environmental and social factors in order to increase the prospects of long-term survival and success. Incorporation of environmental, social and governance ('ESG') issues into our investment decision making it a natural step to ensure these issues are evaluated alongside other key criteria. We expect our investment managers to consider these issues fully in proposing new additions to our portfolio holdings.

The UK Stewardship Code (the 'Code'), published by the Financial Reporting Council, aims to enhance the quality of engagement between asset managers and the companies in which they invest. We aim to operate in compliance with the Code, noting that due to our relatively small scale, in terms of overall assets and individual positions in public companies, we do not report on our stewardship and voting activities.

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

## Quoted Equity

We aim to invest in global businesses, with recognised brands, intellectual property and strong market position, that have a good track record of delivering returns. Our approach means that we do not invest in capital intensive businesses (energy, commodities or mining) or any companies involved in the extraction and production of coal, oil or natural gas. We also tend to avoid industries that may be exposed to burdensome regulation or litigation.

We 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.

# Corporate social responsibility continued

## Private Capital

We invest in established businesses, across a range of sectors, that have robust operating margins, strong management teams and good growth opportunities. Where these businesses operate in regulated sectors, we monitor compliance and the maintenance of positive working relationships with the relevant regulatory authorities.

We introduce a high standard of corporate governance into these businesses, generally with an independent, experienced non-executive chairman and formal audit and remuneration committees supporting the board. The Private Capital team take board seats in these businesses and use these to maintain close relationships with the management of those companies. Additionally, we hold frequent meetings with management and review internal documents, such as management accounts and reports.

## Funds

We invest into a broad range of private equity funds across a range of sectors in North America and Asia. We expect managers to consider all factors, including ESG issues, when seeking to maximise returns while taking account of the associated risks.

## Workplace

Caledonia has in place a set of policies 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 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	7	2	22
Senior managers	13	4	24
All employees	37	29	44

Caledonia operates a flatter management structure than is often found in many other companies. Consequently, 50% of direct reports to members of our Executive Committee are female.

## Environment

Caledonia's environmental impact is limited. The main source of carbon emissions was through air travel, required as its investments are global and have necessitated regular meeting with managers, largely in Asia and the US. In 2020 this was much reduced as Covid-19 prevented the ability to travel, which has increased the use of online technology and has led to a significant reduction in carbon emissions through business travel.

Caledonia operates from its refurbished Buckingham Gate property. This new office continues to offer lower electrical consumption due to more modern electrical and mechanical plant.

- fully kitted kitchen and conference rooms facilities allowing us to host meetings, lunches and dinners, reducing the need for travel
- modern audio-visual systems fitted in all conference rooms reducing the need for our staff to travel to attend meetings
- development and implementation of IT systems to allow staff to work from home thus removing the need for the daily commute
- recycling and waste sorting is strongly encouraged and facilitated by split waste disposal units throughout the building.

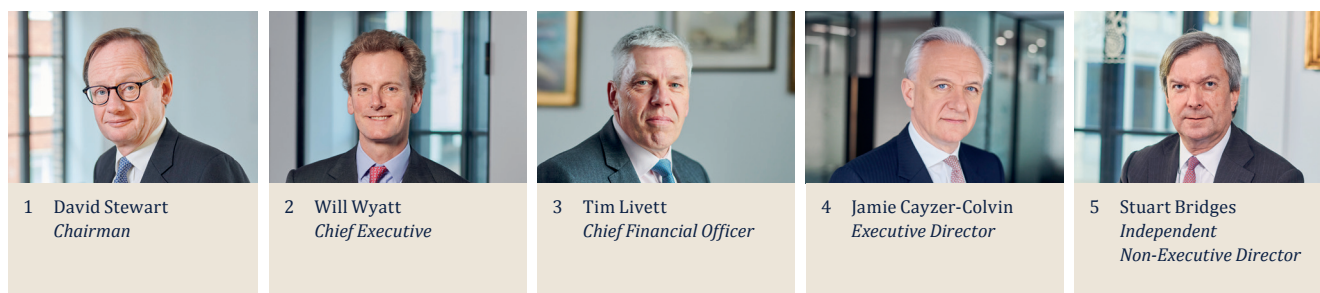
### Greenhouse gas emissions

Caledonia's carbon emissions have been calculated in accordance with the regulations within the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, which implement the Government's policy on Streamlined Energy and Carbon Reporting.

The sources of greenhouse gas emissions ('GHG') shown in the table below are from the companies included in the consolidated financial statements. We are not required to report any emissions from companies that are not included in our consolidated financial statements.

Operational scope	Source of GHG emissions	GHG emissions in 2020	GHG emissions in 2019	Unit	Quantity/ power used 2020	Quantity/ power used 2019	Unit
Scope 1 (direct emissions)	<ul style="list-style-type: none"> <li>• Combustion of fuel and operation of facilities</li> <li>• Air conditioning refigridgerant loss</li> <li>• Company car use</li> </ul>	24	27	Tonnes CO <sub>2</sub> e	100 2	116 2	Kilowatt-hours (k) Litres fuel (k)
Scope 2 (indirect emissions)	<ul style="list-style-type: none"> <li>• Electricity purchased for own use</li> </ul>	57	56	Tonnes CO <sub>2</sub> e	224	221	Kilowatt-hours (k)
Scope 3 (indirect emissions)	<ul style="list-style-type: none"> <li>• Business travel</li> </ul>	371	655	Tonnes CO <sub>2</sub> e	144	260	Litres fuel (k)
Total		452	738		324 146	337 262	Kilowatt-hours (k) Litres fuel (k)
Key performance indicator	Scope 1, 2 and 3 normalised to full time employee equivalent	8	12	Tonnes CO <sub>2</sub> e per FTE	5.4 2.4	5.5 4.3	Kilowatt-hours (k) per FTE Litres fuel (k) per FTE

# Board of directors



## 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, Chairman of Hermes Investment Management and a non-executive director of Marathon Asset Management.

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 in 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, together with knowledge gained from his responsibilities for risk and performance oversight of Wellcome Trust's asset management division.

## 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 committees 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 was Chief Financial Officer of Control Risks until 2019, 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 and a non-executive director of UIL Limited and Retail Money Market Limited.

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.





**6 The Hon Charles Cayzer**  
*Non-Executive Director*



**7 Guy Davison**  
*Senior Independent  
Non-Executive Director*



**8 Claire Fitzalan Howard**  
*Independent Non-  
Executive Director*



**9 Shonaid Jemmett-Page**  
*Independent  
Non-Executive Director*

## 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 Estates.

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 Senior Independent Non-Executive Director

Appointed a non-executive director of Caledonia in January 2018, Guy is Chairman of the Governance Committee and 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. He also serves on the board of Ascot Authority (Holdings) Limited.

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 Private Capital team in evaluating new unquoted investment opportunities and managing its existing unquoted portfolio.

## 8 Claire Fitzalan Howard Independent Non-Executive Director

Appointed a non-executive director of Caledonia in July 2019, Claire is a member of the Remuneration and Nomination Committees. She spent five years at Kleinwort Benson before joining Gauntlet Insurance Services, a privately-owned insurance broking company specialising in high net worth clients, where she had an executive role until 1996, and serving as a non-executive director between 2004 and 2019. Claire is a non-executive director of Schroders plc and is involved in a number of charitable trusts and foundations, including as a director of the Schroder Charity Trust and of the Stansted Park Foundation and as a trustee of the Schroder Foundation.

Claire brings to the board her experience in both the financial services and charitable sectors, as well as a deep experience of public and private businesses with significant family shareholdings.

## 9 Shonaid Jemmett-Page Independent Non-Executive Director

Appointed a non-executive director of Caledonia in 2015, Shonaid is Chairman of the Remuneration Committee and a member of the Audit, Governance and Nomination 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 Chairman of Greencoat UK Wind and a non-executive director of QinetiQ Group plc and MS Amlin Insurance SE.

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. As Chairman of the Remuneration Committee, she ensures that senior executive remuneration supports Caledonia's overall strategy and business model in delivering long-term increases in capital and income for shareholders.

# Corporate governance report

## Caledonia recognises the value of good corporate governance to deliver long-term sustainable success.

### Membership and attendance

The board held nine scheduled meetings during the year. Attendance of the directors was as follows:

Director	Meetings attended	Meetings eligible to attend
D C Stewart	9	9
W P Wyatt	9	9
T J Livett	9	9
J M B Cayzer-Colvin	9	9
S J Bridges	9	9
Hon C W Cayzer	9	9
G B Davison	9	9
C H Gregson <sup>1</sup>	4	4
C L Fitzalan Howard <sup>2</sup>	4	5
S C R Jemmett-Page	9	9

1. Mr Gregson retired as a director on 24 July 2019.

2. Mrs Fitzalan Howard was appointed as a director on 22 July 2019. She was unable to attend one board meeting due to a pre-existing commitment.

### Statement of compliance

The board considers that the company has complied with the UK Corporate Governance Code ('Code') issued in July 2018 for the duration of the reporting period.

A copy of the Code is available on the website of the Financial Reporting Council at [www.frc.org.uk](http://www.frc.org.uk).

The table below highlights where key content can be located elsewhere in this annual report to enable shareholders to evaluate how the company has applied the principles set out in the Code.

	Page
<b>Board leadership and company purpose</b>	
Chairman's statement	2
Chief Executive's report	4
Section 172 statement	12
Performance measures	29
Corporate social responsibility	35
Key stakeholders	42
<b>Division of responsibilities</b>	
The board	38
Board committees	41
Membership and attendance	40
<b>Composition, succession and evaluation</b>	
Board of directors	38
Board composition	41
Board performance evaluation	44
Nomination Committee report	44
<b>Audit, risk and internal control</b>	
Audit Committee report	46
Risk management	30
<b>Remuneration</b>	
Annual statement by the Chairman of the Remuneration Committee	50
Remuneration policy	52
Annual report on directors' remuneration	61

### 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, 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.

### 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. 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 38 and 39.

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.

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 C W 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 44 to 67.

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.

## Key stakeholders, engagement and board decision making

The company's key stakeholders include shareholders, investee companies and private equity funds, employees and suppliers. Set out below are details of engagement with each of these groups during the year, together with how the directors had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 over the course of decision making.

## 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, monthly NAV announcements and half-year and annual reports keep shareholders apprised of performance.

The board assesses the payment of dividends to shareholders. In making its decisions, the board considers shareholder expectations, the net revenue generated by the company in the period and the capacity of the company to pay dividends out of free cash flow, taking into account future liquidity requirements and availability. In the year, the board also considered a third party review of shareholder communications and included surveys of stakeholder groups which led, amongst other changes, to enhancements to the company's website which are expected to launch later this year.

As reported in the Remuneration Committee Report on page 51, the Company consulted with major investors and investor representatives and considered industry best practice ahead of proposing the remuneration policy for shareholder approval at this year's AGM.

## Employees

Caledonia's small head office enables employees to have regular access to board directors both formally in meetings and informally via lunches and biannual events to which staff are invited. Regular access to all employees, irrespective of their seniority, ensures good levels of engagement demonstrated by very low attrition rates. The board believes these existing arrangements, which are not one of the suggested methods for workforce engagement set out in the Code, remain effective. Formal periodic reports on staff-related matters, such as any instances of concerns or grievances raised and also any suggestions received for improvements to the workplace culture, to further assist the board in understanding the views of employees were implemented during the year. The Remuneration Committee also considered employee remuneration when setting executive director pay and proposed changes to remuneration policy.

## Investee companies and private equity funds

A regular dialogue is maintained with investee companies and private equity funds, focused on careful stewardship over the long-term. Caledonia employees serve as non-executive directors on the boards of portfolio companies in which the company holds significant investments and are represented on numerous advisory committees established by the managers of the funds in which we invest, providing oversight and helping to ensure that the board is kept updated on key developments and the views of stakeholders in each of these businesses. Comprehensive regular board reporting and presentations by senior employees is supplemented

with deep dive presentations from investee companies and fund managers which provide directors with additional insight to assist their decision making. The board also undertakes visits to wholly-owned investee companies, the most recent being to Buzz Bingo. These site visits provide directors with first hand operational knowledge, as well as providing the opportunity to meet a broader stakeholder group. Directors attend an annual conference and dinner with the management of companies within Caledonia's Private Capital portfolio, which include presentations on individual businesses and give board members the opportunity to meet the senior executives of investee companies, both formally and informally. This comprehensive fostering of knowledge and understanding and business relationships informs the board's investment decisions.

### Suppliers

The board continues to value long-term supplier relationships built on transparency, reliability and quality. The company operates clear payment practice processes to ensure fair and prompt payment.

### 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 controlling shareholders

As at 26 May 2020, being the latest practicable date prior to the publication of this annual report, the Cayzer family concert party ('Cayzer Concert Party') held 48.45% 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% or 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:

- 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
- 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
- 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 26 May 2020, being the latest practicable date prior to the publication of this annual report:

- the company has complied with the independence provisions included in the agreements with Cayzer Trust and the Employee Share Trust
- 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
- 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

26 May 2020

# 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 and succession planning.

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 debate around diversity and is aware of the targets set by the Hampton-Alexander Review and, more recently, the Parker Review. It therefore continues to take positive steps to improve diversity. Search consultants are encouraged to make every effort to put forward diverse candidates 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 remains the Committee's intention that the diversity of representation on Caledonia's board will continue to increase over time.

## 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 2020, 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 analysis from which was collated by the Company Secretary. The Chairman discussed this analysis with each director.

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.

## 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)	2	2
S J Bridges	2	2
Hon C W Cayzer	2	2
G B Davison	2	2
C L Fitzalan Howard <sup>1</sup>	–	1
C H Gregson <sup>2</sup>	1	1
S C R Jemmett-Page	2	2
W P Wyatt	2	2

- Mrs Fitzalan Howard was appointed as a member of the Committee on 24 July 2019. She was unable to attend one meeting due to a pre-existing commitment.
- Mr Gregson retired as a director on 24 July 2019.

The results of the 2020 evaluation process were presented in a report to the board. The conclusion was that the board continued to function well in an atmosphere of open and constructive debate with a good breadth of skills, experience and viewpoints, although it was acknowledged that additional focus on succession planning and the company's investment approach to environmental, social and governance matters would be beneficial.

