CALEDONIA
INVESTMENTS

Annual Report 2021

Year ended 31 March 2021

CALEDONIA INVESTMENTS

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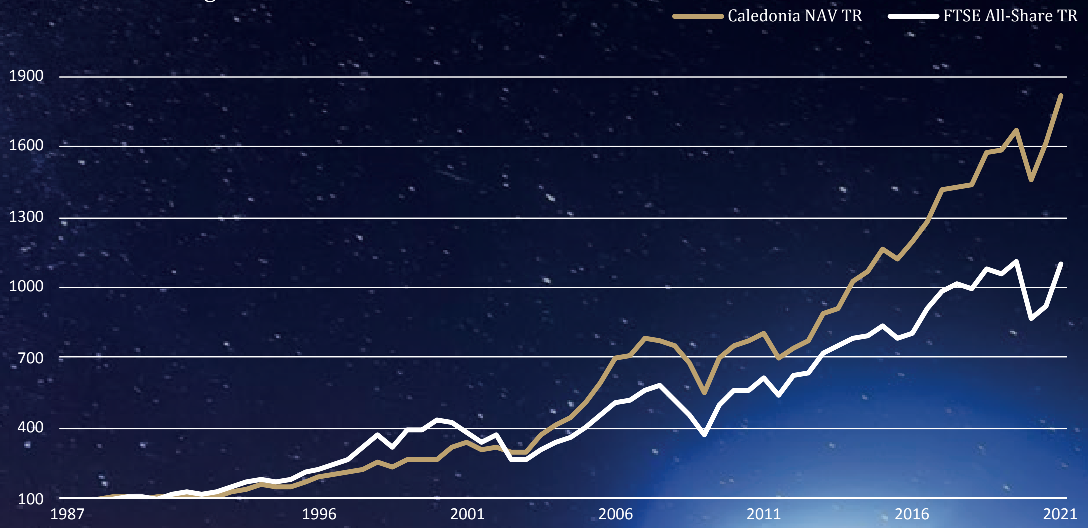
Image theme
Looking to the future and identifying new opportunities.

Welcome to Caledonia

Caledonia is a self-managed investment trust company with net assets of £2.2bn. Our purpose 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, in many cases, 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 54 years of increasing annual dividends.

NAV total return growth since 1987



Find out more
www.caledonia.com

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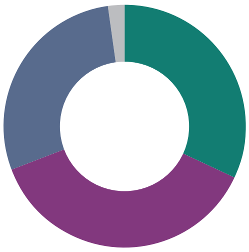
Group overview

Caledonia is a self-managed investment trust company with net assets of £2.2bn. We hold investments in both listed and private markets, covering a range of sectors and, particularly through our fund investments, we have global reach.

All data as at 31 March 2021.

Group NAV £2,225m
(31 March 2020 £1,787m)



Quoted Equity	£716m
Private Capital	£827m
Funds	£637m
Other	£45m

Top 10 investments

1 Deep Sea Electronics
2 Liberation Group
3 Seven Investment Management
4 Stonehage Fleming
5 Cobehold
6 Cooke Optics
7 Aberdeen US PE funds
8 Axiom Asia funds
9 Texas Instruments
10 Watsco

Quoted Equity

Further detail
Turn to page 26

35-50%

Strategic asset allocation

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

Capital portfolio: Mature, well-managed companies with significant presence in their market space and where assets consistently produce strong returns on capital.

Target 10% total annual return with no income constraint

Income portfolio: Mature, long-term companies with business models that are both resilient and have the capacity and management culture to pay sustainable dividends.

Target 7% total annual return and 3.5% yield

Private Capital

Further detail
Turn to page 30

35-45%

Strategic asset allocation

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

Target 14% total return and 5% yield

Funds

Further detail
Turn to page 34

20-30%

Strategic asset allocation

Private equity funds and fund 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.

Target 12.5% total return

Performance highlights

For the year ended 31 March 2021

- » Net asset value per share total return of 25.9%
- » Annual dividend per share up 2.9% to 62.9p
- » 54th consecutive year of annual dividend increases

Results summary

	31 March 2021	31 March 2020	Change %
NAV total return	25.9%	-8.1%	
NAV per share	4000p	3236p	23.6
Net assets	£2,225m	£1,787m	24.5
Annual dividend per share	62.9p	61.1p	2.9

Performance summary

	1 year %	3 years %	5 years %	10 years %
NAV total return	25.9	28.2	53.4	129.2
Annualised:				
NAV total return	25.9	8.6	8.9	8.6
Total shareholder return	11.0	2.0	5.5	7.1
FTSE All-Share total return	26.7	3.2	6.3	6.0

Pools – annualised returns

	Value £m	1 year return %	3 years return %	5 years return %
Quoted Equity	716	30.3	14.2	12.1
Private Capital	827	23.2	4.0	7.4
Funds	637	34.8	14.6	14.9
Cash and other	45			
Net assets	2,225	25.9	8.6	8.9

Chairman's statement

David Stewart
Chairman

Caledonia's long-term approach to investment has produced strong returns this year from each part of the portfolio. These results support our commitment to a progressive approach to the dividend.

Results

The NAV total return for the year of 25.9% was strong and included positive returns from each part of our portfolio. The Quoted Equity pool delivered an annual return of 30.3%, aided by the rebound in global equity markets. Investee companies within the Private Capital portfolio, with the exception of Buzz Bingo, adapted well to the challenges presented by Covid-19 to produce a total return of 23.2%. The Funds portfolio delivered an annual return of 34.8%, buoyed by good underlying fund performance. We have retained a strong, largely ungeared balance sheet with total liquidity of £249m available at 31 March 2021.

Income and dividend

Total income was £45m which is a reduction of 16% from the previous year. This reflects the negative impact of the pandemic on economic activity in a small number of investee companies and the change in focus of the Quoted Equity Income portfolio towards higher quality businesses with slightly lower yields. The board is recommending a final dividend of 45.9p per share, which represents a full year dividend of 62.9p, an increase of 2.9% when compared to the previous year. While this payment is not covered by the income generated this year, the board, cognisant of Caledonia's significant retained earnings, believes the dividend is a crucial element of the total return for our shareholders and that it is appropriate to utilise the company's available reserves.

It should also be noted that no dividends have been received from Liberation Group or Buzz Bingo, both beneficiaries of the UK Government's job retention scheme during the year.

Covid-19

The pandemic has created uncertainty and financial hardship for many people in the UK and overseas. Caledonia responded by establishing a fund focused on assisting those employees working for investee companies negatively impacted by Covid-19. The safety and well-being of our staff, together with those working for our investee companies, have been important priorities for the board throughout this challenging period.

In response to the pandemic, central banks have provided additional liquidity to alleviate these effects which has benefitted the portfolio as a whole. As we look forward, Liberation Group, our remaining consumer leisure focussed business, is expected to benefit from pent up demand from customers, particularly as trading restrictions ease.

The Caledonia team has excelled in adapting to remote working, with IT colleagues ensuring systems and controls continued to function seamlessly. We continue to believe that the office has an important role to play to facilitate training and development and to ensure that Caledonia's values and culture continue to permeate amongst new recruits. We are now working on plans, following official guidelines, to enable staff to return to the office via increased use of a hybrid working model which recognises that many have welcomed the flexibility that some home working has brought.

Board and staff

On behalf of the board I would like to thank all Caledonia staff for their outstanding response to the challenges faced over the past year. Our strong financial performance speaks for itself but this disguises the volatile market conditions experienced and the hard work required to respond proactively to the many challenges faced.

The effectiveness of the board has been appraised in a recent external review which is described more fully on page 61. This review, alongside a skills analysis of current directors, will enable us to continue to refresh the board with new non-executive directors. Caledonia remains committed to increasing board diversity and this will be an important factor as we commence a search for a new audit chair to replace Stuart Bridges who is expected to retire during 2022.

AGM

The AGM is an important part of our shareholder communications programme and our intention is to always hold a physical meeting where we are able to and when it is considered safe to do so for members of the board, shareholders and staff. At the time of writing, we are unsure if UK Government restrictions related to the Covid-19 pandemic will be lifted after 21 June. It is possible that some restrictions may remain after this date. We are also aware that some shareholders will be understandably wary of travelling to our office for the meeting, assuming that attendance is permitted. In light of this uncertainty, we have made arrangements for shareholders to be able to follow this year's AGM proceedings remotely, online. Further details regarding the final arrangements will be communicated to shareholders separately.

Outlook

There are positive signs that vaccines will provide the answer to society being able to live with Covid-19. However, there remains a risk that new variants of the virus will require further adaptations of both vaccines and governmental response in order to control their spread.

We continue to be confident that Caledonia's portfolio is invested in assets that are of sufficient quality to weather most storms to enable us to achieve our purpose of growing assets and dividends over the long term. We also believe that the strength of Caledonia's balance sheet will enable us to take advantage of opportunities as they arise.

David Stewart
Chairman

The Chairman's statement on pages 4 to 5, the Chief Executive's report on pages 6 to 9 and additional reports on pages 10 to 55 comprise the Strategic report of the company. The Strategic report was approved by the board on 26 May 2021 and signed by Mr Wyatt on its behalf.

Chief Executive's report

Will Wyatt
Chief Executive

Our diversified holdings in listed equities, directly owned private companies and funds have performed well over the last year. We remain confident that the portfolio is invested in quality businesses that can deal well with a challenging and uncertain environment.

Purpose

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

Results for the year

The rapid recovery of markets from the sharp falls witnessed towards the end of our previous financial year provided a supportive backdrop to these results. NAV total return for the year was 25.9% which included positive results from each part of our portfolio. The strength derived from the diversified holdings in listed equities, directly owned private companies and funds, helped to mitigate the effect of the pandemic. Overall, our investments responded positively to the impact of Covid-19 on the operating environment to deliver good growth in revenues and earnings. The companies with a technology or healthcare focus have witnessed particularly high levels of demand for their products and services, leading to marked uplifts in growth, profits and valuations.

There were two notable adverse impacts on investment returns for the year. Caledonia supported an initial financial restructure of one of the Private Capital portfolio businesses, Buzz Bingo, which was particularly affected by the enforced shutdown in the summer of 2020, before choosing not to participate in a further fundraising in March 2021. This resulted in the sale of our interest for a nominal sum as previously announced, creating a write-down in the year of £69m. In addition, with approximately 45% of our assets denominated in US dollars, the strengthening of Sterling by some 11% over the year negatively impacted our annual return by more than six percentage points.

Investment income in the year fell by 16% to £45m, the result of a reduction in dividends received from portfolio companies and from the Quoted Equity Income portfolio. The revenue account of our income statement reflected this fall in income, with the pre-tax profit for the year down by 34% to £22m. Total pre-tax profit of £456m was recorded for the year, dominated by net gains on investments of £437m (prior year £206m loss).

Maintaining a strong balance sheet remains a key component of strategy giving the flexibility to support our portfolio (especially the illiquid assets) without being forced to sell at a time not of our choosing. Caledonia's balance sheet remains strong, with minimal gearing and access to bank facilities of £250m. At the year end there was a net debt position of £1m, consisting of £15m of drawn facilities and a cash balance of £14m. New or follow-on investments of £246m were made during the year alongside divestments totalling £138m.

Investment performance

Caledonia aims to grow NAVTR by 3-6% ahead of inflation over the short-term, leading to results over the long-term that exceed the FTSE All-Share index. We incentivise the management and the investment teams in line with these objectives on an absolute, rather than a relative, return basis. The table below shows our investment performance over one, three, five and ten years. Performance of 8-9% per annum over three, five and ten year period is ahead of the short-term target and long-term performance remains satisfactory and within the target range, significantly outperforming the FTSE All-Share index.

Years to 31 March	1 year %	3 years %	5 years %	10 years %
NAVTR	25.9	28.2	53.4	129.2
FTSE All-Share	26.7	9.9	35.7	79.0
NAVTR v FTSE All-Share TR	-0.8	+18.3	+17.7	+50.2
Annualised				
NAVTR	25.9	8.6	8.9	8.6
RPI	1.6	2.2	2.6	2.5
NAVTR v RPI	+24.3	+6.4	+6.3	+6.1
FTSE All-Share TR			6.3	6.0
NAVTR v FTSE All-Share TR			+2.6	+2.6

Strategy and allocation

The investment portfolio consists of the following three pools of capital:

Pool name	2021 %	2020 %	Strategic allocation %
Quoted Equity	32.2	32.1	35-50
Private Capital	37.2	34.2	35-45
Funds	28.6	25.2	20-30
Cash and other	2.0	8.5	+/-10
Net assets	100	100	

The strategic allocation ranges shown in the table above are a guide to ensure that the portfolio remains proportionately balanced. During the year, the top end of the range allocated to the Funds pool was increased by 5% to 30%.

The table below summarises the pool targets and strategic allocation:

Pool name	Description	Return requirements	Strategic allocation
Caledonia Quoted Equity	Capital strategy	10% total return, no yield target	30-50%
	Income strategy	7% total return, 3.5% yield (on cost)	
Caledonia Private Capital	Majority and minority investments predominantly in UK mid-market companies with equity values of between £25m and £125m	14% total return 5% yield	35-45%
Caledonia Funds	US and Asian private equity funds and funds of funds	12.5% total return	20-30%

Pool performance

Years to 31 March	1 year %	3 years %	5 years %	10 years %
Pool name				
Quoted Equity	30.3	48.9	76.7	139.7
Capital portfolio	35.9	66.6	108.2	178.3
Income portfolio	17.5	16.3	23.0	n/a
Private Capital	23.2	12.5	42.6	153.7
Funds	34.8	50.6	100.3	247.4
Portfolio	30.0	36.0	69.7	166.4

Caledonia Quoted Equity

The total return of the Quoted Equity portfolio was 30.3% for the year. This strong performance reflected the significant rebound in global public equity markets and considered stock selection within both the Capital and Income portfolios, which delivered total returns of 35.9% and 17.5% respectively. The performance of the US public equities in both portfolios was particularly notable and was responsible for the majority of the returns. As can be seen in the table above, the three and five year performance of the Capital portfolio has been outstanding, with comparative five year return from the S&P500 of 116% and FTSE100 of 32%.

Trading activity over the year has been limited, in line with our long-term investment approach. In the Capital portfolio Waters Corporation, a laboratory and software company, was the single significant disposal, alongside reduced positions in a small number of other holdings. The evolution of the Income portfolio has included developing new positions in Fortis Inc, a North American utilities business, and in international consumer business Reckitt Benckiser and the sale of our holdings in Direct Line and Tritax Big Box.

Chief Executive's report (continued)

Caledonia Private Capital

Caledonia's Private Capital portfolio includes significant positions in five UK businesses and one private European investment company. These six investments represent over 90% of its value. The portfolio recovered strongly and generated a total return of 23.2% for the year, including the absorption of the write-down of £69m relating to the holding in Buzz Bingo. The industrial and financial services businesses have adapted well to the Covid-19 environment and have been trading strongly. The impact of the pandemic has been felt more acutely by Liberation Group and, prior to disposal, Buzz Bingo. The investment in Cobehold and its diverse portfolio continues to perform well.

The holding in Buzz Bingo, the UK's biggest omni-channel bingo business, was sold for a nominal sum in March 2021 after a very challenging year. In summer 2020, following a period of retail club closures caused by the Government's response to the Covid-19 pandemic, the business successfully completed a company voluntary arrangement. Retail trading post re-opening was good but renewed opening restrictions through the late autumn and winter periods resulted in further significant losses which led Buzz Bingo to review its funding options once again. Caledonia, having carefully assessed the available investment opportunity, chose not to participate in the resulting funding round and we disposed of our interest. Lessons have been learnt from this disappointing outcome particularly in regard to the scale of business that we invest in and the structuring of debt within investee companies.

Liberation Group, a pub, restaurant and drinks business with operations predominantly in the Channel Islands and the South West of the UK has been heavily impacted by Covid-19 restrictions. While the business traded well through the summer and autumn periods, it has suffered further pandemic related closures of its pubs and restaurants over recent months. However, the UK brewery has operated throughout the period, supporting trade and growing online sales. The wholesale businesses in Jersey and Guernsey also remained open and traded strongly. In November 2020, Caledonia invested £36m of new equity to support the acquisition of a substantial portfolio of pubs from Wadworth, complementing existing UK sites, and various value accretive capital projects across the enlarged estate. This investment, backed by the strong trading performance last summer, reflects our confidence in the long-term prospects for the business.

The financial services businesses, Seven Investment Management ('7IM') and Stonehage Fleming, have developed well during the year. Both businesses have seen strong growth in the level of assets under management achieved through a mix of fund performance, fund inflows and acquisitions which has resulted in good trading performances. 7IM acquired Partners Wealth Management, a high net worth financial planning business, at the end of September, and Stonehage Fleming acquired Cavendish Asset Management in July 2020.

Deep Sea Electronics ('DSE') and Cooke Optics ('Cooke'), our industrial businesses, have traded successfully through the year. The performance of DSE has been particularly strong, with good growth, product development and cash generation. The control technology developed by DSE should have wide applications in the development of mixed source power provision, providing further growth opportunities. Performance at Cooke improved in the second half of the year due to better operational planning and controls, new senior appointments and an uplift in demand as film related activity returned to more normal levels.

The market for private businesses remains buoyant, and we regularly receive offers for our businesses from interested parties there being three such approaches of note in the past year. These conversations often lead nowhere but can develop into a process which might conclude in a sale of a business. The insight gained from these indicative offers are incorporated into our valuation process and can lead to a situation where the range of reasonable fair value estimates for a given asset can be significant. The private equity industry has raised a substantial amount of capital to deploy and we anticipate further mergers and acquisitions in the future.

Caledonia Funds

The total return on the Funds portfolio was 34.8% for the year. This reflects good underlying fund performance, which reverted to valuations based on managers' NAV, without the need to reflect the potential Covid-19 impact as was the case in March 2020. Caledonia's valuation policy is to utilise the latest valuations reported by managers of the funds in which it is invested.

Our fund investments are principally in third party managed private equity funds operating in the US and Asia. The feedback from the fund managers is currently positive, with a clear majority of the investee businesses progressing in line with, or ahead of, internal plans. The level of transactional activity picked up strongly in the second half of the year with several successful exits delivered through trade sales or IPOs. Over the year, Sterling has strengthened by 11% compared to the US dollar, creating a significant headwind to the positive returns from this portfolio.

The strategy for the Funds portfolio involves committing around US$100m per annum to new fund opportunities. During the year, £109m was invested and distributions of £87m were received. There was a notable pick up in distributions as we progressed through the year, with 84% of the distributions received in the second half of the year.

Covid-19

Covid-19 has had a major impact on our businesses and the people who work within them. We have made every effort to keep our staff safe, motivated and able to fulfil their roles effectively despite the challenges they have faced from lockdowns, social distancing and remote working. We have deployed technology to allow staff to work effectively from home with business meetings and events held virtually.

We have equally been aware of the impact on the employees of our investee companies. The Caledonia Fund was established in spring 2020 to support employees of these business suffering financial hardship due to the pandemic. This fund has supported staff particularly at Buzz Bingo and Liberation Group, the two businesses most adversely affected by lockdown regulations over the past year.

Responsible Investment

As a long-term investor our aim is to identify companies that can generate sustainable growth. We believe that responsible investment and business success go hand in hand. We also understand that environmental, social and governance ('ESG') factors are important to our shareholders and broader stakeholders. Historically our stewardship activities have focused primarily on governance matters. Our intent is to build on this engaged approach by fully incorporating ESG matters into our investment decision making and monitoring processes; we aim to progress this area over the coming year.

Outlook

The outlook for our financial year ending 31 March 2022 is dependent on the continued management of the Covid-19 pandemic and its economic impact around the world. The response by central banks has been fulsome and timely, ensuring that there has been sufficient liquidity in the financial system to allow its continued operation. A consequence might be increased volatility on any signs that this largesse might be tempered. We also remain appropriately cautious that the valuations of assets remain elevated. There are also nascent risks associated with higher inflation as pent up demand potentially exceeds supply and the effects of broken global supply chains and increasing domestic protectionism become more prevalent.

The majority of our assets are in a good position to withstand this challenging period of continuing uncertainty. We will maintain our considered approach to new investment opportunities and protect our strong balance sheet. We believe that the portfolio is well placed to achieve our aims of growing net assets and dividends paid to shareholders over the long-term.

Will Wyatt
Chief Executive

The Chairman's statement on pages 4 to 5, the Chief Executive's report on pages 6 to 9 and additional reports on pages 10 to 55 comprise the Strategic report of the company. The Strategic report was approved by the board on 26 May 2021 and signed by Mr Wyatt on its behalf.

Our business model

Caledonia is a self-managed investment trust company. We invest in proven, well-managed businesses that combine long-term growth characteristics with, in many cases, an ability to deliver increasing levels of income. We utilise our resources and relationships to identify opportunities, apply a disciplined investment process and robust risk management to deliver long-term capital growth and increasing annual dividends for our shareholders.

Our 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 increasing levels of income.

Pay increasing dividends

Pay an 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 permanent loss of capital by diversifying our interests and avoiding excessively risky investments.

Exploit 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.

Our business

Quoted Equity

Capital portfolio

Income portfolio

Further information
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Private Capital

Deep Sea Electronics

Liberation Group

Seven Investment Management

Stonehage Fleming

Cobehold

Cooke Optics

BioAgilytix

Further information
Turn to page 30

Funds

North American funds

Asian funds

Further information
Turn to page 34

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.

Our operational approach

Culture and values

We are defined by a collection of values that set us apart and shape our approach to every aspect of investing: insightful, supportive, responsible, considered and long-term.

Further information
Turn to pages 20, 56 and 92.

Corporate governance

We recognise the value of good corporate governance and have structured the business accordingly, with a view to delivering long-term sustainable success.

Further information
Turn to page 60

Risk management

Effective risk management is a key component of our approach and assists in ensuring that the different parts of the group operate within strategic risk parameters.

Further information
Turn to page 46

Responsible investment

We are committed to building businesses for the long-term. To this end, we consider the ESG impact of the investments we make and own.

Further information
Turn to page 50

Our differentiation

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

Our reputation as a supportive and constructively involved long-term investor enables us to develop our network of effective business contacts. This network enables 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 longer (ten year) timeframes, 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 an investment company since 1987, with investment trust status since 2003.

Our investment methodology

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.

Investment risk management

We consider the following key risk areas:

- Strategic investment allocation
- Investment timing
- Portfolio construction
- Liquidity
- Sector exposures
- Geographic exposures
- Environment, social and governance
- Resources and relationships
- Reputation
- Investee leverage
- Regulation

We measure our performance against four strategic objectives using key performance indicators which provide an assessment over time and against relevant benchmarks.

Strategic objectives

Key performance indicators

Generate total returns that outperform the Retail Prices Index ('RPI') by at least 3% over the medium and longer term

	Annualised over 5 years	Annualised over 10 years
NAVTR	**8.9%**	**8.6%**
RPI + 3%	5.6%	5.5%

Generate total returns that outperform the FTSE All-Share index over ten years

	Annualised over 10 years
NAVTR	**8.6%**
TSR	**7.1%**
FTSE All-Share TR	6.0%

Pay annual dividends increasing by RPI or more over the longer-term

Dividend per share 62.9p

Annualised growth over:	
1 year	2.9%
5 years	3.6%
10 years	3.9%

Manage investment risk effectively for long-term wealth creation

NAV per share 4000p

Annualised growth over:	
1 year	23.6%
5 years	6.7%
10 years	7.3%

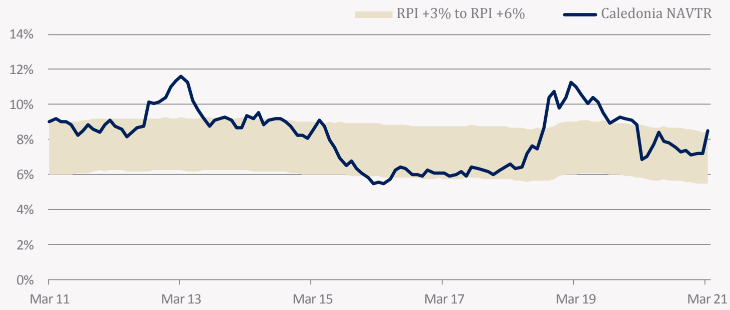
Performance measures

Further information on the definition and calculation of the performance measures referred to below can be found on pages 130 and 131.

Performance trend

Metric

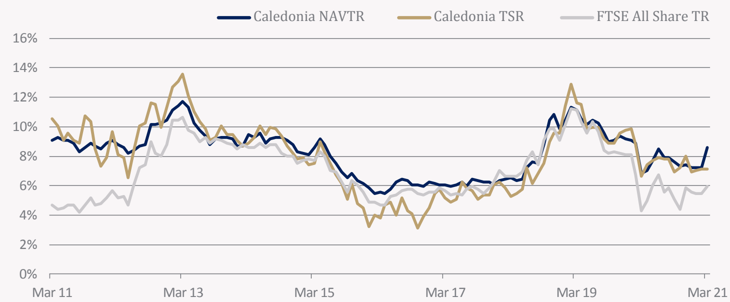
NAVTR annualised 10 year rolling performance



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 17 of the financial statements.

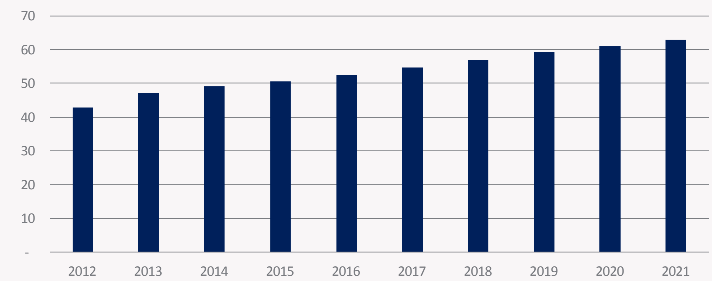
TSR annualised 10 year rolling performance



Total shareholder return ('TSR')

TSR measures the return to our shareholders through the movement in the share price and assumed reinvestment of dividends paid during the year.

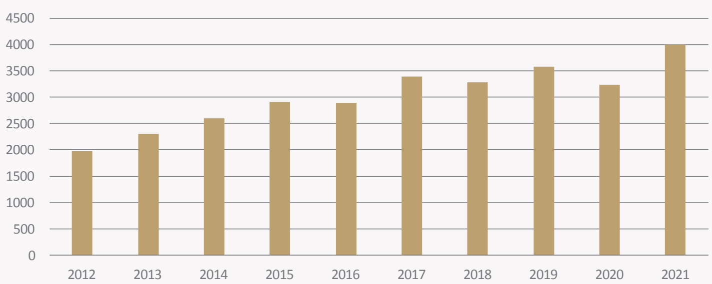
Annual dividend/share over 10 years (p)



Annual dividend

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

NAV/share over 10 years (p)



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 17 of the financial statements.

Section 172 statement
How we engage with stakeholders and make decisions

Section 172 of the Companies Act 2006 (the 'Act') requires each of our board directors, individually and collectively, to act in the way they consider, in good faith, would most likely promote the long-term success of the company for the benefit of its members as a whole. In doing this they are required to have regard, amongst other relevant matters, to the:

(a) likely consequences of any decisions in the long term

(b) interests of the company's employees

(c) need to foster the company's business relationships with suppliers, customers and others

(d) impact of the company's operations on the community and environment

(e) desirability of the company maintaining a reputation for high standards of business conduct

(f) need to act fairly as between members of the company.

In discharging their duties each director will seek to balance the interests, views and expectations of Caledonia's stakeholders, whilst recognising that every decision the board makes will not necessarily result in a positive outcome for all. However, the board's aim is to make sure that decisions are consistent and predictable. In so doing it seeks to deliver Caledonia's purpose to grow net assets and dividends paid to shareholders over the long-term, whilst managing risk to avoid permanent loss of capital.

In this section, we describe each of our key stakeholder groups, their importance and how we engaged with them during the year. Also provided are examples of the ways in which the board considered the interests of these stakeholders and had regard to the matters set out in section 172(a) to (f) of the Act when making its decisions.

Further details on how the board operates can also be found in the governance section of this report on page 60 and at www.caledonia.com.

Key Stakeholder	Importance	How we engage
Shareholders	Shareholders provide Caledonia's permanent capital and it is for their benefit that the directors are required to promote the company's success.	Our Chief Executive and Chief Financial Officer hold regular meetings with institutional investors, private client stockbrokers and fund managers. The Chairman and other non-executive directors are also available to attend these meetings, if requested. Any views put forward by shareholders and analysts are reported back to the board, with periodical presentations from the company's brokers on shareholder feedback and general market perception of the company. In addition, the company releases monthly NAV announcements and half-year and annual reports which keep shareholders apprised of performance. We launched a new website during the year in response to a third party review of shareholder communications which included surveys of stakeholder groups. Our new website has significantly enhanced the provision of up to date information to our shareholders. A closed annual general meeting was held in 2020, with shareholders given the opportunity to ask questions of the board in advance. Arrangements have been made for shareholders to listen to this year's annual general meeting live online and to submit questions to the board both before and during the meeting. Further details on relations with controlling shareholders can be found on page 63.
Employees	Building a team of engaged and experienced employees who share our values and culture is central to delivering Caledonia's purpose.	Caledonia has a small number of employees enabling regular formal and informal access to board directors, irrespective of seniority. Remote working in response to the Covid-19 pandemic made this more challenging during the year. In response, more frequent colleague involvement in board and committee meetings was instigated. The board has been kept regularly updated on steps taken by management to increase the frequency of staff interactions, including via the use of virtual conferencing technology. Formal periodic reports on staff-related matters, including any instances of concerns or grievances raised and suggestions received for improvements to workplace culture, assist the board in understanding the views of employees. The board believes that these arrangements, which are not one of the suggested methods for workforce engagement set out in the UK Corporate Governance Code, remain effective. Further details on our workplace can be found on page 52.