### Work of the Nomination Committee

The Nomination Committee met twice 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 2019 board performance evaluation and also of the balance of skills, knowledge and experience of individual directors
- consideration of the contributions and effectiveness of the non-executive directors seeking re-election at the 2019 annual general meeting, prior to giving recommendations to the board and shareholders for their re-elections
- the renewal of Mr Bridges' and The Hon C W Cayzer's letters of appointment as non-executive directors
- following the retirement of Mr Gregson, the appointment of Mr Davison as senior independent director and Chairman of the Governance Committee and Mrs Jemmett-Page as Chairman of the Remuneration Committee
- the conduct of a search for a new non-executive director, concluding with a recommendation to the board that Mrs Fitzalan Howard be appointed. The Committee engaged Russell Reynolds Associates, which has no connection with the company or individual directors other than having advised on previous senior appointments, to assist in Mrs Fitzalan Howard's recruitment
- the appointment of Mrs Fitzalan Howard as a member of the Remuneration and Nomination Committees.

#### David Stewart

Chairman of the Nomination Committee

26 May 2020

# 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)	3	3
G B Davison	3	3
S C R Jemmett-Page	3	3

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 three times in the year ended 31 March 2020, in May and November 2019 and in March 2020. After the year end, it met in April 2020 to consider the audit tender process and again in May 2020 in respect of significant issues in relation to the 2020 annual report.

The Chief Executive, the Chief Financial Officer, the Company Secretary and members of the finance team attended all meetings of the Audit Committee. KPMG also attended all meetings except for the meeting held in April 2020. 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 that held in April 2020, 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 2019 was the 2019 annual report and financial statements and the 2019 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 2020 meeting considered principally the audit planning for the 2020 annual report.

In its May 2020 meeting, the Audit Committee reviewed the form and content of the 2020 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, the viability statement and the potential impact of the Covid-19 pandemic. The Audit Committee recommended the 2020 annual report to the board.



The significant issues the Audit Committee considered in relation to the 2020 financial statements were the valuation of unlisted investments, particularly given the increased level of uncertainty arising from the potential impact of the Covid-19 pandemic. 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, consistency of valuation methodologies over time and the approach to assessing the potential impact of the Covid-19 pandemic on the valuations. In respect of the Covid-19 pandemic, the Valuation Committee had taken into consideration a paper prepared by management, reviewing the potential impact on each investment and detailing how this had been reflected in the valuations. The valuation approach was aligned with the International Private Equity and Venture Capital ('IPEV') Board Special Guidance issued in March 2020.

#### 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 a base case Covid-19 overlay assuming a 40% reduction in listed stock dividends in year 1 and a further 20% reduction in year 2, together with marked reductions in income from unlisted companies, and increased net capital outflows into unlisted companies and fund investments. This base case was subjected to stress tests, including the early settlement of outstanding fund commitments and a more severe Covid-19 impact of 60%, 40% and 25% falls in listed stock dividends in years 1, 2 and 3, as well as further reduction in income from unlisted companies and additional capital outflows into unlisted companies and fund investments. 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 34.

#### 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 72, 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 2021 at its May 2020 meeting. During the year, the Audit Committee reviewed reports on internal controls, including a further review of the operations of the treasury function, the transactional processes underpinning investment reporting and tax compliance systems and processes.

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 monitors closely its control environment, including the uncertainty and impact of any Brexit outcome and the Covid-19 pandemic, and those of its private company investments. The Audit Committee recommended to the board that an internal audit function was not required.

#### Valuations policy

At the meeting in March 2020, a revised Valuations policy was presented and discussed. The revised Valuations policy incorporated the IPEV Valuation Guidelines published in December 2018. The principal change in the IPEV Valuation Guidelines was to remove 'price of a recent investment' as a valuation technique, reinforcing the premise that fair value must be re-estimated at each reporting date, although this does not preclude fair value being informed by the price of a recent investment.

The Audit Committee confirmed itself to be happy to recommend the revised Valuations policy to the board.

# Audit Committee report continued

## 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 rules from the Competition and Markets Authority and EU legislation. Its current plan is to conduct an audit tender process in 2020, to enable a cooling-in period before being engaged to conduct the audit for the financial year ending 31 March 2022, being ten years from the date of the last audit tender.

## 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 of 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 ('FRC') Audit Quality Review Report for KPMG's audit of the company.

In the previous 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 2018 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 29 July 2020.

## 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

26 May 2020

# 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
G B Davison (Chairman) <sup>1</sup>	1	1
C H Gregson <sup>2</sup>	1	1
S J Bridges	2	2
S C R Jemmett-Page	2	2

1. Mr Davison succeeded Mr Gregson as Chairman on 24 July 2019.
2. Mr Gregson retired as a director on 24 July 2019.

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 2019
- 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.

### Guy Davison

Chairman of the Governance Committee

26 May 2020

# 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
S C R Jemmett-Page (Chairman) <sup>1</sup>	4	4
C H Gregson <sup>2</sup>	2	2
C L Fitzalan Howard <sup>3</sup>	2	2
D C Stewart	4	4

1. Mrs Jemmett-Page succeeded Mr Gregson as Chairman on 24 July 2019.
2. Mr Gregson retired as a director on 24 July 2019.
3. Mrs Fitzalan Howard was appointed as a member on 24 July 2019.

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 the 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 2020.

### Changes to the committee during the year

I succeeded Charles Gregson as Chairman of the Remuneration Committee in July 2019. I would like to thank Charles for an orderly transition and for his many years of dedicated service. We also welcomed Claire Fitzalan Howard as a new member.

### Remuneration policy

Our current remuneration policy was approved by shareholders in 2017 and therefore, in accordance with statute, must be put to shareholders for renewal at the 2020 annual general meeting. The Remuneration Committee, following a comprehensive review assisted by Willis Towers Watson, is not proposing to make substantial changes to Caledonia's remuneration framework. We considered the new policy alongside the pay and conditions of all of Caledonia's staff.

The Remuneration Committee believes that the existing remuneration structure remains 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 over the long-term, whilst managing risk to avoid permanent loss of capital. Specifically, the Remuneration Committee considers that the performance measures adopted for the short and long-term incentive plans underpin the board's aim to deliver consistent annualised returns of between RPI+3% and RPI+6%, which history has shown should lead to outperformance of most equity markets, and in particular the FTSE All-Share Total Return index, over rolling ten-year periods.

We remain sensitive to the continued debate in the investor community around executive pay and mindful of evolving best practice. The Remuneration Committee has therefore made the following refinements to the current pay structures for the 2020 policy renewal:

- introduced a post-vesting holding period of two years for the one-third of performance share scheme awards (on an after-tax basis) for which performance is measured over three years, creating a combined vesting/holding period of five years
- provided discretion to the Remuneration Committee to reassess good leaver treatment for performance share scheme participants should circumstances change after the date they leave but prior to awards vesting
- included provision for the Committee to decide whether dividend equivalents due on performance share scheme and deferred bonus plan awards should be paid in shares in place of cash
- introduced a post-cessation shareholding requirement of two years, with the Committee retaining discretion to override the arrangement, for example, for regulatory reasons, on compassionate grounds or where an executive experiences financial hardship.

The rules of the company's performance share plan will expire in 2021. A resolution to adopt replacement rules will therefore be proposed at this year's annual general meeting alongside the directors' remuneration policy resolution. Save for the introduction of the holding period mentioned above, no material changes to the operation of the plan are proposed. The Committee also intends to adopt new rules governing the operation of the company's deferred bonus plan via which any bonus in excess of 50% of salary is compulsorily deferred into shares. This simple bonus deferral arrangement will utilise market purchase shares and does not therefore require shareholder approval.

The Remuneration Committee consulted Caledonia's largest shareholders and investor representatives regarding the proposed remuneration policy refinements which we believe are consistent with developing best practice.

Finally, notwithstanding that Caledonia is not legally required to do so, the Remuneration Committee has once again reported pay ratio information in relation to the Chief Executive in accordance with The Companies (Miscellaneous Reporting) Regulations 2018. This information is set out on pages 65 and 66 in the Annual report on directors' remuneration.

### Remuneration for the year ended 31 March 2020

The Annual report on directors' remuneration set out on pages 61 to 67 describes in detail how our remuneration policy has been applied for the year ended 31 March 2020. I would however like to highlight the following points.

#### Annual bonus

Caledonia delivered net asset value per share total return ('NAVTR') for the year of -8.1% underperforming the increase in the Retail Prices Index (taken for bonus purposes as 3.0%) required to trigger the minimum bonus in respect of company performance. The Funds pool achieved a total return over the year of -2.8% which, for Jamie Cayzer-Colvin, was also below the return needed to achieve the minimum pay-out for that element of his bonus. In light of the impact of Covid-19 on the portfolio the Remuneration Committee considered that, despite good delivery against personal objectives and, for Jamie Cayzer-Colvin, attainment of pool objectives, it was not appropriate to award a bonus.

### Performance share scheme awards

The performance share scheme awards granted in 2015 (measured over five years) and the first one-third of the awards granted in 2017 (measured over three years) reached the end of their performance periods in March this year. In each case, the awards were measured by reference to Caledonia's annualised NAVTR over the relevant periods, which was 4.6% for the 2015 awards and 1.1% for the 2017 awards, giving vesting levels of 32% and 0% 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 9.5% and 6.5%, meaning that 60% of this portion of his 2015 award and 15% of his 2017 award vested. Further details of the vesting scales for these awards can be found on pages 61 and 62. The Remuneration Committee considers that these performance outcomes are appropriate.

The remaining two-thirds of the 2017 performance share scheme awards will be tested in March 2022.

### Remuneration for the year ending 31 March 2021

Looking ahead to the 2021 financial year, Tim Livett's and Jamie Cayzer-Colvin's basic salaries have been increased with effect from 1 April 2020 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 has not received any pay increase. The Chairman's and the non-executive directors' fees have also not been changed.

Subject to shareholder approval of the revised remuneration policy, we plan to make performance share plan awards following the annual general meeting in line with the new policy and under the terms of the replacement plan rules. The Remuneration Committee's current intention is that these grants will be subject to the same performance measures used in 2019, which are summarised in the notes to the remuneration policy table on pages 55 and 56. However, the delay to the normal grant cycle provides the Remuneration Committee with the opportunity to further assess whether this approach remains appropriate in light of circumstances at that time.

#### Shonaid Jemmett-Page

Chairman of the Remuneration Committee

26 May 2020

# Directors' remuneration report continued

## Remuneration policy

### Implementation of the policy

The remuneration policy set out below describes the policies, principles and practices operated by the company for the remuneration of its directors. If approved by shareholders at the annual general meeting to be held on 29 July 2020, this policy will supersede the policy approved at the 2017 annual general meeting and take effect from that date and will then apply until a revised remuneration policy is approved by shareholders. The company does not expect to seek shareholder approval for a revised policy until the annual general meeting in 2023.

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 consistent with the most recently approved remuneration policy. 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.

### 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.
Opportunity and recovery or withholding provisions	The basic salaries of the executive directors on implementation of the policy will be: W P Wyatt: £540,000; T J Livett: £384,400; J M B Cayzer-Colvin: £343,700. 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.

### 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 policies approved by shareholders at the 2014 and 2017 annual general meetings. 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.

**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	<p>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 legacy cash allowance in lieu of a company car. They are also entitled to receive minor benefits that are available to other Caledonia staff.</p> <p>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.</p> <p>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).</p>
Opportunity and recovery or withholding provisions	<p>A taxable benefits package that is competitive with the marketplace.</p> <p>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.</p> <p>No recovery or withholding provisions.</p>
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	<p>Discretionary annual bonus scheme and deferred bonus plan under which a proportion of bonus may be compulsorily deferred into shares.</p> <p>Bonus is not pensionable.</p>
Opportunity and recovery or withholding provisions	<p>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.</p> <p>Participants will also receive an amount or additional number of shares equal to the value of the dividends that would have accrued on the shares during the deferral period.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The Remuneration Committee also has the right to recover all or part of cash bonus paid or deferred bonus shares and dividend shares or 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.</p>
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.

# Directors' remuneration report continued

## Remuneration policy

### Long-term incentives (variable pay)

Purpose and link to strategic objectives	<p>To motivate executive directors to deliver long-term shareholder value, thereby aligning the interests of management with those of shareholders.</p> <p>To encourage long-term retention of key executives.</p>
Operation	A performance share scheme under which participants are awarded nil-cost options over the company's shares.
Opportunity and recovery or withholding provisions	<p>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.</p> <p>On exercise of nil-cost options, participants will also receive an amount or additional number of shares equal to the value of the dividends that would have accrued on the shares during the relevant performance measurement period.</p> <p>A post-vesting holding period of two years will apply to the one-third of awards, on an after-tax basis, for which performance is measured over three years. The remaining two-thirds of awards will be subject to performance over five years.</p> <p>The Remuneration Committee has the right 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. In respect of awards granted after 10 May 2018, the Remuneration Committee may, acting fairly and reasonably, reduce the level of vesting to take account of any matter which it considers appropriate including the broader performance of the company, the shareholder experience and the conduct of the participant. The Remuneration Committee also has the right, in respect of awards granted after 20 July 2017, to recover all or part of the value of long-term incentive awards and dividend equivalents 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, result in significant reputational damage to the company, 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.</p>
Performance measurement framework	<p>For executive directors who are not directly responsible for a pool of capital, nil-cost options awarded under the 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.</p> <p>The rules of the 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.</p>



### 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	<p>The percentage of basic salary for executive directors, consistent with all Caledonia's staff, is 15%. 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.</p> <p>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, provided that the rates for executive directors remain aligned with those for other staff.</p> <p>No recovery or withholding provisions.</p>
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 profile 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**

##### **Deferred bonus plan**

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 Mr Wyatt and Mr Livett, 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 will be 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.

One-third of nil-cost options granted will be 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.