Key Stakeholder	Importance	How we engage
Investee companies and private equity funds	Our investee companies, both public and private, and private equity funds provide the source of returns to our shareholders.	Our focus remains on long term careful stewardship to create value for our shareholders. Decision making is supported by comprehensive regular reporting to the board. **Quoted Equity** We use engagement with management teams, company announcements, in-house and third party research to closely monitor the performance of companies within both the Income and Capital portfolios. We make considered use of our voting rights. Further details on our stewardship activities can be found on page 50. **Private Capital** Caledonia employees serve as non-executive directors on the boards of portfolio companies in which the company holds a significant investment, providing oversight and helping to ensure that the board is kept apprised of key developments and the views of their stakeholders. The frequency of board updates regarding investee companies was increased during the year in response to the Covid-19 pandemic, particularly for Buzz Bingo and The Liberation Group which both operate in the consumer leisure sector and were particularly adversely impacted by Government imposed trading restrictions. Whilst the pandemic prevented the board's periodic site visits and the annual conference and dinner with the management of companies within the portfolio during the year, technology was used to share deep dive reviews for The Liberation Group, Stonehage Fleming, Seven Investment Management and Deep Sea Electronics. In addition, a programme of regular presentations from the leadership of investee companies was introduced to provide directors with additional insight to assist with decision making. **Funds** Alongside proactive monitoring of fund performance, we are represented by employees on numerous advisory committees established by the managers of the funds in which we invest.
Suppliers	We value long term supplier relationships built on transparency, reliability and quality to support our investment activities.	We operate clear payment practices to ensure fair and prompt payment for goods and services. Whilst we are not a signatory of the UK Prompt Payment Code, we pay more than 95% of our supplier invoices within 30 days and benefit from good relationships built with suppliers who share our values.
Community	We have increased our commitment to the community during the year as part of our ESG activities and in response to the impact of Covid-19 on investee companies and their stakeholders.	**Charitable giving** As part of our response to Covid-19, we created The Caledonia Fund to provide grants to eligible applicants who are closely connected with our investee companies and face financial hardship due to the pandemic. Around £260,000 was provided during the year to support those in need due to bereavement, rent arrears, council tax and other household and living expenses. We subsequently established our ongoing commitment to the wider community, by founding a registered charity to focus our future charitable giving. **Diversity and inclusion** Caledonia has partnered with #10,000BlackInterns, an initiative designed to help transform the horizons and prospects of young black people in the UK, offering paid work experience during summer 2021. Further details on our community activities can be found on page 52.

Section 172 statement (continued)

How stakeholder interests have influenced decision making

The board's response to the Covid-19 pandemic

The safety and well-being of Caledonia's employees, whilst ensuring they had access to the right tools and technology to support secure remote working, has been central to the board's thinking throughout the pandemic. The board and its committees have considered, amongst many other matters, steps to further augment cyber resilience, plans for continued investment in cloud-based technologies and systems, measures to support mental health and enhanced parental leave policies.

Throughout the year, the Private Capital team has worked extensively with investee companies to assist them in the management of the operational and financial issues which have arisen from the pandemic, including new ways of working in response to Government regulations, ensuring liquidity and addressing supply chain issues.

Further details on Caledonia's response to the Covid-19 pandemic
Turn to page 18

Buzz Bingo

The Covid-19 crisis and the severe restrictions imposed by the Government on leisure sector businesses led to Buzz Bingo's retail clubs being unable to trade for much of the financial year. Buzz was refinanced in the summer of 2020 as part of a company voluntary arrangement, in which Caledonia invested £22m. However, the third national lockdown resulted in a further requirement for new capital. The board carefully assessed the available investment opportunity, choosing not to participate in the fundraising and therefore decided to sell its shareholding in Buzz Bingo to Intermediate Capital Group for a nominal amount. This decision considered a number of stakeholder interests, including our shareholders and Buzz Bingo's lenders, employees and wider stakeholder group.

We established a charitable foundation to assist employees of investee companies who were most acutely impacted by the pandemic, particularly those at Buzz Bingo.

Further details on Buzz Bingo
Turn to page 30

Dividends

In making its decisions regarding the 2020 final dividend and 2021 interim dividend the board considered our shareholders' expectations, the net revenue generated by the company and the capacity of the company to pay dividends out of free cashflow, taking into account future dividend liquidity requirements and availability.

Further details on dividends
Turn to page 41

We conduct all of our business honestly and ethically. We act professionally, fairly and with integrity in all our dealings – wherever we operate.

Covid-19

Covid-19 has had a major impact on people and businesses across the globe since early 2020. When we reported our 2020 results in May last year there was significant uncertainty surrounding the likely impact of the pandemic and the risk it posed to both health and economics.

After a very difficult year, there are early signs of a return to some form of normality following the huge global effort to develop and distribute effective vaccines. However, many parts of the world are still suffering significant infection rates and deaths, and vigilance to new variants of the virus remains critical. The global economy has benefited from unprecedented levels of intervention from governments and central banks to provide support to individuals and businesses throughout the pandemic. Caledonia is invested in a wide variety of businesses with each impacted differently by Covid-19. We have closely monitored and responded to issues as they have arisen. We continue to monitor information released by governments, regulatory bodies and health organisations in the jurisdictions where we invest.

People and operations

We have attempted to keep our employees safe, motivated and able to fulfil their roles effectively despite the challenges they have faced from lockdowns, social distancing and remote working. Our office in London has been closed or partially open in response to changing regulation and guidance. New methods of working, facilitated by technology, have allowed our staff to work effectively from home, communicating with colleagues by video and sharing information seamlessly within a secure IT environment. Business meetings and events have largely been held virtually and all international travel has ceased until we are advised these activities can safely resume.

We have prioritised keeping colleagues informed and engaged with regular updates from management and team leaders. We have taken steps to address the adverse impact on our people that the changing work environment might present including:

» a flexible work from home approach, facilitated through the latest technology

» the provision of enhanced employee support, mental health advice and guidance by an experienced professional

» measures to encourage appropriate work/life balance through initiatives such as streamed group exercise classes

» frequent team events.

Members of Caledonia's investment teams continue to interact regularly with the businesses and funds in which we are invested, reviewing performance and developments in line with normal business practice. Remote working and associated technology investment has enabled the board and its key committees to continue to hold regular and effective meetings. There has been limited impact on our ability to engage in quality debate and facilitate informed decision making.

Technology

Our ability to successfully operate remotely has been dependent on robust technology. The performance of Caledonia's systems is closely monitored to ensure continuity of services and has been highly resilient, particularly given the increased demands created by remote working. Members of our experienced IT team have provided additional equipment and training to support colleagues in their transition to the new operating model and to ensure that they continue to be able to perform their roles to a high standard. Cyber security remains a very high priority with several new initiatives introduced during the year to augment existing protection measures alongside training and awareness programmes to provide everyone with the ability to identify threats and drive continuous improvement.

Liquidity

Caledonia maintains a conservative balance sheet structure which has proved beneficial through a period of global uncertainty. During the year, we renewed our long-term banking facilities of £137.5m with RBSI for a period of five years through to May 2025. We have an additional facility of £112.5m in place with ING. Net debt was £1m as at 31 March 2021. The value of our liquid assets, principally public quoted equity holdings, grew strongly during the year to £716m as at 31 March 2021. Future commitments are primarily to private equity funds and remain at a level that does not create any stress to our corporate liquidity position.

We have supported our investee businesses with additional capital during the year predominantly to fund strategic acquisitions and, in the case of Buzz Bingo, to support a financial restructuring.

Valuation approach

At 31 March 2020 we amended our standard valuation approach to address the uncertainty and potential adverse impact of the Covid-19 pandemic. This involved specific adjustments to the value of each business within the Private Capital portfolio, in line with their individual circumstances. In the case of our fund investments, where managers' valuations generally reflected the pre Covid-19 position at 31 December 2019, we assessed the potential impact from the pandemic in each fund's portfolios and adjusted manager valuations in line with relevant geographic public market indices.

Over the last year, the impact of Covid-19 on the businesses within our Private Capital and private equity fund portfolios has become considerably clearer. This has enabled us to revert to our standard valuation approach at 31 March 2021 for both asset groups.

Private Capital portfolio

The Private Capital investment team worked closely with the boards and management teams of our investee businesses to address the range of operational and financial issues that have arisen during the pandemic including compliance with new regulations, employee health and safety, liquidity, supply chain issues and financial planning.

The majority of the businesses have adapted well to the new Covid-19 operating environment and delivered improved performance through the second half of the year. However, one of our businesses, Buzz Bingo, was severely impacted by the successive Government imposed trading restrictions. Caledonia supported a financial restructuring of the business in summer 2020 but was unable to agree suitable terms for a further investment in early 2021, ahead of the business re-opening following the most recent lockdown. Caledonia sold its shareholding for a nominal sum in March 2021. Further details can be found on page 30.

The Caledonia Fund

The Caledonia Fund was established in spring 2020 to support employees at investee companies suffering financial hardship due to the onset of the pandemic. This has been funded by Caledonia and by a contribution by our largest shareholder, The Cayzer Trust Company. During the year the focus of the fund has been on supporting employees at those companies where the business could not function normally, principally due to lockdown regulations, and management have needed to utilise the Government backed furlough scheme. This fund has therefore primarily benefited employees at Buzz Bingo and Liberation Group. The fund has supported over 300 individuals and granted awards of £0.26m.

Through our extensive network of contacts, we identify and select companies with strong fundamentals and great potential. We maintain effective and constructive relationships with the people, companies and funds in which we invest.

Insightful & supportive

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Investment review

Performance and analysis

All parts of the portfolio delivered strong returns, reflecting the rebound in global equity markets and robust performance of the businesses in which we are invested.

Performance

NAV total return for the year ended 31 March 2021 was 25.9% (2020: -8.1%). This represents a marked performance recovery across the portfolio from the adverse impact of Covid-19, which affected returns significantly in prior year, plus strong returns from most assets in the portfolio. Over the medium and longer-term, Caledonia's NAV total return has been in the range of 8% to 9% on an annualised basis, comfortably outperforming the FTSE All-Share over all these periods.

Total cumulative return (%)

	1 year	3 years	5 years	10 years
Caledonia NAVTR	25.9	28.2	53.4	129.2
FTSE All-share TR	26.7	9.9	35.7	79.0
NAVTR v FTSE All-Share TR	-0.8	+18.3	+17.7	+50.2

Annualised returns (%)

	1 year	3 years	5 years	10 years
Caledonia NAVTR	25.9	8.6	8.9	8.6
FTSE All-share	26.7	3.2	6.3	6.0
NAVTR v FTSE All-Share	-0.8	+5.4	+2.6	+2.6

Group performance was driven by strong returns from each pool within the portfolio. The Quoted Equity pool delivered an annual return of 30.3%, reflecting the rebound in global equity markets and focus on high quality companies. Private Capital investee companies, with the exception of Buzz Bingo, adapted to the challenges of Covid-19 with impressive performance in the second half of the year to produce a return of 23.2% for the year, inclusive of a full write-down of the investment of Buzz Bingo. The Funds pool delivered an annual return of 34.8% following the release of the adjustment made in March 2020 to account for the potential impact of Covid-19, and good underlying results, particularly from Asian funds.

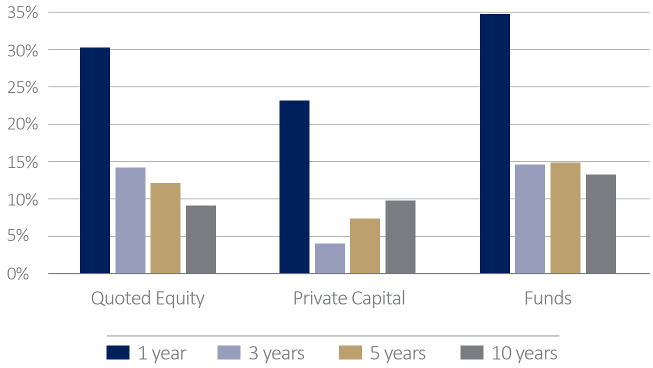
Investment activity

During the year £109.1m of investments were made into the Funds pool, continuing an ongoing programme of drawdown commitments. £98.4m was invested into our Private Capital businesses, in support of strategic acquisitions and ongoing management of the impact of Covid-19. Investments into the Quoted Equity pool predominantly relate to increasing positions in income-yielding companies.

Total pools' realisations in the year totalled £142.5m, with the Funds pool contributing the largest proportion, with strong realisations achieved by some of our US-focused funds, which have reached a mature stage.

Investment income for the year was down 16.5% at £44.6m driven by the repositioning of the Quoted Equity Income portfolio towards lower yielding, more robust businesses, a slight reduction in dividends from a small number of Quoted Equity holdings and reducing dividend pay-outs from some Private Capital holdings, where profitability was impacted by the Covid-19 pandemic. Income in the year includes £4.0m from non-pool assets in relation to amounts received in a subsidiary investment entity.

Annualised investment pool returns



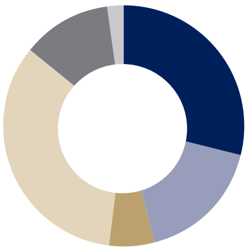
	March 2020 £	Investments £	Realisations £	Accrued income[2] £	Gains/ (losses) £	March 2021 £	Income £	Return[1] %
Pool								
Quoted Equity	574.0	37.9	(52.7)	–	156.9	716.1	17.1	30.3
Private Capital	611.3	98.4	(2.5)	(7.6)	127.2	826.8	22.8	23.2
Funds	450.1	109.1	(87.3)	–	165.2	637.1	0.7	34.8
Total pools	1,635.4	245.4	(142.5)	(7.6)	449.3	2,180.0	40.6	30.0
Non-pool[3]	21.3	0.9	4.1	–	(12.3)	14.0	4.0	
Total investments	1,656.7	246.3	(138.4)	(7.6)	437.0	2,194.0	44.6	
Net cash/(debt)	114.7					(0.8)		
Other net assets	15.9					32.1		
Net assets	1,787.3					2,225.3		

1. Returns for investments are calculated using the Modified Dietz methodology.
2. Private Capital valuations at 31 March 2021 included accrued income of £0.9m (2020 - £8.5m).
3. Non-pool investments comprise legacy investments, and cash and receivables in subsidiary investment entities.

Geography

The following chart shows the distribution of net assets at 31 March 2021 between regions. The basis of this analysis is the country of listing for quoted securities, country of residence for unlisted investments and underlying regional analysis for funds.

Geography by region

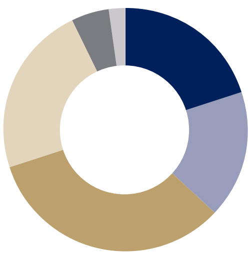


United Kingdom	29%
Channel Islands	17%
Europe	6%
North America	34%
Asia	12%
Cash and other	2%

Over the year there has been an increase in exposure to North American assets and a reduction in cash, following a period of investment.

At the end of the year, non-UK investments accounted for 69% of net assets (including net cash). However, much of our investment is in multinational companies. The following chart estimates geographic analysis at 31 March 2021 by revenue generation: this demonstrates a highly diverse geographic exposure across our investments.

Geography by revenue generation

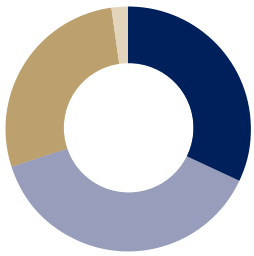


United Kingdom	20%
Europe	17%
North America	33%
Asia	23%
Other countries	5%
Cash and other	2%

Asset class

The following chart shows the distribution of net assets at 31 March 2021 by asset class. Listed securities represented 32% of net assets at the year end and unlisted investments (direct investments and funds) accounted for 66%, with growth in the unlisted investments during the year.

Asset class



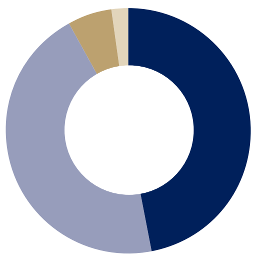
Listed equities	32%
Private companies	38%
Private equity funds	28%
Cash and other	2%

The periodic sale 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 2021 by currency exposure, based on the currencies in which investments or cash and other assets are denominated or traded. During the year, Sterling strengthened by 11% against the US dollar, negatively impacting the annual return by more than six percentage points.

Currency exposure



Pound sterling	47%
US dollar	45%
Euro	6%
Other currencies	2%

Investments summary

Holdings over 1% of net assets at 31 March 2021 were as follows:

Name	Pool	Geography[1]	Business	Value £m	Net assets %
Deep Sea Electronics	Private Capital	UK	Control systems	193.0	8.7
Liberation Group	Private Capital	Jersey	Pubs & restaurants	127.7	5.7
Seven Investment Management	Private Capital	Jersey	Investment management	126.4	5.7
Stonehage Fleming	Private Capital	Guernsey	Family office services	115.5	5.2
Cobehold	Private Capital	Belgium	Investment company	112.3	5.0
Aberdeen US PE funds	Funds	US	Funds of funds	98.2	4.4
Cooke Optics	Private Capital	UK	Cine lens manufacturer	95.6	4.3
Axiom Asia funds	Funds	Asia	Funds of funds	72.5	3.3
Texas Instruments	Quoted Equity	US	Semiconductors	54.0	2.4
Watsco	Quoted Equity	US	Ventilation products	50.8	2.3
Microsoft	Quoted Equity	US	Software	50.6	2.3
Oracle	Quoted Equity	US	Software	48.4	2.2
Charter Communications	Quoted Equity	US	Cable communications	40.7	1.8
Stonepeak funds	Funds	US	Private equity funds	39.8	1.8
Asia Alternatives funds	Funds	Asia	Funds of funds	39.1	1.8
British American Tobacco	Quoted Equity	UK	Tobacco & Vaping	36.2	1.6
Spirax-Sarco	Quoted Equity	UK	Steam engineering	34.0	1.5
Polar Capital	Quoted Equity	UK	Fund manager	33.6	1.5
Thermo Fisher Scientific	Quoted Equity	US	Pharma & life science services	33.2	1.5
Fastenal	Quoted Equity	US	Industrial supplies	32.8	1.5
Hill & Smith	Quoted Equity	UK	Infrastructure	31.6	1.4
JF Lehman funds	Funds	US	Private equity funds	30.8	1.4
Decheng funds	Funds	Asia/US	Private equity funds	30.3	1.4
LYFE fund	Funds	Asia	Private equity funds	28.4	1.3
Unilever	Quoted Equity	UK	Consumer goods	28.2	1.3
BioAgilytix	Private Capital	US	Bioanalytical testing	26.2	1.2
Becton Dickinson	Quoted Equity	US	Medical technology	25.7	1.2
PAG Asia fund	Funds	Asia	Private equity funds	25.6	1.2
AG Barr	Quoted Equity	UK	Drinks manufacturing	22.1	1.0
Croda International	Quoted Equity	UK	Chemicals	21.4	1.0
Other investments				475.3	21.1
Investment portfolio				2,180.0	98.0
Non-pool investments				14.0	0.6
Cash and other				31.3	1.4
Net assets				2,225.3	100.0

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

Quoted Equity

We believe you build wealth by owning companies, not trading them on the stock market. Focused on 'co-owning' companies that are built on solid foundations and generate cash, we target businesses that we understand and that can deliver good returns on capital.

Annualised returns (%)

	1 year	3 years	5 years	10 years
Capital portfolio	35.9	18.6	15.8	10.8
Income portfolio	17.5	5.2	4.2	6.2
Quoted Equity	**30.3**	**14.2**	**12.1**	**9.1**

Geography by region

United Kingdom	42%
Europe	4%
North America	54%

Sector

Basic materials	16%
Consumer staples	20%
Financials	7%
Healthcare	8%
Industrials	15%
Real estate	2%
Technology	21%
Telecommunications	6%
Utilities	5%

Rationale

The Quoted Equity pool provides Caledonia with exposure to a concentrated portfolio of high-quality companies that are suitable for long-term ownership. We look for long-term ownership because we aim for the companies that drive returns rather than trading. The qualities we look for include a strong market position, good and sustainable returns on capital and capable management closely aligned with long-term investors. We look for a combination of factors that make it much more likely than not that long-term ownership will be rewarded.

Caledonia invests its own balance sheet and so our strategy does not have to contend with subscriptions or redemptions. This structure enables us to introduce and redeem capital when markets provide good opportunities for us. Our thoughtful approach allows us to introduce capital into the portfolio with a margin of safety around each investment, which cumulatively provides protection against the inevitable poor investment.

The portfolio of around 25-30 stocks serves two strategies, Capital and Income. There are five stocks that feature in both portfolios. The Income portfolio aims to deliver an initial yield on invested cost of 3.5%, with the dividend per share from these holdings growing ahead of inflation. The Capital portfolio has no dividend target, is unconstrained and, as a consequence, aims to produce higher returns over time.

The portfolio is managed by a single team, with the same thinking and operational discipline used across both portfolios.

Performance

During the year the Quoted Equity pool produced a total return of 30.3%, with the Capital and Income strategies returning 35.9% and 17.5% respectively. In addition to the impact of the pandemic on business performance, almost all stocks have benefited from an increased rating or valuation as governments have provided unprecedented monetary and fiscal support. It would be fair to expect this positive impact to reverse as these supportive measures are withdrawn. Our portfolio managers are very focused on ensuring that the companies we invest in have good pricing power in order to be able to contend with anticipated inflationary pressures.

"The Quoted Equity portfolio is a risk managed, concentrated collection of high quality companies which we can hold for long periods of time. We always invest with a margin of safety, using general stock market volatility for entry points and to make sure we are being careful with our shareholders' money."

Mathew Masters
Head of Caledonia Quoted Equity

Quoted Equity

32%

of net assets at
31 March 2021

Find out more
www.caledonia.com/quot

Capital portfolio

Performance

The Capital portfolio delivered a 35.9% total return during the year to March 2021 (2020: 1.3%). The stock market has staged a strong recovery from the Covid-19 induced low during March 2020 and this recovery, albeit somewhat abated by Sterling's recovery, has driven very healthy returns in the market and the portfolio. The portfolio showed good resilience going into the Covid-19 downturn and so it is perhaps useful to look at the combined return for the two years to 31 March 2021 which was 37.2%, compared to 4.4% for the FTSE All-Share and 31% for the MSCI World Index. These comparisons are included to provide some context for short term performance, the portfolio is highly concentrated with just 18 holdings and so is not managed with any benchmark in mind.

The impact of Covid-19 on the economy and the markets was profound and has had varying impacts on the companies within the portfolio. The data included below provides the one year and two year returns to 31 March 2021, which provides visibility on how these companies have been impacted and performed through the pandemic. Companies including Microsoft (+37%, +93%), Charter Communications (+27%, +68%) and Thermo Fisher Scientific (+49%, +58%) were notable beneficiaries of the increased adoption of technology and flexible working, as well as the massive scientific and healthcare effort to deal with Covid-19. Other holdings became unexpected beneficiaries due to the strength of their business model and market position including Watsco (+53%, +85%), Texas Instruments (+74%, +78%), Spirax Sarco's pumps business Watson Marlow (+44%, +63%) and Fastenal (+50% = only held for 1 year). These companies represented just under 45% of the portfolio at the start of the year and their performance through the pandemic has proven to be very beneficial for overall portfolio performance.

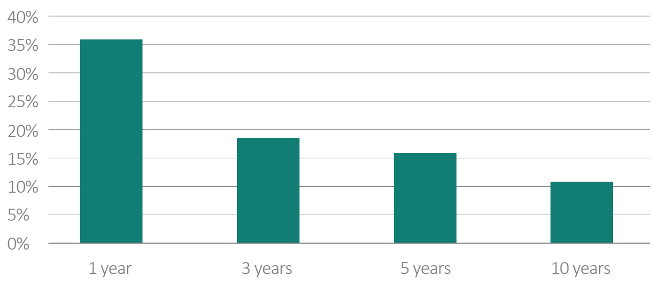
Those that fared less well include AG Barr (+3%, -38%) whose impulse business suffered during Covid-19 lockdowns and Hill & Smith whose roads and galvanising businesses were also impacted during this period, although overall return remained strong (+55%, +22%).

Investment activity

In keeping with our long-term buy and hold approach, activity in the year was minimal. We sold our position in Waters Corporation, a US based analytical technologies company, because we concluded that its valuation became too high for our perception of its medium-term growth prospects and it did not possess the level of key qualities we increasingly demand of our holdings.

	£m
Opening value	424.6
Investments	3.6
Realisations	(35.0)
Valuation gains/losses	137.5
Closing value	530.7
Investment income	10.0

Annualised pool returns



Significant pool investments

Name	Business	Geography	First invested	Value £m	Pool %	Return %
Microsoft	Software	US	2014	50.6	9.5	37.3
Oracle	Software	US	2014	48.4	9.1	32.4
Charter Communications	Cable communications	US	2017	40.7	7.7	27.1
Texas Instruments	Semiconductors	US	2018	39.3	7.4	74.3
Watsco	Ventilation products	US	2017	36.9	7.0	53.2
Spirax-Sarco	Steam engineering	UK	2011	34.0	6.4	44.1
Polar Capital	Fund manager	UK	2001	33.6	6.3	97.4
Thermo Fisher Scientific	Pharma and life sciences services	US	2015	33.2	6.3	49.1
Hill & Smith	Materials	UK	1999	31.6	6.0	55.1
Becton Dickinson	Medical technology	US	2015	25.7	4.8	-3.7
British American Tobacco	Tobacco & vaping	UK	2015	24.1	4.5	9.8
Fastenal	Industrial supplies	US	2020	23.5	4.4	49.4
AG Barr	Drinks manufacturing	UK	1977	22.1	4.2	2.8
Croda International	Chemicals	UK	2019	21.4	4.0	51.6
Other investments				65.6	12.4	
				530.7	100.0	

Income portfolio

Performance

In a similar manner to the Capital portfolio, the Income portfolio was largely influenced by the recovery in markets and delivered total return of 17.5%. The management and strategy of the portfolio was changed in the previous financial year, leading to significant portfolio changes (only six of the original twenty holdings remain). The return of 13.7% over the two years to 31 March 2021 reflects a period of major change.

The change to the strategy, which reduced the yield requirement and now measures current yield against invested cost, but with a firm eye on dividend growth, has enabled the quality and, by extension, defensiveness of the portfolio to improve. The benefit of moving to a yield on cost approach is that we can be patient and wait for market disruptions to provide well priced investment opportunities and not be forced to sell these carefully acquired holdings on recovery just because the percentage yield reduces. The ability to hold onto these investments has enabled us to improve and maintain the quality of the portfolio. To illustrate this point, over 80% of the current Income portfolio either maintained or increased their dividends during the year.

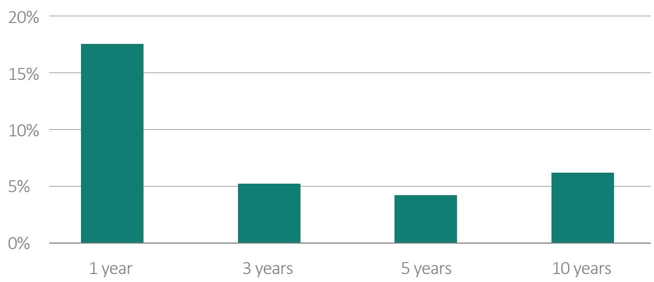
The strongest performing stocks were mainly purchased during the Covid-19 sell-off, when high quality stocks were re-priced and, consequently became eligible for the Income portfolio. These included Texas Instruments, Watsco, Diageo and Fastenal. There was some weaker performance from Sabre, whose UK car insurance business was disrupted by the lockdowns, and some share price weakness with our UK utilities investments as the market rewarded more cyclical opportunities.

Investment activity

The re-positioning of the portfolio has nearly been completed following the sale of Direct Line and Tritax Big Box and introduction of Fortis, a North American gas and electricity utility, and Reckitt Benckiser, a consumer goods company, taking place during the year. The portfolio now has sixteen holdings, and we remain focused on investing in more companies as and when markets provide an attractive entry opportunity.

	£m
Opening value	149.4
Investments	34.3
Realisations	(17.7)
Valuation gains/losses	19.4
Closing value	185.4
Investment income	7.1

Annualised pool returns



Significant pool investments

Name	Business	Geography	First invested	Value £m	Pool %	Return %
Reckitt Benckiser	Consumer goods	UK	2020	15.1	8.1	7.4
Texas Instruments	Semiconductors	US	2018	14.6	7.9	74.3
Watsco	Ventilation products	US	2017	13.9	7.5	53.2
Fortis	Utilities	US	2020	13.5	7.3	6.8
Sabre Insurance	Motor insurance	UK	2017	13.3	7.2	-7.0
Pennon	Waste management	UK	2015	13.1	7.1	-6.9
Unilever	Consumer goods	UK	2015	13.1	7.1	3.3
British American Tobacco	Tobacco & vaping	UK	2015	12.0	6.5	8.5
SGS	Testing & certification	Europe	2020	11.9	6.4	14.4
National Grid	Electricity	UK	2015	11.3	6.1	-3.6
Diageo	Alcoholic drinks	UK	2020	10.7	5.8	21.6
DS Smith	Packaging	UK	2018	10.5	5.7	48.1
Other investments				32.4	17.3	
				185.4	100.0	

Private Capital

Concentrating on mid-market companies, we take a long-term approach that is focused on delivering enduring value in the shape of strong capital growth and a current yield throughout the business cycle.

Annualised returns (%)

	1 year	3 years	5 years	10 years
Private Capital	23.2	4.0	7.4	9.8

Rationale

The Private Capital pool comprises a small number of direct holdings in private companies, predominantly in the UK mid-market. We focus on cash generative businesses with strong growth potential. Unlike many private equity investors, we are not constrained by set timeframes or exit dates, which allows us to take a longer term approach to managing and realising value from these investments.

Performance and activity

During the year the Private Capital pool produced a return of 23.2%, which includes a full write-down of Buzz Bingo.