##### **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.

# Directors' remuneration report continued

## Remuneration policy

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 table are (i) the introduction of a post-vesting holding period of two years for the one-third of performance share scheme awards (on an after-tax basis) for which performance is measured over three years, (ii) the provision for the Committee to decide whether dividend equivalents due on performance share scheme and deferred bonus plan awards should be paid in shares in place of cash, and (iii) the Remuneration Committee's power to reduce the vesting level of certain performance share scheme awards based on broad considerations.

In addition, the remuneration policy, as set out below, introduces (i) Remuneration Committee discretion to reassess good leaver treatment for performance share scheme participants should circumstances change after the date they leave but prior to awards vesting, and (ii) a post-cessation shareholding requirement of two years, with the Committee retaining discretion to override the arrangement, for example, for regulatory reasons, on compassionate grounds or where an executive experiences financial hardship.

### 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	<p>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.</p> <p>The Chairman receives an annual fee, which includes his basic non-executive director's fee, but does not receive any other remuneration.</p> <p>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.</p> <p>The fees of the Chairman and the non-executive directors on implementation of the policy for the 2021 financial year will be as follows:</p> <table border="1"> <tbody> <tr> <td>Chairman</td> <td>£150,000</td> <td>Basic non-executive director's fee</td> <td>£39,900</td> </tr> <tr> <td>Audit Committee chairman</td> <td>£5,600</td> <td>Audit Committee member</td> <td>£2,300</td> </tr> <tr> <td>Remuneration Committee chairman</td> <td>£4,900</td> <td>Remuneration Committee member</td> <td>£1,600</td> </tr> <tr> <td>Senior Independent Director/ Governance Committee chairman</td> <td>£5,100</td> <td></td> <td></td> </tr> </tbody> </table>	Chairman	£150,000	Basic non-executive director's fee	£39,900	Audit Committee chairman	£5,600	Audit Committee member	£2,300	Remuneration Committee chairman	£4,900	Remuneration Committee member	£1,600	Senior Independent Director/ Governance Committee chairman	£5,100		
Chairman	£150,000	Basic non-executive director's fee	£39,900														
Audit Committee chairman	£5,600	Audit Committee member	£2,300														
Remuneration Committee chairman	£4,900	Remuneration Committee member	£1,600														
Senior Independent Director/ Governance Committee chairman	£5,100																
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.																

Component	Approach
Other benefits	<p>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.</p> <p>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).</p>

## 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

# Directors' remuneration report continued

## Remuneration policy

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.

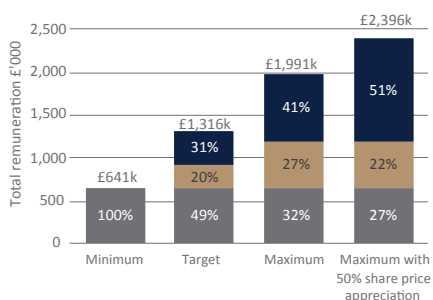
Details of any fees from external non-executive directorships retained by executive directors are disclosed in the Annual report on directors' remuneration.

### Illustration of the application of the remuneration policy for executive directors

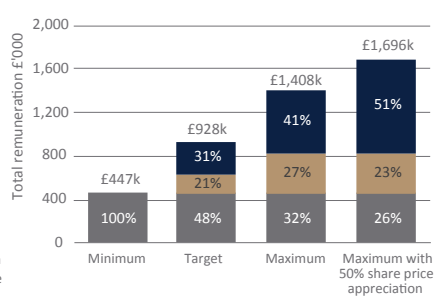
The charts below provide an indication of the total pay of the executive directors in the first year of operation of the remuneration policy under four assumed performance scenarios:

- minimum receivable - this assumes that the director receives fixed components of pay only and nothing in respect of annual bonus or long-term incentives
- receivable for target performance – this assumes that, in addition to fixed pay, there is a pay-out of 50% of basic salary for annual bonus and 50% vesting for performance share scheme awards
- maximum receivable – this assumes that, in addition to fixed pay, there is a maximum bonus of 100% basic salary and 100% vesting of performance share scheme awards
- maximum receivable with 50% share price appreciation – this assumes that all elements are the same as for the maximum receivable with an assumed 50% increase in share price.

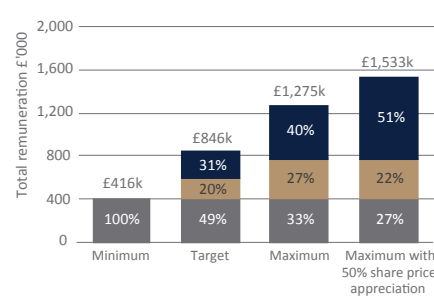
W P Wyatt



T J Livett



J M B Cayzer-Colvin



Long-term awards ■ Annual bonus ■ Fixed pay ■

1. Fixed pay - comprises basic salary and pension related benefits, based on basic salary for the financial year ending 31 March 2021 and other taxable benefits taken from the table of total emoluments paid to directors for the 2020 financial year included in the Annual report on directors' remuneration.
2. Annual bonus - based on basic salary for the year ending 31 March 2021.
3. Long-term awards - for target performance and maximum receivable, an initial grant of 150% of basic salary for the year ending 31 March 2021 under the performance share scheme is assumed, as this is the policy maximum set by the Remuneration Committee, notwithstanding that the maximum permitted under the scheme rules is 200%. Share price growth is shown only in the maximum receivable with 50% share price appreciation column for shares vesting under the performance share scheme only. Any dividend equivalents that might accrue on share awards are not included.

## 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. If any bonus payment is made, the Remuneration Committee also retains discretion as to whether it will require any part of the bonus to be deferred into shares under the deferred bonus plan.

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 may 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. Awards made following the approval of this policy will provide the Remuneration Committee with the discretion to assess good leaver treatment for participants should circumstances change after the date they leave but prior to vesting.

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. However, in appropriate circumstances they may receive de minimis retirement gifts from the company.

# Directors' remuneration report continued

## Remuneration policy

### 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 under the company's deferred bonus plan, again net of income tax and National Insurance contributions.

During the year the Remuneration Committee introduced a post-cessation shareholding requirement for executive directors of two years, with the Committee retaining discretion to override this arrangement, for example, for regulatory reasons, on compassionate grounds or where an executive experiences financial hardship.

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.

### Statement of consideration of employment conditions elsewhere in the group

In setting the policy for directors' remuneration, the Remuneration Committee considered pay and employment conditions of other employees within the group. The Remuneration Committee does not however seek to apply any metrics between pay levels of different roles within the group as this would restrict flexibility in aligning reward and performance and potentially could hinder the recruitment and retention of high calibre individuals. Executive directors' remuneration packages are however benchmarked with other senior investment executives, who participate in the same annual bonus and long-term incentive plans. Given the parity of these remuneration arrangements, the Remuneration Committee did not feel it necessary to conduct any formal consultation with employees, although views expressed by senior executives were shared with Remuneration Committee members.

### Statement of consideration of shareholder views

Prior to the finalisation of this policy, the Remuneration Committee consulted a number of the company's larger shareholders and certain institutional shareholder representative bodies through written correspondence. No changes to the remuneration policy were requested as a result of the consultation.

More generally, the Remuneration Committee receives copies of any correspondence from shareholders relating to remuneration matters and the company's annual general meeting provides shareholders with the opportunity to ask questions about directors' remuneration.

## 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 2020 and describes how Caledonia's remuneration policy will be implemented for the 2021 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 2020 and a comparison with the previous financial year.

	Salary		Taxable benefits <sup>2</sup>		Short-term incentives <sup>3</sup>		Long-term incentives <sup>4</sup>		Pension related benefits		Total	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
W P Wyatt	540	540	20	20	–	490	183	707	71	107	814	1,864
T J Livett <sup>1</sup>	375	21	5	–	–	–	–	–	49	3	429	24
J M B Cayzer-Colvin	335	327	21	21	–	327	183	440	44	50	583	1,165

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

#### 2. 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.

#### 3. Short-term incentives

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 2020 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.

The company's NAVTR was -8.1% over the year against an increase in RPI (for bonus purposes) of 3.0%, giving no payment for company performance. The Funds pool's return over the year was -2.8%, with no bonus award to Mr Cayzer-Colvin for this element.

In light of the impact of Covid-19 on the portfolio the Remuneration Committee considered that, despite good delivery against personal objectives and, for Mr Cayzer-Colvin, attainment of pool objectives, it was not appropriate to award a bonus to any director.

No bonus was therefore awarded to Mr Wyatt, Mr Livett and Mr Cayzer-Colvin for the year and, consequently, there were no compulsory deferrals necessary under the terms of the company's deferred bonus plan. The following amounts included in the total of short-term incentives for 2019 were compulsorily deferred, for a period of three years in the form of nil-cost options:

	Compulsorily deferred £'000	Cash £'000	Total £'000
W P Wyatt	220	270	490
T J Livett	n/a	n/a	n/a
J M B Cayzer-Colvin	163	164	327

#### 4. Long-term incentives

The long-term incentive awards where performance measurement periods ended during the year were the two-thirds of the awards granted in 2015 under the performance share scheme and one-third of the awards granted under that scheme in 2017. All such awards were nil-cost options.

The 2015 and 2017 performance share scheme awards for Mr Wyatt 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 2015 performance share scheme awards measured over the five years to 31 March 2020, Caledonia's annualised NAVTR over the period was 4.6%, resulting in 32% vesting. For Mr Cayzer-Colvin's award measured by reference to his pool's performance, the Funds pool delivered an annualised total return of 9.5% over the period, resulting in 60% vesting.

For the 2017 performance share scheme awards measured over the three years to 31 March 2020, Caledonia's annualised NAVTR over the period was 1.1%, resulting in no vesting. For Mr Cayzer-Colvin's award measured by reference to his pool's performance, the Funds pool delivered an annualised total return of 6.5% over the period, resulting in 15% vesting.

The awards granted in 2015 and 2017, following performance testing, will vest on 26 June 2020 and 21 July 2020 respectively. The values, as reflected in the 2020 long-term incentives column above, are calculated using the three-month average share price to 31 March 2020 of 2886p, together with the value of dividends and any associated tax credits that will have accrued on the shares at vesting. The overall value of the long-term incentives shown in the table above are therefore analysed as follows:

	Estimated value of long-term incentive awards at vesting £'000	Value of dividend equivalents at vesting £'000	Estimated total at vesting £'000
W P Wyatt	161,674	21,685	183,359
J M B Cayzer-Colvin	162,482	20,737	183,219

The estimated value attributable to share price appreciation since grant in 2015 and 2017, based on the three-month average share price to 31 March 2020, was £62,929 and £247 respectively. No discretion was exercised by the Remuneration Committee in respect of share price appreciation.

# Directors' remuneration report continued

## Annual report on directors' remuneration

### Chairman and non-executive directors

Fees and other remuneration paid to the Chairman and the non-executive directors during the year ended 31 March 2020 and the previous year were as follows:

	Fees	
	2020 £'000	2019 £'000
D C Stewart	150	150
S J Bridges	46	46
Hon C W Cayzer <sup>1</sup>	42	40
G B Davison	46	42
C H Gregson <sup>2</sup>	16	50
C L Fitzalan Howard <sup>3</sup>	29	–
S C R Jemmett-Page	46	43

1. The Hon C W Cayzer receives an additional fee of £5,000 per annum, effective from 22 October 2019, in respect of his services as a trustee of the Caledonia Pension Scheme.
2. Mr Gregson retired as a director on 24 July 2019.
3. Mrs Fitzalan Howard was appointed as a director on 22 July 2019.

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

### 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 and under the deferred bonus plan.

Scheme	Type of award	Basis of award	Date of grant	Face value of award £'000	Share price at grant	Shares comprised in award <sup>1</sup> number	Receivable if minimum performance achieved <sup>2</sup> %	End of performance period
<b>W P Wyatt</b>								
Performance Share Scheme	Nil-cost option	150% of salary	30.05.19	810	2910p	27,835	10	31.03.24
Deferred Bonus Plan	Compulsory award	% of bonus in excess of 50%	30.05.19	220	2910p	7,560	100	31.03.22
Total scheme interests awarded				1,030		35,392		
<b>T J Livett</b>								
Performance Share Scheme	Nil-cost option	150% of salary	30.05.19	563	2910p	19,330	10	31.03.24
Total scheme interests awarded				563		19,330		
<b>J M B Cayzer-Colvin</b>								
Performance Share Scheme	Nil-cost option	150% of salary	30.05.19	503	2910p	17,280	10	31.03.24
Deferred Bonus Plan	Compulsory award	% of bonus in excess of 50%	30.05.19	164	2910p	5,619	100	31.03.22
Total scheme interests awarded				667		22,899		

1. The number of shares comprised in the awards under the performance share scheme and the deferred bonus plan 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. Compulsory awards under the deferred bonus plan are subject to a service condition only.

### 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	
	2020 £	2019 £	2020 £	2019 £	2020 £	2019 £
W P Wyatt	–	–	71,178	106,766	71,178	106,766
T J Livett <sup>1</sup>	–	–	49,429	3,204	49,429	3,204
J M B Cayzer-Colvin	–	–	44,189	50,286	44,189	50,286

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

#### 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.



## 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	
		2020 £'000	2019 £'000
T J Livett <sup>1</sup>	Non-executive director, Premier Marinas Holdings	37.5	2
J M B Cayzer-Colvin	Non-executive Chairman, The Henderson Smaller Companies Investment Trust	34.5	34

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

## Payments to past directors (audited)

Mr 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's notice period commenced on 16 July 2018.

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. For the remaining seven and a half months of his notice period, Mr King was paid in lieu of notice totalling £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 2020.

Mr King exercised all of the vested 2014 performance share scheme award (8,407 shares), which was subject to performance testing as at 31 March 2019 and vested on 27 November 2019, and the vested part of his 2016 performance share scheme award (5,550 shares), which was subject to performance testing as at 31 March 2019 and vested on 26 May 2019, at a total pre-tax value of £468,886, including £41,453 in respect of dividend equivalents on these awards.

Mr King's pro-rated entitlements to performance share scheme awards made in 2015 and 2017 were subject to performance testing as at 31 March 2020. 2,915 shares awarded in 2015 will vest on 26 June 2020. None of the shares awarded in 2017, for which performance was measured over three years, vested.