Our investment in Buzz Bingo, the UK's largest omni-channel bingo business, was sold for a nominal sum in March 2021 after a very challenging year. In summer 2020, following a period of retail club closures caused by the Government's response to the Covid-19 pandemic, the business successfully completed a company voluntary arrangement. Retail trading post re-opening was good but renewed opening restrictions through the late autumn and winter periods resulted in further significant losses which led Buzz Bingo to review its funding options once again. Caledonia, having carefully assessed the available investment opportunity, chose not to participate in the resulting funding round and disposed of its interest for a nominal sum. This created a write-down in the year of £69m.

Liberation Group, a pub, restaurant and drinks business with operations in the Channel Islands and South West England, has also experienced a rolling cycle of shut-downs and re-openings throughout the year in response to relevant policies in each territory. While the business traded well through the summer and autumn periods, it has suffered further pandemic related closures of its pubs over recent months. However, the UK brewery has operated throughout the period, supporting trade and growing online sales. The wholesale businesses in Jersey and Guernsey also remained open and traded strongly. In November 2020, Caledonia invested £36m of new equity to support Liberation's acquisition of a substantial portfolio of pubs from Wadworth, complementing the existing UK estate, and various value accretive capital projects across the enlarged estate. This investment, backed by the strong trading performance last summer, reflects our confidence in the long term prospects for the business. The investment made a return of 65.3% in the year, which partially reflects the removal of some uncertainty in relation to Covid-19 impacts which were factored into the valuation process of this investment in the previous financial year.

"Working side by side with our portfolio companies, we provide the enduring capital and enduring support that will generate growth and value for stakeholders now and over the longer term."

Duncan Johnson
Head of Caledonia Private Capital

Private Capital

37%

of net assets at 31 March 2021

Find out more
www.caledonia.com/pcap

Seven Investment Management ('7IM'), the retail investment manager, has traded well in the period, growing its assets under management ('AUM') due to market performance and positive fund inflows. 7IM's product range continues to perform well with core funds ranked in the first and second quartiles over one and three years. In September 2020 7IM completed the acquisition of Partners Wealth Management ('PWM') and Find a Wealth Manager. The integration of PWM into the wider business is proceeding successfully. The investment returned 29.4% in the year.

Deep Sea Electronics ('DSE'), the industry-leading manufacturer of genset and ATS control modules, battery chargers and power supplies, remained operational throughout the year. DSE has traded well and paid Caledonia a dividend of £9.1m. The control technology developed by DSE should have wide applications in the development of mixed source power-provision, providing further growth opportunities. The investment returned 65.2% in the year.

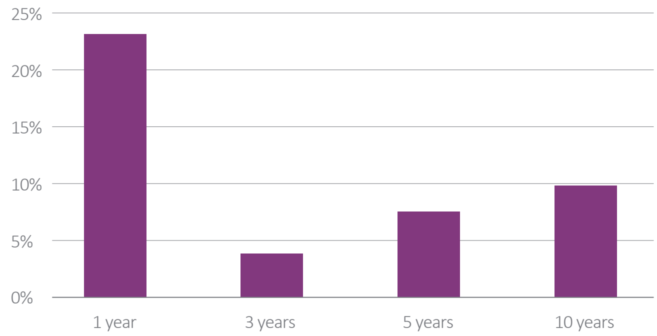
Cooke Optics, a leading manufacturer of cinematography lenses, was initially adversely impacted by the Covid-19 pandemic, temporarily closing its facilities in April 2020 to develop a safe working environment for employees before returning to full capacity. During the second half of the year the business has performed ahead of budget. Although filming activity has been restricted across many geographies the business remains profitable, and with long-term demand for high-quality content expected to remain strong, is well placed to respond as demand recovers. The investment returned 23% in the year.

Stonehage Fleming, the international family office, continues to trade strongly, adhering to local working practices across the jurisdictions in which it operates. Activity levels were high along with strong growth in AUM. In July 2020, Stonehage Fleming successfully acquired Cavendish Asset Management in an all-share transaction, adding a further £1bn of AUM, the integration of which has been successfully completed. The investment returned 30% in the year.

Cobepa, the Belgian based investment company, owns a diverse portfolio of private global investments. The trading results of the businesses in its high-quality portfolio have proven resilient during the pandemic, and the year has seen a number of successful realisations including Gen II, a leading provider of alternative asset fund administration services. The valuation of Cobehold, the holding company of Cobepa, reflected this more positive outlook and this has driven an investment return in the year of 17.9%.

	£m
Opening value	611.3
Investments	98.4
Realisations	(2.5)
Valuation gains/losses	127.2
Accrued income	(7.6)
Closing value	826.8
Investment income	22.8

Annualised pool returns



Significant pool investments

Name	Business	Geography	First invested	Value £m	Pool %	Return %
Deep Sea Electronics	Control systems	UK	2018	193.0	23.3	65.2
Liberation Group	Pubs & restaurants	Jersey	2016	127.7	15.4	65.3
Seven Investment Management	Investment management	Jersey	2015	126.4	15.3	29.4
Stonehage Fleming	Family office services	Guernsey	2019	115.5	14.0	30.0
Cobehold	Investment company	Belgium	2004	112.3	13.6	17.9
Cooke Optics	Cine lens manufacturer	UK	2018	95.6	11.6	23.0
Other investments				56.3	6.8	
				826.8	100.0	23.2

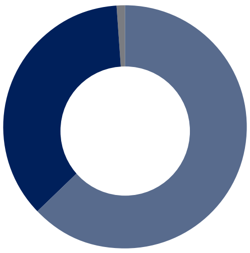
Funds

We seek diversified fund holdings in private capital that provide long-term and consistent returns in geographic markets that counterbalance our quoted equity and UK-centric private capital investments.

Annualised returns (%)

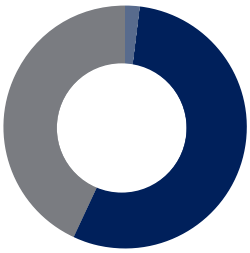
	1 year	3 years	5 years	10 years
Funds	34.8	14.6	14.9	13.3

Fund type



Private equity funds	63%
Funds of PE funds	36%
Quoted market funds	1%

Geography by region



United Kingdom	2%
North America	55%
Asia	43%

Rationale

The Funds pool comprises investments into private equity funds and funds of private equity funds. The funds we select are concentrated within North America and Asia, providing indirect exposure to geographies, sectors and business growth profiles which are difficult to access directly. North American fund investments focus on buyout funds in the lower to upper mid-market. Asian fund investments focus on venture and growth in non-cyclical, new economy sectors, which are set to benefit from wider demographic trends, for example, healthcare and technology. The Funds pool as at 31 March 2021 is well diversified, representing 56 funds managed by 37 managers.

Performance

During the year the Funds pool produced a return of 34.8%. Notable contributors to the year's performance were two of our fund of funds, Aberdeen US PE funds and Axiom Asia, which constituted 15.4% and 11.4% of the total Funds pool value, at 31 March 2021, respectively.

Aberdeen US PE funds generated returns of 40.5%. Aberdeen's funds invest in a diverse range of lower mid-market US businesses. The year included successful exits from businesses specialising in heating, ventilation and air conditioning repair and maintenance, glass manufacturing and remote access solutions. Recent investments have included commitments to holdings in B2B business services, and hospice and palliative care.

Axiom Asia achieved returns of 32.0%. Axiom's funds invest in businesses across Asia including China, Australia, Japan and South Korea. Funds include underlying holdings in technology, media, and telecommunications, retail, consumer, media and technology and healthcare.

"Caledonia has developed relationships with some of the world's most talented investment managers and, through careful fund selection, has enabled access to excellent investment returns."

Jamie Cayzer-Colvin
Head of Caledonia Funds

Funds

29%

of net assets at 31 March 2021

Find out more
www.caledonia.com/funds

During the year the best fund performance was seen in the mature funds of the portfolio. These funds are in the process of realising value from their portfolios by selling their invested companies. Strong public market valuations and an all-time high amount of uninvested private equity capital has driven up the value of these private companies, and managers have sought to capitalise on this opportunity. China healthcare venture and growth funds have also been notable for their good performance. This was due to the particular strength of the Chinese healthcare market and the reduced impact of Covid-19, in China, due to lessons they had learnt during the SARS outbreak in 2003. The Funds pool's younger funds were typically the poorer performers during the year. This was due to investments being held at cost and the funds suffering from a negative impact to NAV due to fees and transaction costs. This negative performance should, with time, recover.

Many of the underlying businesses held within the Funds pool faced uncertainty in the spring of 2020 as a result of the global pandemic. The adjustment to fund NAVs made in March 2020 to factor in the potential impact of Covid-19 was reversed on 30 September 2020.

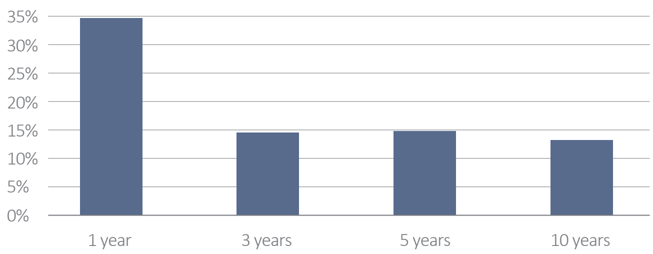
Investment Activity

The group invested £109m over the year across 32 funds. During the year we committed $115m (£83m) to eight new funds, encompassing North American lower mid-market funds and funds investing in the Asia region including an emphasis on healthcare and technology. Total undrawn commitments at the year-end were £284.9m.

The largest distributions in the year came from North American funds CenterOak Partners (£17.6m) and JF Lehman (£11.1m). The CenterOak distributions included profitable exits from residential and automotive services companies. JF Lehman distributions related to the merger and re-financing of two waste control businesses.

	£m
Opening value	450.1
Investments	109.1
Realisations	(87.3)
Valuation gains/losses	165.2
Closing value	637.1
Investment income	0.7

Annualised pool returns



Significant pool investments

Name	Business	Geography	First invested	Value £m	Pool %	Return %
Aberdeen US PE funds	Funds of funds	US	2013	98.2	15.4	40.5
Axiom Asia funds	Funds of funds	Asia	2012	72.5	11.4	32.0
Stonepeak funds	Private equity funds	US	2015	39.8	6.2	34.0
Asia Alternatives funds	Funds of funds	Asia	2012	39.1	6.1	24.2
JF Lehman funds	Private equity funds	US	2011	30.8	4.8	38.7
Decheng funds	Private equity funds	Asia/US	2015	30.3	4.8	69.9
LYFE fund	Private equity funds	Asia	2017	28.4	4.5	59.6
PAG Asia fund	Private equity funds	Asia	2015	25.6	4.0	18.8
Other investments				272.4	42.8	
				637.1	100.00	34.8

Financial review

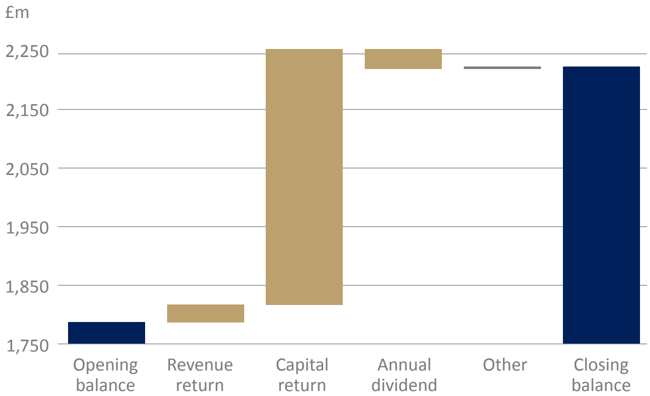
Tim Livett
Chief Financial Officer

Caledonia's net assets are significantly exposed to global equity markets. The current year has seen a strong recovery from the low point in March 2020 in the early stages of the Covid-19 pandemic. Almost all of our assets have benefitted from the recovery, with the majority adapting their business models successfully to operate in the post Covid-19 environment.

The unprecedented levels of government and central bank support for economies around the globe has been key to the recovery and therefore there remains some uncertainty as to the impact of the inevitable reduction in this support in the future. Our balanced exposure to worldwide markets and asset classes is designed to manage risk. After management expenses and non-pool investments, comprising subsidiary investment entities holding cash and receivables, the overall return was 25.9%, compared with the FTSE All-Share total return of 26.7%.

Caledonia's net assets increased to £2,225.3m at 31 March 2021, from £1,787.3m at the start of the year, largely due to strong capital gains across the portfolio as businesses recovered from the impact of the Covid-19 pandemic and returned to growth. In addition, with approximately 45% of the investment assets denominated in US dollars, the strengthening of Sterling by 11% over the year negatively impacted the annual return by £113m or more than six percentage points.

Change in net assets



Total comprehensive income

The company seeks to generate total profits from both investment income and capital growth. For the year ended 31 March 2021, the total comprehensive income was £467.6m (2020 – £172.5 loss), of which £29.8m (2020 – £34.6m) derived from income and £437.8m (2020 – £207.1m loss) from capital.

Revenue performance

Income statement

£m	2021 Revenue	2021 Capital	2021 Total	2020 Revenue	2020 Capital	2020 Total
Investment & other income	44.7	0.8	45.5	53.4	–	53.4
Net gains/(loss) on investments	–	440.2	440.2	–	(206.3)	(206.3)
Management expenses	(18.9)	(7.6)	(26.5)	(17.2)	0.6	(16.6)
Net finance costs	(2.6)	–	(2.6)	(1.5)	–	(1.5)
Exchange movements	(0.8)	–	(0.8)	(0.9)	–	(0.9)
Profit/(loss) before tax	22.4	433.4	455.8	33.8	(205.7)	(171.9)
Total comprehensive income	29.8	437.8	467.6	34.6	(207.1)	(172.5)

Investment and other income in the year of £44.7m was 16% lower than last year's £53.4m. Dividend income from the holdings in the Quoted Equity Income portfolio fell to £7.1m from £12.3m in the prior year; this reduction reflected the change in approach and lower yield target for the Income portfolio, as announced last year, a lower level of average capital invested as the portfolio transitioned to higher quality stocks and some individual dividend reductions or deferrals for businesses impacted severely by the Covid-19 pandemic. Dividend income from the Private Capital businesses of £22.8m was £5.8m lower than the prior year. The dividend from Cooke Optics was down £6.0m reflecting trading performance following a period of closure and weak demand, and SIS delivered no dividend, in contrast to the rest of the investee businesses which delivered dividends at a similar level to the prior year. Investment and other income represented a net yield on monthly average investment assets of 2.3%, compared with 2.8% last year.

Overall, the company's revenue management expenses were 10% higher than last year at £18.9m (2020 – £17.2m). This reflected an increase in personnel expenses of £2.1m: the dominant factor being annual bonus payments where the level of profit recorded in 2021, being significantly higher than in the prior year, had a direct impact. Other costs reduced as business travel activity was curtailed and offices were closed due to Covid-19 related restrictions. Fees and recharges also declined following a decision to waive charges for a temporary period to the Private Capital investee businesses.

Total return derived from income and shown in the revenue column was £29.8m, this includes a taxation credit of £7.4m relating to the use of tax losses for group relief; last year's comparative figure was £34.6m.

Capital performance

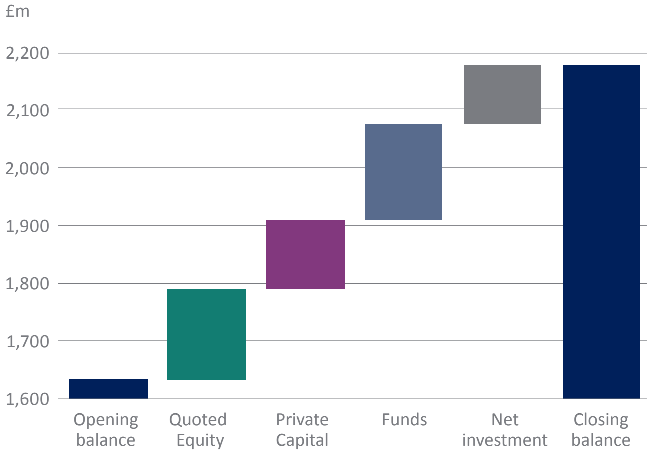
Valuation net gains on investments totalled £440.2m (2020 – £206.3m loss). Overall, our investment structure continued to provide a degree of diversification, but all areas of the portfolio recorded strong gains over the year: Quoted Equity investments recorded a net valuation gain of £156.9m, Funds investments a net gain of £165.2m and Private Capital investments a net gain of £127.2m.

The gain of £156.9m on Quoted Equity investments reflected the significant rebound in global public equity markets and considered stock selection within both the Capital and Income portfolios. The performance of the US public equities in both portfolios was particularly notable and was responsible for the majority of the gains.

The underlying capital gains in the private equity funds portfolio were strong throughout the year. However, the headline gains were also aided by the release of the Covid-19 adjustment included in March 2020 of £86.1m, as fund managers' valuations factored the pandemic impact into their assessments, but were adversely impacted by the 11% strengthening of Sterling against the US dollar, in a portfolio principally comprising US dollar assets.

The Private Capital investments were profoundly affected by the Covid-19 pandemic and resulting restrictions on movement: the valuation reduction in March 2020 reflected the adverse impact. The valuation gain of £127m in the year to 31 March 2021 included the full write-down of our holding in Buzz Bingo (£69m), which was sold for a nominal sum. Gains of £180m were recognised across the other businesses with major contributions from DSE (gain of £70m), Liberation Group (gain of £39m), Stonehage Fleming (gain of £26m) and Seven Investment Management (gain of £23m): all the businesses have adjusted successfully to operating under new regimes and are progressing well, both from a growth and profitability perspective.

Change in pool investments value



The company's capital management expenses were £7.6m (2020 – £0.6m credit), an increase of £8.2m year on year. This primarily reflected an increase in personnel expenses: £7.3m in the year compared with £3.4m credit in 2020, reflecting the significantly higher levels of expected vesting of the performance share awards in a year of strong investment returns compared to the losses of the previous year. Transaction costs of £0.3m (2020 – £2.8m) were incurred, mainly linked to due diligence work on new private equity fund investments, compared to the prior year costs incurred in the acquisition of the minority stake in Stonehage Fleming.

Total return derived from capital was a gain of £437.8m (2020 – £207.1m loss). The movement is dominated by the move from capital losses on investments last year of £206.3m to gains of £440.2m in the current year.

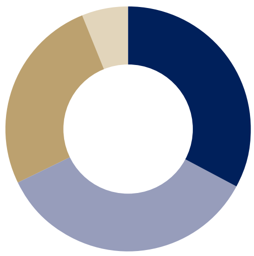
Valuation

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 42 to 44. 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 managers' NAV, which in turn uses recognised valuation techniques.

The Covid-19 pandemic introduced an increased level of uncertainty into the process of valuing private assets held at the end of March 2020. In response, our valuation methodology for unquoted companies and for fund interests was enhanced to address this issue: this is described on pages 43 and 44. Our approach to valuing private assets at the end of March 2021 has reverted to a more standard approach as a greater understanding of the impact of the pandemic on our businesses and investments has been developed.

The following chart summarises the source of valuations across the portfolio, illustrating that 68% of the portfolio value is subject to either market prices or independent external valuation:

Pool assets by valuation method



Quoted price	33%
Fund NAV	35%
Earnings	26%
Net assets	6%

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 assumes 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 0.98% (2020 – 0.85%). The ongoing charges ratio is calculated on an industry standard basis, comprising published management expenses over the monthly average net assets; full details of the calculation are provided on page 131. 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 54 consecutive years.

We paid an interim dividend of 17.0p per share on 7 January 2021 and have proposed a final dividend of 45.9p. The total annual dividend for the year of 62.9p is an increase of 2.9% on last year.

Including the proposed final dividend, the dividends to be paid for the year ended 31 March 2021 total £34.5m; net revenue for the year is £29.3m, with the uncovered element of the dividend being funded from historic retained earnings.

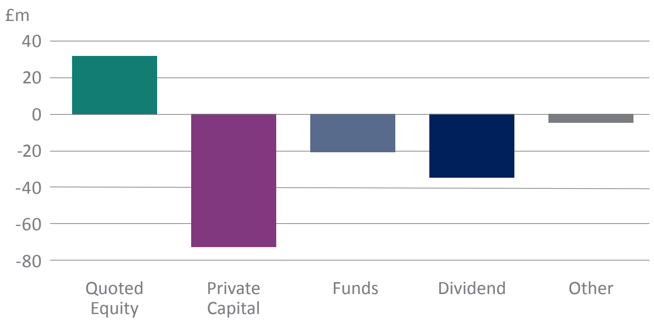
Cash flows, liquidity and facilities

Over the year we invested into private equity funds and into the Private Capital businesses, supporting acquisitions by Liberation Group and Seven Investment Management plus the financial restructuring of Buzz Bingo, and made net realisations from quoted equity holdings; closing the year with £14.2m of cash (2020 – £114.7m) and bank borrowings of £15m (2020 – nil).

This movement was broadly accounted for by £240.2m paid for investment purchases and dividends paid in the year totalling £33.7m, offset by £142.7m received from realisations and £27.8m generated by operating activities. A further £15m of outflows on financing and fixed assets was covered by £15m of bank borrowing.

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

Net cash movement by pool



At 31 March 2021, the company had borrowings of £15m and a further £235m of undrawn committed facilities; the total facilities comprised £112.5m from ING Group expiring in July 2022 and £137.5m from RBSI, including £25m in our treasury subsidiary. The RBSI facilities were renewed in May 2020 for a five-year term. In addition, the company had £25.9m of undrawn overdraft facilities, together providing total available liquid facilities of £275.9m.

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 53% 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 prior year there was a marked decline in the value of Sterling and 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: these arrangements were phased out in April 2020, as currencies started to stabilise.

Tim Livett
Chief Financial Officer
26 May 2021

Valuation methodology

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

Publicly traded securities

Listed investments in an active market are valued based on the closing bid price on the relevant exchange 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. 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.

Indicative offers
We regularly receive indications of interest from potential acquirers for our private capital assets either as part of a structured sale process or in the form of a direct approach. Where we judge it appropriate, the insight gained from such approaches is incorporated into the data sets used in arriving at valuations. Where there is an offer from credible buyer or buyers, and there is an intention to advance discussions, our practice is to consider fair values derived from an indicative enterprise value based on offers received with an appropriate discount applied. Discounts aim to reflect the unique uncertainty associated with the execution of each transaction, and are normally in a range of 5-20%.

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 to value separately.

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 created a significant degree of uncertainty: our valuation methodology for unquoted companies and for fund interests was enhanced for valuations as at 31 March 2020 to address this issue. Our approach was consistent with the International Private Equity and Venture Capital Special Valuation Guidance issued at the end of March 2020.

We have continued to review our approach to the valuation of these assets over the year to 31 March 2021. The approach for our unquoted companies has reverted to our standard approach amended to consider earnings over a broader range of periods to provide an appropriate assessment of maintainable earnings. The valuations of our fund interests have reverted to those provided by our fund managers, subject to the normal cash movements.

Valuation methodology (continued)

Unquoted companies

The standard 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 were maintained for valuations as at 31 March 2020, with amendments to address the following two key issues: earnings multiple and net debt impact, described below.

In the cases where public markets provide high quality, comparative earnings multiples, which are relevant to the investments within the Private Capital portfolio, these were used in the valuation process. However, in certain cases suitable earnings multiple information was not readily available and an alternative approach was utilised, by applying a further adjustment to the ordinary equity valuation based on the anticipated severity of the Covid-19 impact on the individual business.

In cases where businesses were very severely impacted by Government-imposed restrictions, such as the leisure and hospitality sector, there was a potential impact on net debt, arising from the need to fund ongoing business costs during a period when trading activity was largely suspended. An adjustment to reflect cash outflow during the anticipated period of closure was made for the businesses operating in this sector.

Valuations as at 31 March 2021 have reverted to deriving an enterprise value through the application of an earnings multiple to the maintainable earnings of the business. Our standard approach would be to use the latest available financial data to derive maintainable earnings. The earnings for many businesses recorded in the last twelve months have been impacted by the Covid-19 pandemic; therefore, maintainable earnings have been assessed by considering earnings of historic periods, budgets, plus current and future year forecasts in order to establish a suitable range to be used in the valuation process. In a similar manner, a range of earnings multiples derived from both trading and transaction comparable businesses have been used in valuing each investee company providing additional depth to the overall valuation approach.

Fund interests

The standard valuation methodology is to utilise the most recent valuations by the fund managers, subject to cash movements from the valuation date. Fund valuations are received 60-180 days after the reporting date. At 31 March 2020, this timing difference resulted in the fund manager valuations excluding the potentially negative impact of the Covid-19 pandemic. This issue was addressed by introducing an adjustment: this took account of the sector and geography of the underlying fund investments. The adjustment considered the potential impact of the Covid-19 pandemic on different industry sectors and utilised relevant market indices to assess valuation impact by region.

Valuations have been updated regularly during the year by the fund managers, in line with normal practice. These valuations now fully incorporate the impact of the Covid-19 pandemic on the underlying fund investments and the adjustment included as at 31 March 2020 is no longer required. The impact of removing this adjustment is detailed on page 39.

Going concern and viability

Going concern and viability

The review of going concern and viability was considered and approved by the board, following 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 stress test the robustness of the group's position to adverse events. The scenarios were developed from a detailed three-year financial plan produced in January 2021 which sought to incorporate the potential impact of Covid-19 on future trading and performance.

Going concern

The board has undertaken an assessment of the appropriateness of preparing its financial statements on a going concern basis, taking into consideration future cash flows, undrawn banking facilities of £235m and readily realisable assets of £730m as part of a wider process in connection with its viability assessment. It has concluded that the group has sufficient cash, 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 consider it appropriate to adopt the going concern basis in preparing the financial statements.

Viability statement

The directors have assessed the viability of the group over the three years to May 2024. The directors determined that a three-year period to May 2024 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.

The viability assessment takes into account the group's position, its investment strategy and the potential impact of the relevant risks set out in this strategic report, 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 and emerging 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 2024.

In making this assessment, the directors took comfort from the results of stress tests that considered the impact of severe market downturn scenarios. The initial downside scenario considered the impact of significantly weaker trading which reduced investment income by 20% in each year of the full three year period, deferred the receipt of distributions from our private equity fund investments by between 20% and 30% in the first two years, factored in an adverse short-term market correction to the pricing of our public equity holdings by 10% and assumed further investment into the Private Capital businesses to support them through any challenging trading periods. In addition, a further test was overlaid on the first, which assessed the impact of a full call of our outstanding private equity fund commitments at any point during the three-year period, creating a number of discrete scenarios. 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 as they fall due even under extremely adverse circumstances.

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 effectiveness. 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 Audit Committee and the board half yearly. These risks are described in more detail on the following pages.

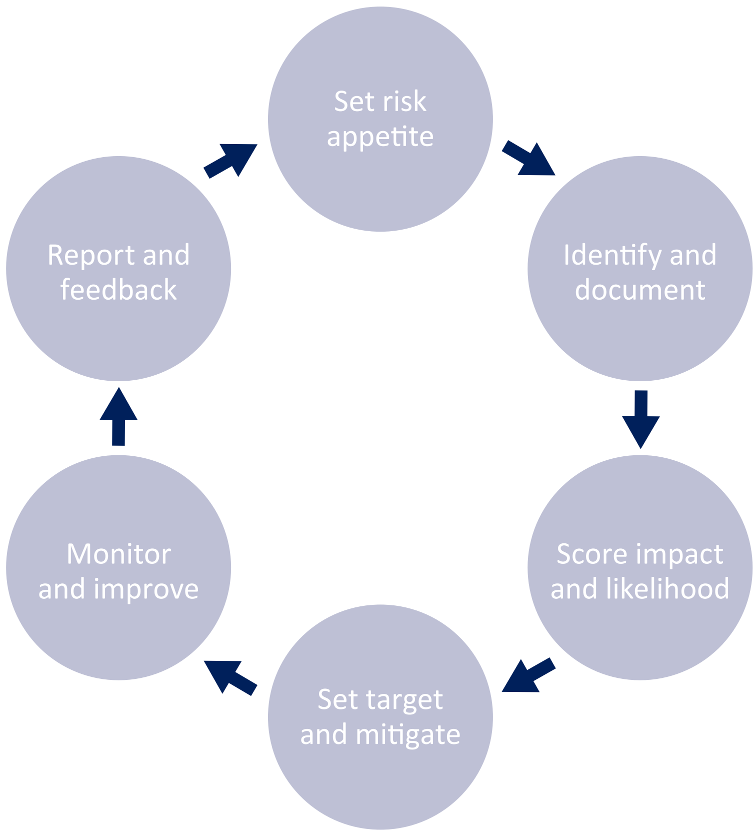
There was a notable decrease in market and liquidity risk during the year, reflecting the reduction in uncertainty surrounding the potential impact of Covid-19 when compared to March 2020. However, despite our robust mitigating actions, we have maintained the elevated level of operational risk arising from the pandemic due to the current UK Government restrictions and the possibility of further restrictions being imposed in the future.

An investment risk report, specifically focusing on the more technical areas of investment portfolio risk in relation to Caledonia's investment strategy is considered by the board half yearly and includes such risks as investment volatility, value at risk, diversification, liquidity and concentration.

Covid-19 pandemic risk management

Over the past year, the Audit Committee regularly monitored 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, particularly those operating in the consumer leisure sector. In addition, the operational risks associated with staff safety, operational integrity and IT systems, with a particular focus on cyber security, were all reviewed to ensure robust mitigation plans were in place and operating effectively.

The board continues to monitor progress on this issue, receiving regular updates, with pandemic risk incorporated into the corporate risk framework. The business has been able to conduct its activity fully despite all staff working remotely for much of the year. Key business control processes have continued to operate effectively throughout. Plans to operate a permanent hybrid model of office and homeworking are being developed and will be subject to risk review.