## Payments for loss of office (audited)

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

## Statement of directors' shareholdings and scheme interests (audited)

### Executive directors' minimum shareholding guidelines

Executive directors' minimum shareholding guidelines are set out on page 60. Both Mr Wyatt and Mr Cayzer-Colvin have attained the minimum guideline shareholding as at 31 March 2020, whereas Mr Livett has only recently joined the company and has therefore yet to begin building a shareholding. The values of the relevant shareholdings of each executive director as at 31 March 2020, calculated by reference to Caledonia's closing share price on that date of 2435p, 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	28.1	2605
T J Livett	–	–
J M B Cayzer-Colvin	9.3	1855

### 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 2020 (or date of cessation in the case of Mr Gregson) were as follows:

	Beneficial		Non-beneficial	
	2020 <sup>1</sup> number	2019 number	2020 number	2019 number
D C Stewart	4,072	4,072	–	–
W P Wyatt <sup>2</sup>	1,143,715	1,143,715	80,038	78,038
T J Livett <sup>3</sup>	–	–	–	–
J M B Cayzer-Colvin <sup>2</sup>	374,320	374,320	121,942	66,953
S J Bridges	5,309	5,309	–	–
Hon C W Cayzer <sup>2</sup>	41,092	41,092	15,500	15,500
G B Davison	8,100	8,100	–	–
C L Fitzalan Howard <sup>4</sup>	–	–	–	–
C H Gregson	1,610	1,610	–	–
S C R Jemmett-Page	1,000	1,000	–	–

1. Or date of cessation, if earlier. Mr Gregson retired as a director on 24 July 2019.
2. Mr Wyatt's beneficial interests included 1,004,296 shares (2019 – 1,004,296 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 (2019 – 1,000 shares). His non-beneficial interests included 14,500 shares (2019 – 14,500 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 (2019 – 5,200 shares) in which Mr Wyatt and Mr Cayzer-Colvin had non-beneficial interests.
3. Mr Livett was appointed as a director with effect from 12 March 2019.
4. Mrs Fitzalan Howard was appointed as a director on 22 July 2019.

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 2020 in the share-based incentive schemes operated by the company are set out in the following table.

		Share price at date of award	Unvested with performance conditions <sup>1</sup>	Unvested without performance conditions	Vested but un- exercised <sup>2</sup>	Total
W P Wyatt	<i>Performance share scheme awards</i>					
	Granted 26.06.15 (nil-cost)	2435p	–	5,602	–	5,602
	Granted 26.05.16 (nil-cost)	2422p	17,601	–	–	17,601
	Granted 21.07.17 (nil-cost)	2837p	18,488	–	–	18,488
	Granted 30.05.18 (nil-cost)	2705p	29,945	–	–	29,945
	Granted 30.05.19 (nil-cost)	2910p	27,835	–	–	27,835
	Performance share scheme total		93,869	5,602	–	99,471
	<i>Deferred bonus plan – compulsory awards<sup>3</sup></i>					
	Granted 21.07.17 (nil-cost)	2837p	–	–	9,016	9,016
	Granted 30.05.19 (nil-cost)	2910p	–	7,560	–	7,560
Deferred bonus plan total		–	7,560	9,016	16,576	
Total share scheme interests			93,869	13,162	9,016	116,047

During the year, Mr Wyatt exercised performance share scheme awards over a total of 21,407 shares at a pre-tax gain of £660,325 plus an additional sum of £68,836 in respect of dividend equivalents.

T J Livett	<i>Performance share scheme awards</i>					
	Granted 30.05.19 (nil-cost)	2910p	19,330	–	–	19,330
	Performance share scheme total		19,330	–	–	19,330
Total share scheme interests			19,330	–	–	19,330
J M B Cayzer-Colvin	<i>Performance share scheme awards</i>					
	Granted 26.06.15 (nil-cost)	2435p	–	5,126	–	5,126
	Granted 26.05.16 (nil-cost)	2422p	10,666	–	–	10,666
	Granted 21.07.17 (nil-cost)	2837p	11,200	504	–	11,704
	Granted 30.05.18 (nil-cost)	2705p	18,133	–	–	18,133
	Granted 30.05.19 (nil-cost)	2910p	17,280	–	–	17,280
	Performance share scheme total		57,279	5,630	–	62,909
	<i>Deferred bonus plan – compulsory awards<sup>3</sup></i>					
	Granted 21.07.17 (nil-cost)	2837p	–	–	5,464	5,464
	Granted 30.05.19 (nil-cost)	2910p	–	5,619	–	5,619
Deferred bonus plan total		–	5,619	5,464	11,083	
Total share scheme interests			57,279	11,249	5,464	73,992

During the year, Mr Cayzer-Colvin exercised performance share scheme awards and deferred bonus plan awards over a total of 13,326 shares at a pre-tax gain of £411,037 plus an additional sum of £43,026 in respect of dividend equivalents.

### 1. Performance conditions

#### *Performance share scheme*

Of the awards shown as unvested with performance conditions, for nil-cost options granted to Mr Wyatt on 26 June 2015, 26 May 2016, 21 July 2017, 30 May 2018 and 30 May 2019, 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. 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 26 June 2015 were performance tested against their relevant target as at 31 March 2020 and achieved a vesting level of 32% 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 60% vesting level. The one-third of the shares comprised in the nil-cost options granted on 21 July 2017 subject to three-year performance testing was tested as at 31 March 2020 and resulted in no vesting 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 15% vesting level.

#### **Other exercise conditions**

##### *Performance share scheme*

Nil-cost options that vest following the three or five year performance testing become immediately exercisable on the third or fifth anniversary of grant, as applicable.

### 2. Vested but unexercised

Shares vested but unexercised represent those awards that are immediately exercisable without any conditions.

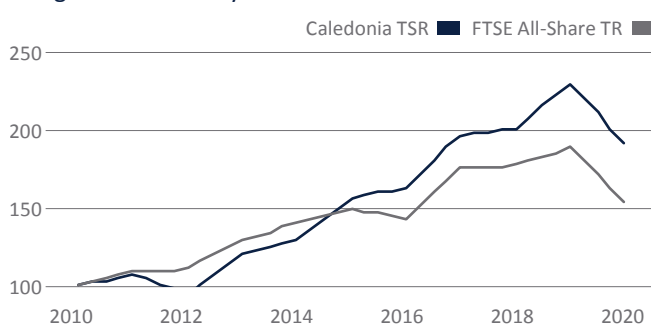
### 3. Deferred bonus plan

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.

## 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 2020. 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 2020, prepared on the same basis as in the single total figure in the table on page 61, and the percentage of the maximum potential short and long-term incentives received in those years.

Years ended 31 March	Chief Executive <sup>1</sup>	Total remuneration £'000	Incentives vested as a percentage of maximum	
			Short-term %	Long-term %
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
2020	W P Wyatt	814	–	20.9

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.

## 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 2020 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 did not receive an increase in basic salary for the 2020 financial year.

The per capita percentage increase in basic salary for staff shown in the table is higher than the standard award of 2.5% 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 not awarded a bonus based on the company's performance, compared with 91% of basic salary in the previous year based on company performance and individual objectives. Certain of 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	–	4.3
Taxable benefits	1.2	4.4
Short-term incentives	(100)	(81.6)

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

With less than 250 UK employees, Caledonia is not required to disclose Chief Executive to employee pay ratios under The Companies (Miscellaneous Reporting) Regulations 2018. However, as recommended by the Investment Association, the Remuneration Committee has decided voluntarily to publish the information below. The ratios compare the total remuneration of the Chief Executive, as set out on page 61, against the lower quartile, median and upper quartile total remuneration of the company's employees as at 31 March 2020. 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.

# Directors' remuneration report continued

## Annual report on directors' remuneration

Year	Methodology	Pay ratios			Basis	Remuneration values			
		P25 (lower quartile)	P50 (median)	P75 (upper quartile)		Chief Executive	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2019	<i>Option A</i>	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
2020	<i>Option A</i>	14:1	9:1	4:1	Total remuneration (£'000)	814	57	94	217
	Salary only	12:1	7:1	4:1	Salary only (£'000)	540	46	73	144

1. The employees at the lower, median and upper quartiles were determined as at 31 March in the relevant year.

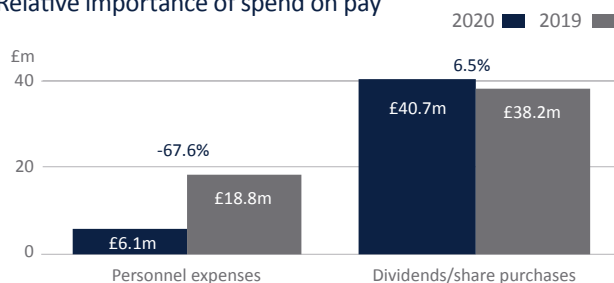
2. 'Option A' methodology, as set out in The Companies (Miscellaneous Reporting) Regulations 2018, which requires determination of the total full-time equivalent earnings of all UK employees for the relevant financial year, has been used as this is considered the most statistically accurate under the 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 2021 financial year

If approved by shareholders at the annual general meeting on 29 July 2020, the company expects to operate the remuneration policy as described on pages 52 to 60 without any changes in the financial year ending 31 March 2021.

#### Basic salaries of executive directors

In respect of the 2021 financial year, the Remuneration Committee has awarded an inflation-based increase in basic salary of 2.5% to Mr Livett and Mr Cayzer-Colvin, in line with the general staff increase. Mr Wyatt has not received a pay increase and therefore the executive directors' salaries for the 2021 financial year are as follows:

	Salary for year to	
	31 March 2021	31 March 2020
	£	£
W P Wyatt	540,000	540,000
T J Livett	384,400	375,000
J M B Cayzer-Colvin	343,700	335,250

### Chairman's and non-executive directors' fees

The Chairman's and the non-executive directors' fees have not been increased for the 2021 financial year and therefore remain as follows:

	Fees for years to 31 March 2020 and 2021 £
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 performance metrics of the company's annual bonus or long-term incentive schemes are anticipated for the 2021 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 Shonaid Jemmett-Page (Chairman), David Stewart and Claire Fitzalan Howard. Charles Gregson served as Chairman until his retirement from the board on 24 July 2019 when he was succeeded by Mrs Jemmett-Page. Mrs Jemmett-Page has served as a member of the Remuneration Committee since July 2015. Mrs Fitzalan Howard was appointed as a member on 22 July 2019.

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 2020 Directors' remuneration report, the updated remuneration policy, the new provisions of the 2018 UK Corporate Governance Code and updated Investment Association Principles of Remuneration. Willis Towers Watson also provided independent advice on a number of these matters and supported a remuneration benchmarking exercise undertaken by the Committee. Willis Towers Watson, appointed by the Committee following a formal selection process, is a member of the Remuneration Consultants Group (the professional body for remuneration consultants) and adheres to its code of conduct. It also provides actuarial advice and consultancy in relation to the Caledonia Pension Scheme and group life assurance arrangements via a separate team. It has no connection with individual directors. The Committee is satisfied that advice received was objective and independent. The fees for Willis Towers Watson for work relating to the Committee for 2020, including support regarding the remuneration policy review, were £22,200. These were charged on the basis of the firm's standard terms of business. The Committee assesses the performance of its advisers annually, the associated level of fees and reviews the quality of advice provided to ensure that it is independent of any support provided to management.

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. No executive participates in discussions in respect of their own remuneration.

### Statement of voting at general meetings

At the annual general meeting of the company held on 24 July 2019, the proxy votes lodged for the resolution relating to directors' remuneration were as follows:

	Number	%
<i>To approve the 2019 Directors' remuneration report (other than the directors' remuneration policy)</i>		
Votes in favour	36,576,161	99.9
Votes against	26,842	0.1
Total votes cast	36,603,003	
Votes withheld	56,534	

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 26 May 2020 and signed on its behalf by:

#### Shonaid Jemmett-Page

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 53 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 £1,775m, broadly equivalent to 53 years' payment of the current annual dividend, which could be used to smooth any investment income shortfall.

## 2020 dividend distributions

An interim dividend of 16.6p per share (2019 – 16.1p) was paid on 9 January 2020 and the board has recommended a final dividend of 44.5p per share (2019 – 43.2p), giving total annual dividends for the year of 61.1p per share (2019 – 59.3p).

## 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 2020, 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 2020, 3,000 shares were held by a group company. As stated above, all voting rights are suspended on these shares. The company did not purchase any of its ordinary shares during the year and accordingly the company's issued share capital as at 26 May 2020, 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 2020, the company had received formal notifications of the following holdings in its ordinary shares in accordance with the requirements of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules ('DTRs'):

	Number of voting rights	Percentage of voting rights
The Cayzer Trust Company Ltd	19,372,364	34.98%
Wells Capital Management	2,737,405	4.94%

There have been no changes in the interests notified to the company pursuant to the DTRs 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 2020, the trust held 533,822 ordinary shares, representing 0.96% 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 24 July 2019, 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 24 October 2020 or, if earlier, the conclusion of the next annual general meeting.

At the annual general meeting held on 24 July 2019, shareholders also granted authority for the company to make market purchases of up to 5,537,730 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 24 October 2020 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 24 October 2020 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 ninety first annual general meeting of the company will be held at Cayzer House, 30 Buckingham Gate, London SW1E 6NN on Wednesday, 29 July 2020 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 38 and 39. All of the directors served throughout the year other than Mrs Fitzalan Howard who joined the board on 22 July 2019. Mr Gregson also served as a director for part of the year, until his retirement from the board on 24 July 2019.

### 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 the Financial Conduct Authority's Listing Rules, 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.

### Post balance sheet events

There were no post balance sheet events.

The reports on pages 38 to 72 comprise the Directors' report of the company. The Directors' report was approved by the board on 26 May 2020 and signed on its behalf by:

**Richard Webster**  
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 (12) R	Details of any arrangement under which a shareholder has waived or agreed to waive any dividends.	Other governance matters – page 68. 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 AD R (1).	Corporate governance report – page 43. Relations with controlling shareholders.
9.8.4 (14)(c) R	A statement made by the board that: <ol style="list-style-type: none"> <li>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 AD R (1)</li> <li>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 R (1) have been complied with during the period under review by the controlling shareholder or any of its associates</li> <li>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 AD R (1) has been complied with during the period under review by a controlling shareholder.</li> </ol>	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 38 and 39 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 loss of the group
2. the strategic report contained on pages 2 to 37 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**  
Chief Executive

26 May 2020

**Tim Livett**  
Chief Financial Officer

26 May 2020

# Company performance record

	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 share- holder return %	FTSE All-Share Total Return %
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
2020	(172.5)	(315.0)	61.1	1,787	3236	2435	6.7	4.4

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.

# Independent auditor's report



# 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 2020 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 84 to 88.

#### 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 2020 and of the Group's loss 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 9 financial years ended 31 March 2020. 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:** £16.4m (2019:£18.3m)  
group financial statements as a whole 0.9% (2019: 0.9%) of total assets

**Coverage** 100% (2019: 100%) of group profit before tax

#### Key audit matters vs 2019

<b>Recurring risks</b>	Valuation of unlisted Investments (Increased risk due to impact of COVID-19) ▲
	The impact of uncertainties due to the UK exiting the European Union on our audit. (No longer recognised as a Key Audit Matter.) ▼

## 2. Key audit matters: 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 decreasing order of audit significance, 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
<p><b>Valuation of unlisted investments for the group and for the company</b></p> <p>(£1,057.8m; 2019: £1,157.5m)</p> <p>Refer to page 47 (Audit Committee Report), page 86-87 (accounting policy) and page 91 (financial disclosures).</p>	<p><b>Subjective valuation:</b></p> <p>58.0% (2019: 56.7%) of the group's total assets (by value) and 58.4% (2019: 56.9%) 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.</p> <p>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.</p> <p>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.</p> <p>Our procedures included:</p> <p><b>Control operation:</b> Documenting and assessing the design and implementation and operational effectiveness of the investment valuation processes and controls;</p> <p><b>Control observation:</b> 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;</p> <p><b>Historical Comparisons:</b> 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;</p> <p><b>Methodology choice:</b> 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;</p> <p><b>Our valuations experience:</b> 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.</p> <p><b>Comparing valuations:</b> 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.</p> <p><b>Assessing transparency:</b> 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.</p> <p><b>Our corporate finance expertise:</b> For a sample of investments, we have used the expertise of KPMG corporate finance to assess the principles and integrity of the method.</p> <p><b>Our results:</b> We found the valuation of unlisted investments to be acceptable (2019: acceptable)</p>

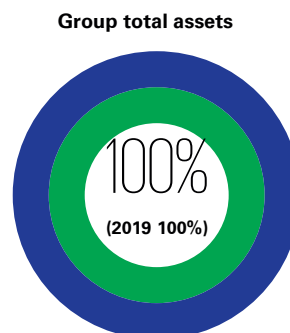
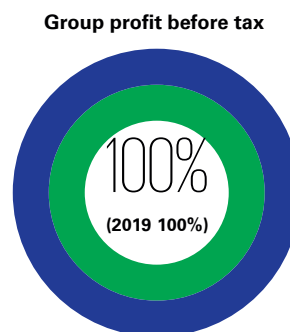
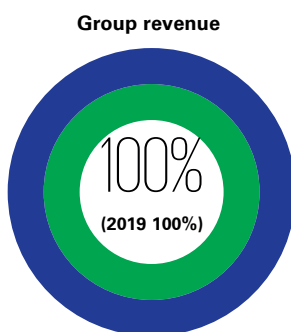
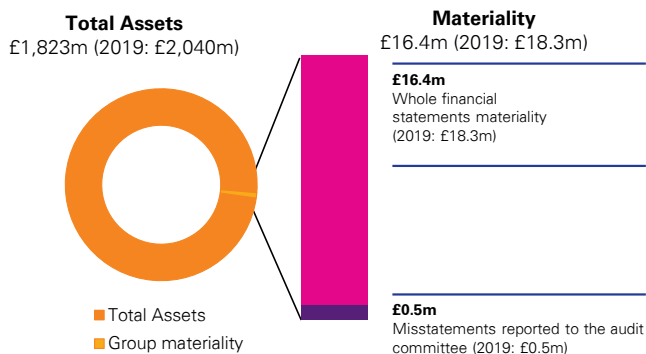
# Independent auditor's report continued

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

Materiality for the Group and Company financial statements as a whole was set at £16.4 million (2019: £18.3 million), determined with reference to a benchmark of total group assets, of which it represents 0.9% (2019: 0.9%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.5m (2019: £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.



■ Full scope for group audit purposes 2020  
 ■ Full scope for group audit purposes 2019



#### 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 or 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 and COVID-19 uncertainty on the Group's liquidity and capital resources.

As these were risks 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 72 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 40-43 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

##### *Disclosure 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 34 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.

# Independent auditor's report continued

## *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 72, 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](http://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 enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we did not become 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  
26 May 2020



# Group statement of comprehensive income

## for the year ended 31 March 2020

	Note	2020			2019		
		Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m
<b>Revenue</b>							
Investment income	1	53.4	–	53.4	52.1	–	52.1
Other income	1	–	–	–	0.1	0.9	1.0
Net gains and losses on fair value investments	8	–	(206.3)	(206.3)	–	176.7	176.7
Net gains and losses on fair value property	10	–	–	–	–	(5.3)	(5.3)
<b>Total revenue</b>		<b>53.4</b>	<b>(206.3)</b>	<b>(152.9)</b>	<b>52.2</b>	<b>172.3</b>	<b>224.5</b>
Management expenses	2	(17.2)	0.6	(16.6)	(17.9)	(8.6)	(26.5)
<b>Profit/(loss) before finance costs</b>		<b>36.2</b>	<b>(205.7)</b>	<b>(169.5)</b>	<b>34.3</b>	<b>163.7</b>	<b>198.0</b>
Treasury interest receivable	3	0.6	–	0.6	0.5	–	0.5
Finance costs	4	(2.1)	–	(2.1)	(2.1)	–	(2.1)
Exchange movements		(0.9)	–	(0.9)	0.5	–	0.5
<b>Profit/(loss) before tax</b>		<b>33.8</b>	<b>(205.7)</b>	<b>(171.9)</b>	<b>33.2</b>	<b>163.7</b>	<b>196.9</b>
Taxation	5	0.8	(1.8)	(1.0)	1.4	(0.1)	1.3
<b>Profit/(loss) for the year</b>		<b>34.6</b>	<b>(207.5)</b>	<b>(172.9)</b>	<b>34.6</b>	<b>163.6</b>	<b>198.2</b>
<b>Other comprehensive income items never to be reclassified to profit or loss</b>							
Gain on acquisition of pension scheme	23	–	–	–	1.4	–	1.4
Re-measurements of defined benefit pension schemes	23	–	1.1	1.1	–	(0.1)	(0.1)
Tax on other comprehensive income	5	–	(0.7)	(0.7)	–	0.2	0.2
<b>Total comprehensive income</b>		<b>34.6</b>	<b>(207.1)</b>	<b>(172.5)</b>	<b>36.0</b>	<b>163.7</b>	<b>199.7</b>
Basic earnings per share	7	63.1p	-378.1p	-315.0p	63.0p	297.9p	360.9p
Diluted earnings per share	7	62.6p	-378.1p	-315.0p	61.9p	292.8p	354.7p

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 loss 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 84 to 107 are an integral part of these financial statements.

# Statement of financial position

## at 31 March 2020

	Note	Group		Company	
		2020 £m	2019 £m	2020 £m	2019 £m
<b>Non-current assets</b>					
Investments held at fair value through profit or loss	8	1,656.7	1,860.0	1,658.1	1,864.2
Investments in subsidiaries held at cost	8	–	–	0.9	0.9
Investment property	9	8.7	6.7	–	–
Property, plant and equipment	10	28.0	28.4	–	–
Deferred tax assets	11	1.0	3.6	–	–
Employee benefits	23	5.1	2.6	–	–
<b>Non-current assets</b>		<b>1,699.5</b>	<b>1,901.3</b>	<b>1,659.0</b>	<b>1,865.1</b>
<b>Current assets</b>					
Trade and other receivables	12	6.6	21.3	36.4	50.8
Current tax assets	5	2.6	5.3	2.6	5.2
Cash and cash equivalents	13	114.7	112.3	112.6	111.3
<b>Current assets</b>		<b>123.9</b>	<b>138.9</b>	<b>151.6</b>	<b>167.3</b>
<b>Total assets</b>		<b>1,823.4</b>	<b>2,040.2</b>	<b>1,810.6</b>	<b>2,032.4</b>
<b>Current liabilities</b>					
Trade and other payables	14	(30.0)	(28.1)	(30.0)	(34.3)
Employee benefits	23	(0.9)	(2.8)	–	–
<b>Current liabilities</b>		<b>(30.9)</b>	<b>(30.9)</b>	<b>(30.0)</b>	<b>(34.3)</b>
<b>Non-current liabilities</b>					
Employee benefits	23	(5.2)	(7.3)	–	–
<b>Non-current liabilities</b>		<b>(5.2)</b>	<b>(7.3)</b>	<b>–</b>	<b>–</b>
<b>Total liabilities</b>		<b>(36.1)</b>	<b>(38.2)</b>	<b>(30.0)</b>	<b>(34.3)</b>
<b>Net assets</b>		<b>1,787.3</b>	<b>2,002.0</b>	<b>1,780.6</b>	<b>1,998.1</b>
<b>Equity</b>					
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		1,541.3	1,748.4	1,543.2	1,754.2
Retained earnings		255.5	292.4	246.9	282.7
Own shares		(15.3)	(44.6)	(15.3)	(44.6)
<b>Total equity</b>		<b>1,787.3</b>	<b>2,002.0</b>	<b>1,780.6</b>	<b>1,998.1</b>
Undiluted net asset value	16	3259p	3645p		
Diluted net asset value	16	3236p	3582p		

The financial statements on pages 80 to 107 were approved by the board and authorised for issue on 26 May 2020 and were signed on its behalf by:

Will Wyatt  
Chief Executive

Tim Livett  
Chief Financial Officer

The accounting policies and notes on pages 84 to 107 are an integral part of these financial statements.

# Statement of changes in equity

## for the year ended 31 March 2020

	Share capital £m	Share premium £m	Capital redemption reserve £m	Capital reserve £m	Retained earnings £m	Own shares £m	Total equity £m
<b>Group</b>							
Balance at 31 March 2018	3.2	1.3	1.3	1,584.9	284.1	(38.2)	1,836.6
<b>Total comprehensive income</b>							
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
<b>Transactions with owners of the company</b>							
<b>Contributions by and distributions to owners</b>							
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
<b>Total comprehensive income</b>							
Loss for the year	–	–	–	(207.5)	34.6	–	(172.9)
Other comprehensive income	–	–	–	0.4	–	–	0.4
Total comprehensive income	–	–	–	(207.1)	34.6	–	(172.5)
<b>Transactions with owners of the company</b>							
<b>Contributions by and distributions to owners</b>							
Share-based payments	–	–	–	–	(1.5)	–	(1.5)
Transfer of shares to employees	–	–	–	–	(37.2)	37.2	–
Own shares purchased	–	–	–	–	–	(7.9)	(7.9)
Dividends paid	–	–	–	–	(32.8)	–	(32.8)
Total transactions with owners	–	–	–	–	(71.5)	29.3	(42.2)
Balance at 31 March 2020	3.2	1.3	1.3	1,541.3	255.5	(15.3)	1,787.3
<b>Company</b>							
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
<b>Transactions with owners of the company</b>							
<b>Contributions by and distributions to owners</b>							
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
Loss and total comprehensive income	–	–	–	(211.0)	35.7	–	(175.3)
<b>Transactions with owners of the company</b>							
<b>Contributions by and distributions to owners</b>							
Share-based payments	–	–	–	–	(1.5)	–	(1.5)
Transfer of shares to employees	–	–	–	–	(37.2)	37.2	–
Own shares purchased	–	–	–	–	–	(7.9)	(7.9)
Dividends paid	–	–	–	–	(32.8)	–	(32.8)
Total transactions with owners	–	–	–	–	(71.5)	29.3	(42.2)
Balance at 31 March 2020	3.2	1.3	1.3	1,543.2	246.9	(15.3)	1,780.6

The accounting policies and notes on pages 84 to 107 are an integral part of these financial statements.

# Statement of cash flows

## for the year ended 31 March 2020

	Note	Group		Company	
		2020 £m	2019 £m	2020 £m	2019 £m
<i>Operating activities</i>					
Dividends received		48.8	45.9	48.8	45.9
Interest received		1.7	1.6	1.7	1.6
Cash received from customers		–	0.1	–	–
Cash paid to suppliers and employees		(23.3)	(19.2)	(28.7)	(25.9)
Taxes received		0.2	–	0.2	–
Taxes paid		(0.1)	(0.1)	(0.1)	(0.1)
Group tax relief received		3.7	2.5	3.7	2.5
Group tax relief paid		(0.1)	(1.5)	–	(1.5)
Net cash flow from operating activities		30.9	29.3	25.6	22.5
<i>Investing activities</i>					
Purchases of investments		(383.1)	(558.2)	(383.1)	(558.2)
Proceeds from disposal of investments		397.2	473.7	399.6	476.9
Purchases of property, plant and equipment		(2.7)	(2.0)	–	–
Net cash flow from/(used in) investing activities		11.4	(86.5)	16.5	(81.3)
<i>Financing activities</i>					
Interest paid		(1.7)	(1.8)	(1.6)	(1.8)
Dividends paid to owners of the company		(32.8)	(31.6)	(32.8)	(31.6)
Proceeds from bank borrowings		10.0	–	10.0	–
Repayment of bank borrowings		(10.0)	–	(10.0)	–
Loan receipts from subsidiaries		2.5	1.7	2.5	7.0
Loan payments to subsidiaries		–	–	(1.0)	(4.3)
Purchases of own shares		(7.9)	(6.6)	(7.9)	(6.6)
Net cash flow used in financing activities		(39.9)	(38.3)	(40.8)	(37.3)
Net increase/(decrease) in cash and cash equivalents		2.4	(95.5)	1.3	(96.1)
Cash and cash equivalents at year start		112.3	207.8	111.3	207.4
Cash and cash equivalents at year end	13	114.7	112.3	112.6	111.3

The accounting policies and notes on pages 84 to 107 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 number 235481. The address of its registered office is Cayzer House, 30 Buckingham Gate, London SW1E 6NN. The ordinary shares of the company are premium listed on the London Stock Exchange.