Risk management (continued)

Principal risks	Risk management and 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, liquidity, ESG factors and climate change.	The company's business model and strategy are reviewed periodically, against market conditions and target returns. The performance of the company and its key risks are monitored regularly by management and the board.
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 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 22.	Market risks and sensitivities are reviewed weekly with actions taken, where appropriate, to balance risk and return. A regular review of market and portfolio volatility is conducted by the board. Reviews also consider investment concentration, currency exposure and portfolio liquidity.
Liquidity Risk that liabilities cannot be met or new investments made due to a lack of liquidity. Such risk can arise from not being able to sell an investment due to lack of a market or from not holding cash or being able to raise debt.	Detailed cash forecasting for six months ahead is updated and reviewed weekly, including the expected drawdown of capital commitments. Loan facilities are maintained to provide appropriate liquidity headroom. The liquidity of the portfolio is reviewed regularly.
Operational Risks arising from inadequate or failed processes, people and systems or from external factors. Operational risks arise from the recruitment, development and retention of staff, systems and procedures and business disruption.	Systems and control procedures are developed and reviewed regularly. They are tested to ensure effective operation. Appropriate remuneration and other policies are in place to facilitate the retention of key staff. Business continuity plans are maintained and updated as the business evolves, and in response to emerging threats.
Global pandemic (Covid-19) Operational risk arising from staff sickness and other restrictions adversely impacting critical business operations. Investment risk due to limitations on earnings growth and NAV performance from key investments, coupled with erosion of market confidence.	Operational risk mitigated by robust IT contingency planning, secure remote working and careful adherence to the latest Government guidance. Increased frequency of investment reviews, particularly Private Capital businesses, to identify, assess and address pandemic related risks.
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: with professional advisers engaged where necessary to supplement internal knowledge in specialised areas. Caledonia is a member of the Association of Investment Companies and operates in line with industry standards. Regular staff training.
EU/UK trade Risk arising from a failure to reach a trade agreement with the EU adds cost to UK trade and negatively impacts economic growth. Potential volatility to public equity and foreign exchange markets due to uncertainty surrounding a trade agreement and its potential impact.	Continued monitoring of performance of directly held unquoted investments and business model exposure to potential EU/UK trade arrangements. Continued monitoring of public equity and foreign exchange market in response to EU/UK trade negotiations.

Key developments	Movement in risk status in year to 31 March 2021
Approach to ESG and climate change under development, with commitment to fully integrate into corporate strategy in the current financial year. Quoted Equity strategy for Income portfolio implemented with emphasis on yield quality; partially complete and continuing in the current financial year. Private Capital focus is now principally on driving value creation from existing portfolio of businesses. Annual net cash requirement for Funds pool diminishes as the portfolio matures.	↔
Quoted Equity pool has developed a "quality matrix" to guide robust investment decision making and ongoing monitoring. ESG and climate change considerations will be factored explicitly into investment decision making and monitoring in the current financial year. Funds portfolio commitment level supports detailed due diligence of existing and potential managers, supporting robust manager selection.	↔
Quoted Equity pool operates a structured approach to market price movements; purchases only made when target stocks are in the correct price range and systematic reductions made to holdings when prices rise above target levels. Foreign exchange exposure reduced using hedging contracts in the second half of last year, which were then closed in March 2020. Balance sheet currently fully exposed to foreign exchange movement with use of hedging under periodic review in line with market movements.	↓
Significantly improved three year financial planning in place providing a more robust liquidity outlook. Committed banking facilities of £250m in place. Overdraft facilities renewed with RBSI and HSBC renewal underway. Short term capital requirements for Private Capital pool largely removed following decision to principally focus on existing portfolio businesses. Strong performance of Quoted Equity portfolios provides increased level of highly liquid assets.	↓
Full review of approach to cyber security and technology undertaken using third party expertise. Limited areas for further improvements identified and implemented to mitigate risk of malicious threats. Business cyber security group established to raise awareness and champion new processes to limit vulnerabilities. Enhanced cyber security training and testing regime deployed to all staff. Programme of work underway to upgrade / replace key back office business systems to provide enhanced functionality and management information. Successful recruitment of senior staff into the finance team.	↔
Remote, secure working swiftly introduced, supported with effective technology. Staff welfare and ongoing communication prioritised. Additional operational and financial support provided, as needed, for Private Capital businesses. Liquidity further enhanced to provide increased flexibility to respond to market conditions.	N/A
Approach to ESG and climate change, subject to ongoing development, to be integrated into corporate strategy in the current financial year. Health and safety protocols developed and implemented for Covid-19 working in line with evolving Government guidance.	↔
Private Capital businesses have adapted supply chain activity successfully to address new trading arrangements, without any significant adverse impact. No change required to head office operations. Continued monitoring of the potential impact of further EU/UK trade negotiations on our public equities and our Private Capital businesses.	↓

Sustainability

We are committed to building our business for the long term. To this end, we consider the sustainability of the investments we make and aim to operate our business in a sustainable manner.

Introduction

We look at sustainability through two lenses; first, we consider the relevant factors as we make investment decisions and monitor the performance of our investments, and second, we consider how we sustainably manage our own business. The following sections provide further information on our approach.

Our investments

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 building and maintaining effective relationships with those companies in which we invest.

As a long-term investor our aim is to identify companies that can generate sustainable growth. We believe that responsible investment and business success go hand in hand, and we plan to fully embed consideration of environmental, social and governance ('ESG') factors in all stages of our investment journey. Caledonia is committed to investing in businesses which will grow, provide employment and generate economic benefit in an environmentally and socially responsible way, both during and after our ownership. Responsible investment requires analysis, judgement and mitigation of risk. We aim to invest in companies and funds that take a responsible approach towards the environment and society, built on high governance standards. Historically our stewardship activities have focused primarily on governance matters most notably in our majority owned investee businesses

We invest in a very broad range of companies across many sectors including healthcare and control systems.

which we seek to operate in line with industry best practice. However, we plan to build on this approach by fully incorporating ESG matters into our investment decision making to ensure that a broader spectrum of issues that are important to us are formally evaluated alongside other key criteria. We will expect our investment managers to consider these issues fully in proposing new additions to our portfolio holdings.

We know that ESG considerations are important to our shareholders and broader stakeholders and intend to make further progress during the current year. Over the past year we have been considering our future approach to responsible investment to augment our existing stewardship activities. We have developed the first draft of our ESG policy which has been debated by the board. We have appointed an experienced consultant to support us with further development of this policy, together with the formulation of a comprehensive implementation plan to fully integrate ESG considerations into our investment decision making, ongoing monitoring and reporting processes.

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 currently report publicly on our stewardship and voting activities. However, we do plan to keep this under review.

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 positions, that have a good track record of delivering returns. Our approach means that we do not generally invest in capital intensive businesses 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 and vote all our stock ahead of all shareholder meetings. As a consequence of our involved investment style, we expect to vote in line with management recommendations but are prepared to abstain or vote against resolutions where we consider they are not in the interests of our own shareholders.

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 to support the board. Our Private Capital team take non-executive roles in these businesses and use their positions to maintain close relationships with the management teams. Additionally, we hold frequent meetings with management which cover a wide range of subjects, including ESG matters, and regularly review performance.

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 matters, when seeking to maximise returns while taking account of the associated risks.

Taskforce on Climate-Related Financial Disclosures

We recognise the importance of communicating both financial and non-financial ESG performance clearly to our stakeholders. We have considered our approach to the recommendations of the Taskforce on Climate-Related Financial Disclosures ('TCFD') and will provide a full set of disclosures in next year's annual report. Set out below is high level information on how we currently incorporate climate-related risks and opportunities into each of the four TCFD pillars.

Governance

The board is responsible for the development, approval and implementation of our approach to responsible investment and our ESG policy, which is currently under development. Day to day accountability for sustainability matters, including climate-change related issues, rests with the management and, in particular, the Chief Executive.

Strategy

Our strategic aims are to grow capital value and income over the long-term for our shareholders, whilst managing risk to avoid permanent loss of capital. We invest in both public and private equity markets. We anticipate that our final ESG policy will set out the integrated approach we intend to take for each of the asset classes in which we invest.

Risk management
We make a small number of new investments each year and have the flexibility to screen out investment opportunities which are overly exposed to climate-related or other risks. We monitor all relevant portfolio risks, including climate-related risks and changing behaviours in response to climate change. We will continue to develop our governance and risk management framework to ensure that sustainability-related risks and opportunities are identified, considered and appropriately addressed.

Targets
We have yet to develop metrics and targets for the performance of both our investment portfolio and our business on ESG matters, including those related to climate change. We would expect these will be identified as our ESG policy is finalised. We do report greenhouse gas ('GHG') emissions information for our business.

Our business

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 and 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. Responsibility for whistleblowing procedures rests with the board, in line with the 2018 edition of the UK Corporate Governance Code.

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.

During the year we made enhancements to parental leave policies and health and well-being support.

Equality, diversity and inclusion

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 role. 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 our business.

	Male number	Male %	Female number	Female %
Board	7	78	2	22
Senior managers	14	70	6	30
All employees and board	34	51	32	48

Also set out below is the gender split across our investment and support staff, excluding non-executive directors.

	Male %	Female %
Investment staff	70	30
Support staff	40	60

Caledonia operates a flatter management structure than is often found in many other companies. Consequently, 58% of direct reports to members of our Executive Committee are female.

Caledonia has provided internship opportunities on an informal basis for many years. In summer 2021, a more formal internship programme will be introduced with the support of an independent facilitator. This year up to six interns, under the #10,000BlackInterns initiative, which seeks to help transform the horizons and prospects of young black people in the UK, will join the business for three weeks to learn more about Caledonia and the investment management industry. We expect to repeat the internship programme in future years as part of our commitment to diversity and inclusion.

Charitable activity

In March 2020, we established the Caledonia Fund to provide grants to eligible applicants who were closely connected with our investee companies and faced financial hardship due to the Covid-19 pandemic. The fund supported many individuals, particularly those working for our consumer-facing businesses, Buzz Bingo and Liberation Group, which were more severely impacted by the pandemic and Government imposed trading restrictions.

We have now established The Caledonia Investments Charitable Foundation to focus Caledonia's future charitable activity. This charity will support a small number of causes relevant to Caledonia's activities.

Environment

Caledonia's direct environmental impact is limited. The main source of carbon emissions has historically been through air travel, required as our investments are global and have necessitated regular meeting with managers, largely in Asia and the US. In the year to 31 March 2021 this almost totally ceased as Covid-19 prevented international travel, and therefore led to a dramatic reduction in our carbon emissions. It is notable that the increased use of online technology, particularly video conferencing, has mitigated the impact of travel restrictions. However, we believe that face to face discussion is important in building long-term relationships with managers and businesses and, whilst international travel may not be required at the same levels as seen prior to the pandemic, we do anticipate a return to some travel in the future in order to support good investment decision making.

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. The building and associated IT infrastructure has been designed with a number of features which should have a positive environmental impact:

» fully equipped kitchen and conference room 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

» technology to enable staff to work from home, thus removing the need for the daily commute

» recycling and waste sorting strongly encouraged and facilitated by split waste disposal units throughout the building.

This approach is mirrored in our newly completed adjacent building in Buckingham Gate. This building is expected to be occupied by tenants on a long-term lease.

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 GHG emissions 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 2021	GHG emissions in 2020	Unit	Quantity/ power used 2021	Quantity/ power used 2020	Unit
Scope 1 (direct emissions)	» Combustion of fuel and operation of facilities » Air conditioning refrigerant loss » Company car use	19	24	Tonnes CO_2e	93 1	100 2	Kilowatt-hours (k) Litres fuel (k)
Scope 2 (indirect emissions)	» Electricity purchased for own use	47	57	Tonnes CO_2e	199	224	Kilowatt-hours (k)
Scope 3 (indirect emissions)	» Business travel	7	371	Tonnes CO_2e	3	144	Litres fuel (k)
Total		73	452		285 4	324 146	Kilowatt-hours (k) Litres fuel (k)
Key performance indicator	Scope 1, 2 and 3 normalised to full time employee equivalent	1	8	Tonnes CO_2e per FTE	4.7 0.1	5.4 2.4	Kilowatt-hours (k) per FTE Litres fuel (k) per FTE

We invest from our own balance sheet, which allows us to be flexible and also means that our own and our shareholders' interests are absolutely aligned.

Flexible & responsible

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Board of directors

1 **David Stewart**
Chairman

N R

2 **Will Wyatt**
Chief Executive

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3 **Tim Livett**
Chief Financial Officer

4 **Jamie Cayzer-Colvin**
Executive Director

5 **Stuart Bridges**
Independent
Non-Executive Director

A G N

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 1994, 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 enable 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. He is also a non-executive director of Premier Marinas Holdings.

Tim brings to the board extensive commercial and 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, the RHS Pension Scheme and Heritage of London Trust and is a non-executive director of Polar Capital Holdings and Polar Capital Funds.

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

5 Stuart Bridges
Independent Non-Executive Director

Appointed a non-executive director of Caledonia in 2013, Stuart is Chairman of the Audit Committee and a member of the Governance and Nomination Committees. A chartered accountant, he has held positions in various financial services companies in the UK and US, including Henderson Global Investors. He served as Chief Financial Officer of Hiscox for some 16 years before holding the same role at Nex Group and Control Risks. He is currently Chief Financial Officer of Inigo Limited and a non-executive director of UIL 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
N

7 **Guy Davison**
Senior Independent Non-Executive Director
A G N

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

9 **Shonaid Jemmett-Page**
Independent Non-Executive Director
A G N R

Committee membership key

- A Audit
- G Governance
- N Nomination
- R Remuneration
- ■ Committee chair

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 enable 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 served 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 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 Cordiant Digital Infrastructure and a non-executive director of QinetiQ Group plc and Clearbank Limited.

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

Director	Meetings attended	Meetings eligible to attend
D C Stewart	11	11
W P Wyatt	11	11
T J Livett	11	11
J M B Cayzer-Colvin	11	11
S J Bridges[1]	10	11
Hon C W Cayzer[2]	10	11
G B Davison	11	11
C L Fitzalan Howard	11	11
S C R Jemmett-Page	11	11

1. Mr Bridges was unable to attend one board meeting, which was called at short notice when he had a pre-existing commitment.
2. The Hon C W Cayzer was unable to attend one meeting due to a hospital appointment.

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.

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 purpose and 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 formal schedule that 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 and full-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, including the Company Secretary

» 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 separate statements of responsibilities. 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 matters reserved for the board and the statements of responsibilities of the Chairman, the Chief Executive and the Senior Independent Director are reviewed by the board annually and 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 58 and 59.

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 64 to 86.

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

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 its 2021 evaluation, the board engaged an external consultant, The Effective Board LLP ('TEB'), to undertake a review of the performance of the board, its committees and the Chairman. TEB has no other connection with the company.

TEB's board performance evaluation was conducted through a structured interview process with directors, the Company Secretary and the heads of the pools of capital. TEB presented its findings in a report to the board and provided feedback on the performance of the Chairman directly to the Senior Independent Director.