These financial statements were authorised for issue by the directors on 26 May 2020.

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, one 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 two estimates, which they deem to have a significant risk of resulting in a material adjustment to the amounts recognised in the financial statements within the next financial year. The 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 the defined benefit 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. After reviewing the company's performance projections for a period of at least 12 months, the directors are satisfied that in taking account of reasonably possible downsides including the potential impact of Covid-19, the company has adequate access to resources to enable it to meet its obligations and to continue in operational existence for the foreseeable future. The directors have considered the impact of the emergence and spread of Covid-19 and potential implications on the future of the company. Whilst there are significant wider market uncertainties which may impact portfolio company investments (Private Capital) and the fund investments (Funds pool), the company does not believe this will significantly impact the liquidity of the company over the next 12 months. Accordingly, the directors have adopted the going concern basis in preparing these financial statements.

### Adopted IFRSs

In the current year, the group has adopted IFRS 16 *Leases*.

- 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 did not impact the financial position of the group.

### IFRSs not yet applied

At the date of approval of these financial statements, there were no standards, which had not been applied in these financial statements, in issue but not yet effective.

### 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 the power over the potential 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.

### Leases

On commencement of a contract which gives the group the right to use assets for a period of time in exchange for consideration, the group recognises a right-of-use asset and a lease liability, unless the lease qualifies as a 'short-term' lease (that is, the term is twelve months or less with no option to purchase the lease asset) or a 'low-value' lease. Payments associated with short-term leases are recognised on a straight-line basis as an expense in the income statement.

## Significant accounting policies continued

### 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.

#### **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.

As part of the share-based payment arrangements, the group pays a cash amount to employees on exercise of options, equating to the dividend entitlement on the option shares between grant and vesting dates. This payment is treated as a cash-settled share-based payment and 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 and a reestimate of the fair value of the dividend entitlement.

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 shares awarded 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 exercise.

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 treasury shares.

#### **National Insurance on share-based payment awards**

National Insurance payable on the exercise of share awards has been charged as an expense spread over the respective vesting periods of the awards. The charge is based on the difference between the market value of the estimated number of shares that will vest and on the vested but unexercised awards at the reporting date, less any consideration due, 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 1159 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 26 to 28.

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 used to hedge the fair value of investments
- 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

	2020 £m	2019 £m
<i>Income from portfolio investments</i>		
Dividends from UK listed companies	15.8	14.2
Dividends from overseas listed companies	6.6	8.8
Dividends from unlisted companies	26.6	26.6
Distributions from limited partnerships	2.4	1.5
Interest on loan facilities	2.0	1.0
	53.4	52.1

### Other income

	2020 £m	2019 £m
<i>Income statement revenue column</i>		
Property income	–	0.1
<i>Income statement capital column</i>		
US limited partnerships tax refunds	–	0.9

## 2. Expenses

### Management expenses

	2020 £m	2019 £m
<i>Income statement revenue column</i>		
Personnel expenses	9.5	10.6
Depreciation	1.2	1.0
Auditor's remuneration	0.3	0.3
Other administrative expenses	8.4	7.2
Directors' fees and disbursements recharged	(1.5)	(1.0)
Management fees and recharges	(0.7)	(0.2)
	17.2	17.9
<i>Income statement capital column</i>		
Personnel expenses	(3.4)	8.2
Transaction costs	2.8	0.4
	(0.6)	8.6
	16.6	26.5

## Further information

### Auditor's remuneration

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

	2020 £m	2019 £m
<i>Audit services</i>		
Annual report	0.2	0.2
<i>Other services</i>		
Other assurance and tax compliance	0.1	0.1
	0.3	0.3

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

	2020 £m	2019 £m
<i>Audit services</i>		
Annual report <sup>1</sup>	0.5	0.6
<i>Other services</i>		
Other assurance, due diligence and tax compliance	0.1	0.1
	0.6	0.7

1. Included £0.1m (2019 – £0.1m) payable to KPMG Channel Islands Ltd.

### Personnel expenses

	2020 £m	2019 £m
<i>Income statement revenue column</i>		
Wages and salaries	7.2	8.6
Compulsory social security contributions	1.3	1.3
Contributions to defined contribution plans	0.9	0.7
Defined benefit pension plans expense (note 23)	0.1	–
	9.5	10.6
<i>Income statement capital column</i>		
Share-based payments (note 22)	(2.4)	6.6
National Insurance on share awards	(1.0)	1.6
	(3.4)	8.2
	6.1	18.8

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

	2020 No	2019 No
Average number of employees	59	53

Total directors' remuneration expensed for the year was -£0.4m (2019 – £4.2m), as detailed in the related party key management compensation (note 18).

# Notes to the financial statements continued

## 3. Treasury interest receivable

	2020 £m	2019 £m
Interest on bank deposits and liquidity funds	0.6	0.5

## 4. Finance costs

	2020 £m	2019 £m
Interest on bank loans and overdrafts	2.1	2.1

## 5. Taxation

### Recognised in comprehensive income

	2020 £m	2019 £m
<i>Current tax income</i>		
Current year	1.5	1.2
Adjustments for prior years	(0.6)	(0.7)
	0.9	0.5
<i>Deferred tax income/(expense)</i>		
Origination and reversal of temporary differences	(1.9)	0.8
Total tax income/(expense)	(1.0)	1.3

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

	2020 £m	2019 £m
(Loss)/profit before tax	(171.9)	196.9
Tax credit/(expense) at the domestic rate of 19%	32.7	(37.4)
Non-deductible expenses	(0.2)	(0.1)
Losses arising in the year not recognised	(2.8)	(3.5)
Non-taxable gains/(losses) on investments	(39.2)	32.5
Non-taxable dividend income	9.3	9.7
Other temporary differences	(0.3)	0.6
Adjustments for prior years	(0.5)	(0.5)
Tax (expense)/income	(1.0)	1.3

### Recognised in other comprehensive income

	2020 £m	2019 £m
<i>Deferred tax income/(expense)</i>		
On re-measurements of defined benefit pension schemes	(0.2)	–
On share options and awards	(0.5)	0.2
	(0.7)	0.2

### Current tax assets

Current tax assets of £2.6m in both the group and company represented tax loss relief surrender for settlement (2019 – £5.3m in the group and £5.2m in the company).

## 6. Dividends

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

	2020		2019	
	p/share	£m	p/share	£m
Final dividend for the year ended 31 March 2019 (2018)	43.2	23.7	41.5	22.8
Interim dividend for the year ended 31 March 2020 (2019)	16.6	9.1	16.1	8.8
	59.8	32.8	57.6	31.6

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

	2020	2019
Proposed final dividend for the year ended 31 March 2020	44.5	24.4

The proposed final dividend for the year ended 31 March 2020 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 29 July 2020, will be payable on 6 August 2020 to holders of shares on the register on 26 June 2020. The ex-dividend date will be 25 June 2020. The deadline for elections under the dividend reinvestment plan offered by Link Asset Services will be the close of business on 16 July 2020.

For the purposes of section 1158 of the Corporation Tax Act 2010 and associated regulations, the dividends payable for the year ended 31 March 2020 are the interim and final dividends for that year, amounting to £33.5m (2019 – £32.5m).

## 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/(loss) 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/(loss) attributable to shareholders (basic and diluted) was as follows:

	2020 £m	2019 £m
Revenue	34.6	34.6
Capital	(207.5)	163.6
Total	(172.9)	198.2

The weighted average number of shares was as follows:

	2020 000's	2019 000's
Issued shares at the year start	55,374	55,381
Effect of shares cancelled	–	(6)
Effect of shares held by the employee share trust	(490)	(451)
Basic weighted average number of shares in the year	54,884	54,924
Effect of performance shares, share options and deferred bonus awards	388	960
Diluted weighted average number of shares in the year	55,272	55,884

## 8. Investments

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
<i>Investments held at fair value through profit or loss</i>				
Investments listed on a recognised stock exchange	577.6	688.9	577.6	688.9
Unlisted investments	1,079.1	1,171.1	1,080.5	1,175.3
	1,656.7	1,860.0	1,658.1	1,864.2
<i>Investments held at cost</i>				
Service subsidiaries	–	–	0.9	0.9
	1,656.7	1,860.0	1,659.0	1,865.1

The movements in non-current investments were as follows:

	Listed equity £m	Unlisted equity <sup>1</sup> £m	Unlisted debt £m	Total £m
<b>Group</b>				
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
Transfer	4.9	(4.9)	–	–
Purchases at cost	147.8	235.3	0.3	383.4
Disposal proceeds	(238.6)	(145.1)	(1.2)	(384.9)
Gains/losses on investments	(25.4)	(182.2)	1.3	(206.3)
Accrued income	–	4.1	0.4	4.5
Balance at 31 March 2020	577.6	1,043.8	35.3	1,656.7
<b>Company</b>				
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
Transfer	4.9	(4.9)	–	–
Purchases at cost	147.8	237.7	0.3	385.8
Disposal proceeds	(238.6)	(147.5)	(1.2)	(387.3)
Gains/losses on investments	(25.4)	(185.0)	1.3	(209.1)
Accrued income	–	4.1	0.4	4.5
Balance at 31 March 2020	577.6	1,046.1	35.3	1,659.0

1. Unlisted equity included limited partnership and open ended fund investments. It also included £21.3m (2019 – £28.9m) of non-pool investments.
2. Net losses on unlisted equity in the group and company included losses of £8.2m on foreign exchange forward contracts to sell forward \$350m and €50m held at the year end. These contracts were taken out as part of the investment strategy, in response to currency market volatility resulting from the Brexit process.

# Notes to the financial statements continued

## 9. Investment property

	Freehold property £m
<b>Cost</b>	
Balance at 31 March 2018	10.4
Transfer from property, plant and equipment	2.4
Acquisitions	1.1
Balance at 31 March 2019	13.9
Acquisitions	2.3
Balance at 31 March 2020	16.2
<b>Revaluation</b>	
Revaluation in the year	(7.2)
Balance at 31 March 2019	(7.2)
Revaluation in the year	(0.3)
Balance at 31 March 2020	(7.5)
<b>Carrying amounts</b>	
At 31 March 2018	10.4
At 31 March 2019	6.7
At 31 March 2020	8.7

At 31 March 2020, 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 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	8.7	Residual development value	Construction costs	£4.2m
			Rent per sq ft pa	£36.25–£72.50 (£66.55)
			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 £0.4m and a decrease of 10% would result in an increase in the asset valuation of £0.4m. 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.

## 10. Property, plant and equipment

### Group

	Property £m	Office equip- ment £m	Total £m
<b>Cost</b>			
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
Acquisitions	0.2	0.3	0.5
Disposals	–	(0.7)	(0.7)
Balance at 31 March 2020	32.3	4.2	36.5
<b>Depreciation</b>			
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)
Depreciation charge	(0.6)	(0.6)	(1.2)
Eliminate depreciation	0.6	–	0.6
Disposals	–	0.7	0.7
Balance at 31 March 2020	–	(1.6)	(1.6)
<b>Revaluation</b>			
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)
Revaluation in the year	0.3	–	0.3
Eliminate depreciation	(0.6)	–	(0.6)
Balance at 31 March 2020	(6.9)	–	(6.9)
<b>Carrying amounts</b>			
At 31 March 2018	25.7	3.5	29.2
At 31 March 2019	25.5	2.9	28.4
At 31 March 2020	25.4	2.6	28.0

Property is measured at fair value and comprised freehold land and buildings.

Property was revalued at 31 March 2020 by an independent valuer. Had the property been carried under the cost model, the carrying amount would have been £26.7m (2019 – £27.1m).

## 11. Deferred tax

Deferred tax assets and liabilities were attributable to the following:

	Assets £m	Liabilities £m	Net £m
<b>2020</b>			
Employee benefits	1.3	(0.3)	1.0
<b>2019</b>			
Employee benefits	3.6	–	3.6

### 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
<b>2020</b>					
Employee benefits	3.6	(1.9)	(0.7)	–	1.0
<b>2019</b>					
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

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax asset at 31 March 2020 has been calculated at 19% (2019 – 17%).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are calculated on all temporary differences using a tax rate of 19% (2019 – 17%).

### Group and company

#### Unrecognised deferred tax assets

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

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Tax losses	12.9	8.9	11.9	8.8

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	
	2020 £m	2019 £m	2020 £m	2019 £m
Trade receivables	5.8	19.5	4.5	18.8
Non-trade receivables and prepayments	0.8	1.8	0.1	0.4
Other receivables	–	–	31.8	31.6
	6.6	21.3	36.4	50.8

Other receivables included short-term lending to subsidiaries.

## 13. Net cash and cash equivalents

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Bank balances	0.7	1.3	1.0	0.8
Short-term deposits	114.0	111.0	111.6	110.5
Cash and cash equivalents	114.7	112.3	112.6	111.3

## 14. Trade and other payables

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Trade payables	0.4	0.5	–	–
Non-trade payables and accrued expenses	1.0	1.5	1.2	7.1
Other payables	28.6	26.1	28.8	27.2
	30.0	28.1	30.0	34.3

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 2018, 2019 and 2020	2.8	0.4	1.3	4.5

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

	Ordinary shares		Deferred ordinary shares	
	2020 000's	2019 000's	2020 000's	2019 000's
Balance at the year start and end	55,374	55,374	8,000	8,000

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

As at 31 March 2020, the issued share capital of the company comprised 55,373,734 ordinary shares (2019 – 55,373,734) and 8,000,000 deferred ordinary shares (2019 – 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.

	2020			2019		
	Net assets £m	Number of shares 000's	NAV p/share	Net assets £m	Number of shares 000's	NAV p/share
Undiluted	1,787.3	54,839	3259	2,002.0	54,929	3645
Share awards	–	388	(23)	–	960	(63)
Diluted	1,787.3	55,227	3236	2,002.0	55,889	3582

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.

	2020 p	2019 p
Diluted NAV at year start	3582	3285
Diluted NAV at year end	3236	3582
Dividends payable in the year	60	58
Reinvestment adjustment <sup>1</sup>	(6)	3
	3290	3643
NAVTR over the year	-8.1%	10.9%

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 derivatives hedging those 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/(loss) before tax		Total assets	
	2020 £m	2019 £m	2020 £m	2019 £m
Quoted Equity	(1.7)	95.6	574.0	688.9
Private Capital	(128.5)	63.4	611.3	659.5
Funds	(13.6)	69.9	450.1	482.7
Investment portfolio	(143.8)	228.9	1,635.4	1,831.1
Other investments	(9.1)	(4.4)	21.3	28.9
Total revenue/investments	(152.9)	224.5	1,656.7	1,860.0
Cash and cash equivalents	0.6	0.5	114.7	112.3
Other items	(19.6)	(28.1)	52.0	67.9
Reportable total	(171.9)	196.9	1,823.4	2,040.2

## 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
<b>2020</b>				
Revenue	(161.7)	9.6	(0.8)	(152.9)
Non-current assets	36.7	–	–	36.7
<b>2019</b>				
Revenue	64.2	130.6	29.7	224.5
Non-current assets	35.1	–	–	35.1

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 34.8% of the voting shares of the company as at 31 March 2020 (2019 – 35.2%).

During the year, the group invoiced and received £0.1m (2019 – £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 page 62.

The key management personnel compensation was as follows:

	Group	
	2020 £m	2019 £m
Short-term employee benefits	1.8	2.2
Equity compensation benefits	(2.2)	2.0
	(0.4)	4.2

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

### Other related party transactions

#### Subsidiaries

Transactions between the company and its subsidiaries were as follows:

	2020		2019	
	Amount of trans- actions £m	Balance at year end £m	Amount of trans- actions £m	Balance at year end £m
<b>Comprehensive income items</b>				
Dividends receivable on equity shares	16.3	–	13.7	–
Interest receivable	1.2	–	1.2	–
Capital distributions receivable	2.1	–	3.9	–
Management fees payable	(15.6)	(3.7)	(23.7)	(3.7)
Taxation received	3.7	–	2.5	–
Taxation paid	–	–	(1.5)	–
<b>Financial position items</b>				
Equity subscribed	18.8	–	31.9	–
Capital contributions	4.4	–	3.9	–
Loans receivable	0.1	31.7	(3.7)	31.6
Loans payable	(1.6)	(28.8)	1.0	(27.2)

### Associates and joint ventures

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

	2020		2019	
	Amount of trans- actions £m	Balance at year end £m	Amount of trans- actions £m	Balance at year end £m
Dividends receivable on equity shares	1.1	–	9.0	–
Directors fees <sup>1</sup>	0.1	–	–	–

1. Transactions with subsidiary.

## 19. Capital commitments

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

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
<b>Investments</b>				
Contracted but not called	305.2	330.6	313.5	339.0
Conditionally contracted	75.6	167.6	75.6	167.6
	380.8	498.2	389.1	506.6

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

# Notes to the financial statements continued

## Market risk

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

The strategy for managing market risk is driven by the company's objectives, which are to outperform the 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 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 fund interests were as follows:

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Investments held at fair value through profit or loss	1,621.3	1,825.5	1,622.7	1,829.7

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	
	2020 £m	2019 £m	2020 £m	2019 £m
Increase in prices	162.1	182.5	162.3	183.0
Decrease in prices	(162.1)	(182.5)	(162.3)	(183.0)

The sensitivity to equity and fund investments has decreased during the year due to investment portfolio losses in the year, reducing the portfolio value at the year end.

## 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	
	2020 £m	2019 £m	2020 £m	2019 £m
Investments in debt instruments	5.1	4.5	5.1	4.5
Forward currency contracts	(7.8)	–	(7.8)	–
Cash and cash equivalents	8.6	0.7	8.4	0.5
	5.9	5.2	5.7	5.0

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	
	2020 £m	2019 £m	2020 £m	2019 £m
Sterling depreciates (weakens)	0.5	0.5	0.5	0.4
Sterling appreciates (strengthens)	(0.4)	(0.4)	(0.4)	(0.4)

The exposure to foreign currency has increased in the year due to an increase 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	
	2020 £m	2019 £m	2020 £m	2019 £m
<b>Fixed rate</b>				
Interest-bearing loans to non-consolidated subsidiaries	35.4	34.4	35.4	34.4
<b>Floating rate</b>				
Investments in debt instruments	–	0.1	–	0.1
Cash and cash equivalents	114.7	112.3	112.6	111.3

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	
	2020 £m	2019 £m	2020 £m	2019 £m
Decrease in interest rates	(1.3)	(1.3)	(1.3)	(1.3)
Increase in interest rates	1.3	1.3	1.3	1.3

The group's sensitivity to interest rates is unchanged over the year due to similar levels of 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	
	2020 £m	2019 £m	2020 £m	2019 £m
Investments in debt instruments	35.4	34.5	35.4	34.5
Operating and other receivables	6.6	21.3	36.4	50.8
Cash and cash equivalents	114.7	112.3	112.6	111.3
	156.7	168.1	184.4	196.6

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 liquidity 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 liquidity funds of £114.0m and £111.6m respectively (2019 – group £111.0m and company £110.5m).

At the year end, the group and company had £15.9m and £13.5m, respectively, invested in the HSBC Global Liquidity Funds plc Sterling Liquidity Fund. The group and company had £25.0m invested in each of the Aberdeen Liquidity Fund (Lux) GBP and the Insight Liquidity Funds plc GBP Liquidity Fund. In addition, the group and company had £20.0m invested in each of the Goldman Sachs Sterling Liquid Reserves Fund and the Institutional Cash Series plc Institutional Sterling Liquidity fund from Blackrock. At the year end, the group and company had \$5m invested in each of the HSBC Global Liquidity Funds plc US Dollar Liquidity Fund and the Institutional Cash Series plc Institutional US Dollar Liquidity fund from BlackRock.

At the prior year end, the group and company had £25.5m and £25.0m, respectively, invested in the HSBC Global Liquidity Funds plc Sterling Liquidity Fund. The group and company had £25.0m invested in the Standard Life Investments Liquidity Fund plc Sterling Liquidity Fund, £20.5m in the Insight Liquidity Funds plc GBP Liquidity Fund and £20.0m in each of the Goldman Sachs Sterling Liquid Reserves Fund and the Institutional Cash Series plc Institutional Sterling Liquidity fund from BlackRock.

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 its 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 2020 and 2019.

# Notes to the financial statements continued

## 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 (2019 – £250m).

The group's total capital at 31 March 2020 was £1,787.3m (2019 – £2,002.0m) and comprised equity share capital and reserves. The group was ungeared at the year end (2019 – 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.

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 company measures fair values using the following fair value hierarchy, reflecting the significance of the inputs used in making the measurements:

- Level 1 Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2 Inputs other than quoted prices included in Level 1 that are observable either directly or indirectly.
- Level 3 Inputs that are unobservable.

The table below analyses financial instruments held at fair value according to level in the fair value hierarchy into which the fair value measurement is categorised:

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
<b>Investments held at fair value</b>				
Level 1	577.6	688.9	577.6	688.9
Level 2	1.3	79.0	1.3	83.8
Level 3	1,077.8	1,092.1	1,079.2	1,091.5
	<b>1,656.7</b>	<b>1,860.0</b>	<b>1,658.1</b>	<b>1,864.2</b>

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy:

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Balance at the year start	1,092.1	779.5	1,091.5	779.1
Transfer from Level 2	7.8	–	7.8	–
Transfer to Level 1	(7.1)	–	–	–
Purchases	238.2	417.1	238.2	417.1
Disposal proceeds	(86.1)	(214.4)	(85.5)	(214.4)
Gains and losses on investments sold in the year	24.0	67.5	23.7	67.5
Gains and losses on investments held at the year end	(195.6)	38.6	(201.0)	38.4
Accrued income	4.5	3.8	4.5	3.8
Balance at the year end	<b>1,077.8</b>	<b>1,092.1</b>	<b>1,079.2</b>	<b>1,091.5</b>

The table below sets out information about significant unobservable inputs used at 31 March 2020 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Description Valuation technique Unobservable input	Fair value £m	Weighted average input	Input sensit- ivity +/-	Change in valu- ation +/- £m
<b>Internally developed</b>				
Private Capital companies				
Earnings – very high risk	41.0			
EBITDA multiple		3.3x	25%	30.8
Covid-19 adjustment		35.0%	50%	11.0
Earnings – high risk	230.8			
EBITDA multiple		8.1x	20%	56.7
Covid-19 adjustment		6.6%	40%	6.5
Earnings – medium risk	122.6			
EBITDA multiple		10.3x	15%	23.3
Covid-19 adjustment		10.0%	30%	4.1
Earnings – low risk	89.5			
EBITDA multiple		10.4x	10%	8.0
Covid-19 adjustment		–	20%	–
Net assets	105.4			
Covid-19 adjustment		12.0%	20%	2.9
Transaction	22.0			
Covid-19 adjustment		10.0%	20%	0.5
	611.3			143.8
Non-pool companies				
Net assets	29.1			
	29.1			
<b>Externally developed</b>				
Private equity fund interests				
Net assets – high risk	207.2			
Covid-19 adjustment		41.2%	20%	15.5
Net assets – medium risk	95.1			
Covid-19 adjustment		27.9%	15%	1.8
Net assets – low risk	95.3			
Covid-19 adjustment		17.9%	10%	0.1
Net assets – cash, etc	39.8			
	437.4			17.4
	1,077.8			161.2

### Private capital companies

Significant unobservable inputs were identified and developed as follows:

- EBITDA multiples represent amounts that market participants would use when pricing the investments. EBITDA multiples are selected from comparable public companies based on geographic location, industry, size, target markets and other factors that management considers to be reasonable. The traded multiples for the comparable companies are determined by dividing the enterprise value of the company by its earnings before interest, tax, depreciation and amortisation, or are derived from reported mergers and acquisitions transactions involving comparable companies. EBITDA multiples were adjusted to reflect points of difference between the comparators and the company being valued. EBITDA multiples ranged from 5 to 12 (2019 – 5 to 13), weighted average 8.4 (2019 – 9.6).
- to take account of the potential economic impact of the Covid-19 pandemic in the quarter to March 2020. The directors determined appropriate discounts based on the risk profiles of the portfolio company, based on company and sector specific vulnerabilities, as well as considering operating leverage and liquidity, described in more detail below. Such adjustments ranged from zero to 35%, weighted average 10.1% (2019 – not applicable).

Valuation inputs normally comprise a blend of the latest EBITDA and historic transaction multiples and maintainable earnings derived from the last 12 months results. Whilst the 31 March 2020 quoted multiples should reflect the Covid-19 impact, historic transaction multiples will not. Similarly, results used to derive maintainable earnings may be one or two months in arrears and thus not reflect any Covid-19 impact.

The directors have conducted a portfolio risk analysis of the Private Capital investments, examining company and sector specific vulnerabilities as well as considering operating leverage and liquidity. They have classified the investments into four groups, as shown below:

Investment	Risk weighting	Valuation technique	Valuation £m
Deep Sea Electronics	Medium	Earnings	122.6
Cobehold	See below	Net assets	97.4
Stonehage Fleming	Low	Earnings	89.5
Seven Investment			
Management	High	Earnings	84.8
Cooke Optics	High	Earnings	75.8
Liberation	High	Earnings	50.6
Buzz Bingo	Very high	Earnings	41.0
BioAgilytix	Medium	Transaction	22.0
Other investments	High		27.6
			611.3

# Notes to the financial statements continued

The risk weightings are derived from a matrix analysing the severity of people, supply chain, financial, operational, travel and regulatory risks of a short-term value loss and/or significant business interruption applied to each portfolio company.

For Stonehage Fleming, Seven Investment Management and Liberation a particularly high-quality set of comparator companies has been identified. For these, the directors are satisfied that the potential impact of the Covid-19 pandemic has been reflected in the market data and, therefore, no further Covid-19 adjustment has been applied.

For other companies, the directors take the view that the Covid-19 risk has not been fully reflected in the market data and have therefore made adjustments to the equity value of investments as follows:

Risk weighting	Adjustment
Very high	35%
High	20%
Medium	10%
Low	—

The directors view Cobehold as a special case. Cobehold holds the majority of Cobepa, a Belgium investment company, which hold a diverse portfolio of private global investments. For this company, the manager's valuation was adopted. The manager assessed the risk weighting of each of their portfolio companies, using a similar methodology to that described above, resulting in an overall adjustment of 12.9%.

In the Level 3 summary table above, the Private Company investments have been shown categorised by the risk weighting.

Although the directors believe that the estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. This is especially true in light of the Covid-19 pandemic. Thus, the presentation of a 'valuation range' has become more prevalent.

The sensitivities shown in the table give an indication of the effect of changing one or more of the assumptions used in developing the EBITDA multiple and Covid-19 adjustment to reasonably possible alternative assumptions.

The EBITDA multiples are directly linked to the future earnings potential of the business and will therefore include areas such as the duration of social distancing measures and their potential impacts, the availability and extent of support through government measures and the availability, extent and timing of sources of cash, including compliance with banking covenants or reliance on those covenants being waived. The impact of these assumptions is reflected in the risk weighting and, thus, a progressive scale of sensitivities from 10% to 25% has been applied.

The Covid-19 adjustment is linked to the directors' assessment of the extent to which the Covid-19 impact has been included fully in the market data of comparator companies and on the continued comparability of those companies to the company being valued. For the higher risk weighted investments, where the impact of Covid-19 is more challenging to predict, it is likely that uncertainty is greater and, thus, a progressive scale of sensitivities from 20% to 50% has been applied.

## Non-pool companies

Non-pool companies comprise principally cash or group company receivables held in subsidiary investment entities. Consequently, these are valued at net assets and the potential impact of the Covid-19 pandemic should be minimal.

## Private equity fund interests

Private equity fund interests are valued on a net assets basis, estimated based on the managers' NAVs. Manager's NAVs apply valuation techniques consistent with IFRS and are normally subject to audit. However, managers' NAVs are usually published quarterly, two to four months after the quarter end. Consequently, the fund valuations included in these financial statements were based principally on the 31 December 2019 managers' NAVs, which would not be expected to include the economic impact of Covid-19.

The volume of portfolio holdings held by funds makes it impractical to review individually. Therefore, the directors have grouped the fund interests by region into North America, Asia and the UK. The portfolio companies held by each fund have then been grouped by industry sector and a high, medium or low Covid-19 risk category attributed. In general, portfolio holdings in the consumer sectors are classed as high risk, those in industrial sectors are classed as medium risk and those in health care, communications and IT are classed as low risk. Unidentifiable portfolio holdings are classed as high risk. An appropriate small cap market index has been identified for each region and the movement calculated from 31 December 2019 to 31 March 2020. The values of the portfolio companies have then been reduced by a factor of 100%, 50% or zero of the index movement, for high, medium and low risk holdings respectively. The revised portfolio company valuations are summed for each fund, cash and other net assets added and subsequent net drawdowns/distributions added to derive the directors' estimate of fair value at the reporting date.

The Covid-19 adjustment is linked to the directors' assessment of how the market index reflected the potential Covid-19 impact and how different industries are affected. For the higher risk weighted investments, it is likely that uncertainty is greater and, thus, a progressive scale of sensitivities from 10% to 20% has been applied.

## 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. 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
<b>Performance share scheme awards</b>			
12.06.13	Award grant to senior staff	Note 1	3,806
27.11.14	Award grant to senior staff	Note 2	14,485
26.06.15	Award grant to senior staff	Note 5	131,223
26.05.16	Award grant to senior staff	Note 5	129,077
21.07.17	Award grant to senior staff	Note 5	198,170
30.05.18	Award grant to senior staff	Note 5	223,343
31.05.19	Award grant to senior staff	Note 5	228,563
			<b>928,667</b>
<b>Deferred bonus awards to senior staff</b>			
26.05.16	Voluntary award	Note 4	164
26.05.16	Matching shares	Note 6	162
21.07.17	Compulsory award	Note 3	45,090
30.05.18	Compulsory award	Note 3	493
31.05.19	Compulsory award	Note 3	44,930
			<b>90,839</b>

1. 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%.
2. 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.
3. Three years of service.
4. Three years of service or earlier termination of employment.
5. 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.
6. 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 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, awards 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.

Employee expenses were as follows:

Years ended 31 March	2020 £m	2019 £m
Performance share awards granted in 2015	0.2	0.7
Performance share awards granted in 2016	(1.3)	1.1
Performance share awards granted in 2017	(0.6)	1.1
Performance share awards granted in 2018	(1.2)	1.4
Performance share awards granted in 2019	(0.5)	1.3
Performance share awards granted in 2020	0.1	–
Deferred bonus awards for 2015	–	0.3
Deferred bonus awards for 2016	–	0.2
Deferred bonus awards for 2017	0.5	0.5
Deferred bonus awards for 2019	0.4	–
	<b>(2.4)</b>	<b>6.6</b>

# Notes to the financial statements continued

## 23. Employee benefits

### Group

	2020 £m	2019 £m
<b>Non-current assets</b>		
Defined benefit pension asset	5.1	2.6
<b>Current liabilities</b>		
Profit sharing bonus	(0.9)	(2.8)
<b>Non-current liabilities</b>		
Defined benefit pension obligations	(3.8)	(2.7)
National Insurance on performance shares and deferred bonus awards	(0.8)	(2.6)
Dividends payable on performance shares and deferred bonus awards	(0.6)	(2.0)
	(5.2)	(7.3)
<b>Total employee liabilities</b>	<b>(6.1)</b>	<b>(10.1)</b>

### Defined benefit pension obligations

The group makes contributions to three (2019 – three) 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 (2019 – two) 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.

	2020 £m	2019 £m
Present value of funded obligations	67.9	74.0
Fair value of plan assets	(69.2)	(73.9)
Present value of net obligations/(assets)	(1.3)	0.1

Changes in the present value of defined benefit obligations were as follows:

	2020 £m	2019 £m
Balance at the year start	74.0	48.5
Service cost	0.1	0.6
Interest cost	1.7	1.6
Actuarial loss/(gain) from changes:		
– in demographic assumptions	0.3	(2.3)
– in financial assumptions	(2.9)	3.6
– experience gains	(1.5)	–
Actual benefit payments	(3.8)	(3.3)
Curtailment	–	(0.6)
Acquired	–	25.9
Balance at the year end	67.9	74.0

Changes in the fair value of plan assets were as follows:

	2020 £m	2019 £m
Balance at the year start	73.9	46.2
Interest income	1.7	1.6
Return on plan assets less interest income	(3.0)	1.2
Employer contributions	0.4	0.5
Actual benefit payments	(3.8)	(3.3)
Acquired	–	27.7
Balance at the year end	69.2	73.9

Amounts recognised in management expenses in the Statement of comprehensive income were as follows:

	2020 £m	2019 £m
Service cost	0.1	0.6
Interest on obligations	1.7	1.6
Interest on plan assets	(1.7)	(1.6)
Gain on curtailment	–	(0.6)
	0.1	–

In the prior 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 that year.



Amounts recognised in other comprehensive income were as follows:

	2020 £m	2019 £m
Actuarial gains/(losses) arising from financial assumptions	2.9	(3.6)
Actuarial gains arising from demographic assumptions	(0.3)	2.3
Actuarial gains from experience adjustments	1.5	–
Return on plan assets less interest income	(3.0)	1.2
Re-measurement gains/(losses) in the year	1.1	(0.1)

An analysis of plan assets at the end of the year was as follows:

	2020 £m	2019 £m
Equities	31.7	33.6
Bonds	22.5	18.8
Cash	15.0	21.5
	69.2	73.9

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:

	2020 %	2019 %
Discount rate at the year end	2.3	2.3
Future salary increases	3.0	4.5
Future pension increases	2.9	3.5
RPI price inflation	2.9	3.5

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 26.9 years (2019 – 26.9 years) for males and 27.4 years (2019 – 27.3 years) for females who are currently 62 years of age.

Expected contributions to group post-employment benefit plans for the year ending 31 March 2021 were £0.1m (2020 – £0.4m).

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 2018 and 2017. 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 2020 years
Amber Industrial Holdings pension scheme	12.5	15
Caledonia Pension Scheme	31.7	15

	At 30 Sep 2016 £m	At 31 Mar 2020 years
Sterling Industries Pension Scheme	29.0	13

#### 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.

	2020 £m	2019 £m
Reduction in the discount rate of 0.25%	2.4	3.0
Increase in inflation of 0.25%	1.4	2.0
Increase in life expectancy of one year	3.1	3.3

# Notes to the financial statements continued

## 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.

## 24. Post balance sheet events

There were no post balance sheet events.

## 25. Interests in associates

Company	Class	Holding %	Registered office
Sterling Thermal Technology Holdings Ltd	Ordinary	30.0	Brunel Road, Rabans Lane Industrial Area, Aylesbury, Buckinghamshire HP19 8TD
Sports Information Services (Holdings) Ltd	Ordinary	22.5	Unit 1/2 Whitehall Avenue, Kingston, Milton Keynes MK10 0AX
Stonehage Fleming Family & Partners Ltd	Preference	36.7	Nerine House, St George's Place, St Peter Port, Guernsey GY1 3ZG

The company is an investment trust company and, accordingly, does not equity account for associates that 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:

	2020 £m	2019 £m
Assets	246.8	148.3
Liabilities	(101.7)	(63.4)
Equity	145.1	84.9
Revenues	347.1	193.8
Profit	14.9	5.3

## 26. Subsidiaries

Company	Class	Holding %	Registered office
Amber 2010 Ltd	Ordinary	100.0 <sup>1</sup>	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Buckingham Gate Ltd <sup>2</sup>	Ordinary	100.0 <sup>1</sup>	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Caledonia CCIL Distribution Ltd	Ordinary	100.0 <sup>1</sup>	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Caledonia Financial Ltd	Ordinary	100.0 <sup>1</sup>	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Caledonia Group Services Ltd <sup>2</sup>	Ordinary	100.0 <sup>1</sup>	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Caledonia Ireland ICAV	Ordinary	100.0 <sup>1</sup>	32 Molesworth Street, Dublin 2, D02 Y512, Ireland
Caledonia Land & Property Ltd	Ordinary	100.0 <sup>1</sup>	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Caledonia Treasury Ltd <sup>2</sup>	Ordinary	100.0 <sup>1</sup>	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Caledonia US Investments Ltd	Ordinary	100.0 <sup>1</sup>	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 <sup>1</sup>	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Edinmore Investments Ltd	Ordinary	100.0 <sup>1</sup>	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Sterling Crewkerne Ltd	Ordinary	100.0 <sup>1</sup>	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Sterling Industries Ltd	Ordinary	100.0 <sup>1</sup>	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
The Union-Castle Mail Steamship Co Ltd	Ordinary	100.0 <sup>1</sup>	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
	A Ordinary	100.0 <sup>1</sup>	
<b>BioAgilytix</b>			
Caledonia Precision Blocker Inc	Common	100.0 <sup>1</sup>	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA
<b>Bloom Engineering</b>			
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 <sup>1</sup>	Kings Head House, 15 London End, Beaconsfield HP9 2HN
	A1 Growth	100.0 <sup>1</sup>	
	B Growth	49.2 <sup>1</sup>	
<b>Brookshire</b>			
Brookshire Capital LLP	Member	70.0 <sup>1</sup>	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Brookshire Trading Ltd	Ordinary	100.0	Cayzer House, 30 Buckingham Gate, London SW1E 6NN
<b>Buzz Bingo</b>			
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	98.9 <sup>1</sup>	New Castle House, Castle Boulevard, Nottingham NG7 1FT
	Preference	100.0 <sup>1</sup>	
<b>Cooke Optics</b>			
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 <sup>1</sup>	1 Cooke Close, Thurmaston, Leicester LE4 8PT
	B Ordinary	0.5 <sup>1</sup>	
	C Ordinary	5.4 <sup>1</sup>	
	A Growth	0.2 <sup>1</sup>	
	B Growth	0.7 <sup>1</sup>	
Cooke Americas Ltd	Ordinary A	100.0	264 Morris Avenue, Mountain Lakes, NJ 07046, USA
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	Ordinary	100.0	1 Cooke Close, Thurmaston, Leicester LE4 8PT
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

# Notes to the financial statements continued

Company	Class	Holding %	Registered office
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
<b>Deep Sea Electronics</b>			
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 B Growth	99.0 <sup>1</sup> 20.3 <sup>1</sup>	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	405/406 Pride Gateway, Baner Pune, Maharashtra 411045, 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
<b>Liberation Group</b>			
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	Ordinary Preference Deferred	100.0 100.0 100.0	Hougue Jehannet, Vale, Guernsey GY3 5UF
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 Ordinary B Ordinary C Preference	100.0 <sup>1</sup> 51.4 <sup>1</sup> 67.2 <sup>1</sup> 100.0 <sup>1</sup>	19 Royal Square, St Helier, Jersey JE2 4WA
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
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

Company	Class	Holding %	Registered office
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
West's 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
<b>Seven Investment Management</b>			
7IM Financial Solutions Ltd	Ordinary	100.0	Level 1 Princes Exchange, 1 Earl Grey Street, Edinburgh EH3 9BN
7IM Holdings Ltd	Ordinary Preference	100.0 100.0	55 Bishopsgate, London EC2N 3AS
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 <sup>1</sup>	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

1. Directly held by the company.

2. Included in the consolidation.

# 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)  
0371 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

(Calls are charged at the standard geographic rate and will vary by provider. 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](http://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](http://www.linksharedeal.com) or by telephone as above.

### *Dividend reinvestment plan*

A dividend reinvestment plan is available if you would like to reinvest dividends rather than receiving them in cash. You can elect for the dividend reinvestment plan online at [www.signalshares.com](http://www.signalshares.com) or by telephone as above.

### *International payment service*

Link also offer an international payment service whereby shareholders overseas 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](http://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](http://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 2021. 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](http://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](http://www.caledonia.com).

# Directors and advisers

## Chairman

David C Stewart<sup>2,3</sup>

## Executive directors

William P Wyatt (Chief Executive)<sup>2</sup>  
Timothy J Livett (Chief Financial Officer)  
Jamie M B Cayzer-Colvin

## Non-executive directors

Stuart J Bridges<sup>1,2,4</sup>  
The Hon Charles W Cayzer<sup>2</sup>  
Guy B Davison<sup>1,2,4</sup>  
Claire L Fitzalan Howard<sup>2,3</sup>  
Shonaid C R Jemmett-Page<sup>1,2,3,4</sup>

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

Richard Webster

## Registered office

Cayzer House  
30 Buckingham Gate  
London SW1E 6NN

## Registered number

Registered in England no 235481

## Auditor

KPMG LLP  
15 Canada Square  
Canary Wharf  
London E14 5GL

## Registrar

Link Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

## Brokers

J.P. Morgan Cazenove  
25 Bank Street  
Canary Wharf  
London E14 5JP

Winterflood Securities Ltd  
The Atrium Building  
Cannon Bridge House  
25 Dowgate Hill  
London EC4R 2GA

## Solicitors

Freshfields Bruckhaus Deringer LLP  
65 Fleet Street  
London EC4Y 1HS



The Association of  
Investment Companies

**ShareGift** We support ShareGift, the charity share donation scheme (registered charity number 1052686). Through ShareGift, shareholders who have only a small number of shares, which might be considered uneconomic to sell, are able to donate them to charity. Donated shares are aggregated and sold by ShareGift, the proceeds being passed on to a wide range of UK charities. See [sharegift.org](http://sharegift.org) or call +44 20 7930 3737 for further details.

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