TEB's overall conclusion was that Caledonia's board demonstrated a high degree of effectiveness. Recommendations for further improvement included:

» strategy development and mechanisms to monitor its successful implementation

» enhanced oversight of the employee appraisal process and further formalisation of processes to obtain employee feedback

» potential further improvements to Nomination Committee processes.

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 the committees. It is chaired by the Chief Executive and other members comprise the executive directors, the heads of the pools of capital and the Company Secretary.

» The Investment Management Committee ordinarily meets fortnightly, although during the year the frequency of meetings was increased in response to the impact of the Covid-19 pandemic. It 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 committee is chaired by the Chief Executive and other members comprise the entire investment team, the Chief Financial Officer, 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 executive directors, the heads of the pools of capital and the Company Secretary. The Chairman is also invited to attend meetings.

» The Compliance Committee meets regularly 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 and the Heads of Tax, Treasury and Financial Control.

» 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 Financial Control and the Chairman of the Audit Committee. The meetings are observed by representatives from KPMG LLP and, as part of transition planning, BDO LLP attended the most recent meeting.

Key stakeholders, engagement and board decision making

Details in respect of the company's key stakeholders, together with commentary on how the directors addressed the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 as they made decisions during the year, are set out in the section 172 statement on pages 14 to 16.

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 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 2021, being the latest practicable date prior to the publication of this annual report, the Cayzer family concert party ('Cayzer Concert Party') held 48.4% 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 2021, 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 2021

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 UK Corporate Governance Code.

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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.

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	2	2
S C R Jemmett-Page	2	2
W P Wyatt	2	2

Further information on the Nomination Committee's terms of reference
www.caledonia.com

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 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 and inclusion

The board's policy on diversity and inclusion is 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 diversity objectives.

The Committee is however mindful of the debate around improving diversity and inclusion, together with the targets set by The Hampton-Alexander Review and, more recently, The Parker Review. It therefore continues to take positive steps to improve board diversity alongside its succession planning activities. This will remain an area of continued focus during the search for a successor to Mr Bridges, who will reach nine years of service as an independent non-executive director in 2022.

External search consultants are expected to make every effort to put forward diverse candidates for new board positions. Whilst appointments will continue to be made primarily on merit and against objective criteria, it remains the Committee's intention that the diversity of representation on Caledonia's board will continue to increase over time.

Gender data analysis in respect of the board and Caledonia more broadly is provided on page 52.

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 2020 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 2020 annual general meeting, prior to giving recommendations to the board and shareholders for their re-elections

» the renewal of the Chairman's letter of appointment.

David Stewart
Chairman of the Nomination Committee

26 May 2021

Audit Committee report

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

Membership and attendance

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

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

The Audit Committee is responsible for monitoring the integrity of the financial statements of the company and for reviewing any significant financial reporting judgements they contain, together with associated announcements. In addition, it oversees the relationship with the external auditor. It also reviews the company's systems of internal control and risk management and considers annually whether an internal audit function is required.

The Audit Committee, comprised exclusively of independent non-executive directors with significant financial experience, met four times in the year ended 31 March 2021, in April, May and November 2020 and in March 2021. After the year end, it met in May 2021 in respect of matters relating to the 2021 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. The company's external auditor, KPMG LLP ('KPMG') also attended all meetings, except for the meeting held in April 2020 at which the company's audit tender was discussed. Members of the Audit Committee held a separate discussion with KPMG's audit partner at the end of each meeting he attended without management present. Other board members and/or senior executives may also attend meetings at the invitation of the Audit Committee Chairman.

Work of the Audit Committee

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

Financial statements

The focus of meetings in May and November 2020 was the 2020 annual report and financial statements and the 2021 half-year results respectively, including evaluation of the going concern statement and, in the case of the annual report, the company's viability statement.

In November 2020 the Audit Committee considered feedback from the Financial Reporting Council's ('FRC') Conduct Committee following its routine review of the company's 2020 annual report. The FRC's material finding was in respect of alternative performance measures ('APMs'), specifically how the company's ongoing charges ratio had been calculated. Whilst a methodology for the calculation had been disclosed in the company's 2020 annual report, the FRC was unable to compute the ongoing charges ratio using numbers from the financial statements. The Audit Committee therefore undertook to ensure that the 2021 annual report would provide an appropriate reconciliation where the basis of computing an APM could not be immediately derived from the financial statements. The FRC's review was based on the company's 2020 annual report and did not benefit from detailed knowledge of Caledonia or an understanding of the underlying transactions entered into. It was, however, conducted by FRC staff who have an understanding of the relevant legal and accounting framework. This review provides no assurance that the company's annual report was correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

Audit Committee report (continued)

The March 2021 meeting considered the audit planning for the 2021 annual report.

In its May 2021 meeting, the Audit Committee reviewed the form and content of the 2021 annual report and financial statements, together with the enhanced disclosure in respect of APMs in response to the feedback the company had received from the FRC. 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 noted that there were no new accounting standards applicable for the current year. In addition, the Audit Committee considered reports prepared by management to support the going concern and viability statements. The Audit Committee recommended the 2021 annual report to the board.

The significant issue the Audit Committee considered in relation to the 2021 financial statements was the valuation of unlisted investments. The key inputs into the valuation of Private Capital businesses were debated, recognising the unusual nature of trading during the year and the broad range of factors impacting market multiples utilised in the valuation process. An update of private equity fund valuations was also considered. In relation to these financial statements, the Audit Committee also considered the going concern and viability statements and, as requested by the board, compliance with the annual report's '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 any ongoing impact of the Covid-19 pandemic on the valuations.

Going concern and viability

The directors are required to make a statement in the annual report as to Caledonia's longer-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 longer-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 to May 2024, developed from a corporate financial plan which sought to incorporate the ongoing impact from Covid-19. The base case was subject to two stress tests. The first stress test reflected weaker trading across the portfolio with a 20% reduction in investment income, a reduction in the level of distributions from fund investments by 20% to 30% in the first two years of the plan, additional capital outflows into unlisted companies and an adverse market correction which reduced the pricing of public equity holdings by 10%. The second stress test built on the first and included the early settlement of fund commitments. The three-year period was chosen as it provided a reasonable degree of certainty, based on the company's expected activities.

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

The outcome of this activity led the Audit Committee to recommend to the board to make the statement on page 45.

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 91, 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 the next three financial years at its November 2020 meeting and the introduction of more standardised reporting. During the year, the Audit Committee reviewed reports on internal controls, including a review of the company's expenses system and associated processes, and in respect of the control environment of investee companies within the Private Capital pool. It also considered key performance indicators used to manage Caledonia's information technology assets and facilitate ongoing monitoring of associated risk controls and received a comprehensive presentation in respect of cyber security following the completion of a third party review of controls.

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

Internal audit

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

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

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. As a result of the rigorous review by the Audit Committee on non-audit services carried out by KPMG, there is limited reliance on the auditor's internal independence controls.

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's Revised Ethical Standard.

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. For the financial year ended 31 March 2021, the total fees for non-audit services were £47,330, the vast majority of which related to KPMG's independent review of the company's half year report.

Audit Committee report (continued)

Auditor

KPMG Audit Plc was appointed auditor, replacing Deloitte, 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 engagement partners every seven years. No contractual obligations restrict the Audit Committee's choice of external auditor.

During the year, the Audit Committee managed a competitive audit tender process utilising the FRC's best practice guidance. The Audit Committee, cognisant of regulatory guidance issued last year which highlighted the ongoing strain of the Covid-19 pandemic on the audit profession, sought to remain flexible in its approach to both timetable and decision making.

The goal of the audit tender process was to appoint an audit firm that would provide the company with the highest quality, most effective and efficient audit. The agreed process included:

» invitations to tender issued to five firms based on the findings and conclusions of the public reports on UK audit firms published by the FRC

» a pre-selection stage, led by the Chairman of the Audit Committee with input from the Chief Financial Officer, during which the potential audit partners from the five long listed audit firms, including the incumbent firm KPMG, participated in informal meetings

» the submission of written proposal documentation by each of three short listed audit firms

» formal presentations and question and answer sessions from each short listed firm, attended by all Audit Committee members, the Chief Financial Officer and other senior staff, initially conducted on a fee blind basis

» a decision by the Audit Committee to recommend the appointment of BDO LLP ('BDO') to the board.

Objective evaluation criteria considered by the Audit Committee included:

» quality, capability and continuity

» understanding of the business and industry

» service approach and transition arrangements

» resolution of technical issues

» relevant expertise

» quality assurance

» added value over and above the audit itself

» approach to independence and conflicts of interest

» value for money.

Following completion of the evaluation, which was weighted in favour of audit quality, the Audit Committee recommended two firms to the board with a stated preference for BDO. The Audit Committee believed that BDO's services were better aligned to the Company's overall requirements, with slightly more partner time expected when compared to the other firms. In addition, BDO was potentially a more appropriate independent audit firm for a number of investee companies, with an expectation that some may transition to the firm over time.

KPMG continued in its role as external auditor for the 2021 financial year. BDO has commenced its transition planning activities, which were reviewed by the Audit Committee at the March 2021 meeting. BDO is shadowing KPMG during the 2021 audit and is undertaking a comprehensive knowledge gathering exercise.

Appointment of BDO as auditor

Resolutions to appoint BDO LLP as auditor and to authorise the directors, acting through the Audit Committee, to determine the auditor's remuneration will be proposed at the annual general meeting on 21 July 2021.

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 2021

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)	2	2
S J Bridges	2	2
S C R Jemmett-Page	2	2

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

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

Work of the Governance Committee

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

» the review and approval of the Corporate governance and Governance Committee reports for the year ended 31 March 2020

» 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

» a review of the agreements, described on page 63, entered into by the company on 30 October 2014 with The Cayzer Trust Company Limited and separately with the Trustee of The Caledonia Investments plc Employee Share Trust, which is deemed by The Panel on Takeovers and Mergers to form part of the Cayzer Concert Party

» 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 2021

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)	3	3
C L Fitzalan Howard	3	3
D C Stewart	3	3

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 2021.

Remuneration policy

Our current remuneration policy was approved by shareholders in 2020 with over 99% of votes cast in favour. Approval followed consultation with Caledonia's largest shareholders and investor bodies regarding our proposed policy refinements. The principal elements of the approved policy are reproduced on pages 72 to 78 for ease of reference. No changes to the policy are proposed this year.

We remain committed to ensuring that our remuneration framework supports our overall strategy and business model, 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.

The Committee is cognisant of debate within the investor community around executive pay and regularly monitors evolving best practice. We have once again given careful consideration to the guidance issued by investors and investor bodies on the management of remuneration during the Covid-19 pandemic.

Caledonia has a small number of employees based in a single location. This enables us to consider their detailed terms and conditions when setting director remuneration, including recent enhancements to parental leave policies and mental health support following the move to remote working. Regular reporting to the board also provides us with wide ranging staff analysis including attrition rates, promotion decisions and training and development. We proactively review gender pay gap analysis to ensure Caledonia maintains equal pay for work of equal value.

Jamie Cayzer-Colvin has specific responsibility for the Funds pool with underlying funds predominantly using US dollars as their functional currency. The Committee concluded that the performance of the Funds pool should therefore be measured using the functional currency of the underlying funds. This change applied to his annual bonus for the 2021 financial year and for new awards made under the terms of the performance share plan from 2020 onwards.

Notwithstanding that Caledonia is not legally required to do so, we have 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 84 to 85.

Remuneration for the year ended 31 March 2021

The annual report on directors' remuneration set out on pages 79 to 86 describes in detail how our remuneration policy has been applied for the year ended 31 March 2021. 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 25.9%, outperforming the increase in the Retail Prices Index ('RPI'), taken for bonus purposes as the higher of actual RPI over the bonus year or 3.0%. This triggered the maximum bonus in respect of company performance. Due to the permanent loss of capital associated with the disposal of Buzz Bingo for a nominal sum in March 2021, the Committee concluded that Will Wyatt's bonus should be reduced by 15% and that the bonuses of Tim Livett and Jamie Cayzer-Colvin should be reduced by 10%. The Funds pool achieved a total return over the year of 49.1% on a constant currency basis which, for Jamie Cayzer-Colvin, was also above the return needed to achieve the maximum pay-out for that element of his bonus. After assessing their individual performance and, for Jamie Cayzer-Colvin, the attainment of pool objectives, the Remuneration Committee awarded overall bonuses to Will Wyatt, Tim Livett and Jamie Cayzer-Colvin of 85%, 90% and 90% of basic salary respectively. In each case, any bonus over 50% of basic salary is being deferred into shares for a period of three years.

Performance share scheme awards

The performance share scheme awards granted in 2016 (measured over five years) and the first one-third of the awards granted in 2018 (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 8.9% for the 2016 awards and 8.6% for the 2018 awards, giving vesting levels of 89% and 86% 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 14.9% and 14.6%, meaning that 100% of this portion of his 2016 and 2018 awards vested. Further details of the vesting scales for these awards can be found on pages 79 and 80. The Remuneration Committee considers that these performance outcomes are appropriate.

The remaining two-thirds of the 2018 performance share scheme awards will be tested in March 2023.

Remuneration for the year ending 31 March 2022

Looking ahead to the 2022 financial year, Tim Livett's and Jamie Cayzer-Colvin's basic salaries have been increased with effect from 1 April 2021 by 1.5%, 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.

We plan to make performance share plan awards following the release of our 2021 full year results in line with our normal grant cycle. These awards will be subject to the same performance measures used for the 2020 award grants, which are summarised in the notes to the remuneration policy table on page 75. Compulsory deferred bonus awards for Will Wyatt, Tim Livett and Jamie Cayzer-Colvin for the bonus received in excess of 50% of base salary will also be made at the same time.

Shonaid Jemmett-Page
Chairman of the Remuneration Committee

26 May 2021

The Committee has sought to address each of the following six factors set out in the UK Corporate Governance Code when determining remuneration policy and practice:

Clarity – our policy is understood by directors and senior management and has been clearly articulated to shareholders and investor bodies.

Simplicity – we believe the current remuneration structure is simple and have sought to avoid complex structures which may have the potential to deliver unintended outcomes.

Risk – our policy and approach to target setting seeks to discourage inappropriate risk-taking. We have also embedded malus and clawback provisions where appropriate.

Predictability – incentive arrangements are clearly set out and are subject to individual participation caps.

Proportionality – there is a clear link between the outcome of individual awards, delivery of Caledonia's strategy and long-term performance.

Alignment to culture – pay and policies are cascaded to Caledonia staff and are consistent with Caledonia's purpose, values and strategy.

Remuneration policy

Introduction

Set out below are the material elements of the directors' remuneration policy approved by shareholders at the annual general meeting held on 29 July 2020. This policy came into effect from that date and will apply until a revised remuneration policy is approved by shareholders, which will be proposed at the annual general meeting in 2023.

Implementation of the policy

There have been no changes to the current policy since its implementation and the extracts included below are for information only and to provide context for the 2021 Annual report on directors' remuneration which follows. References to share awards held by executive directors at the date of approval of the policy which have since been exercised have been removed and it has also been noted where share awards have met their performance targets since the implementation date. Executive directors' salary and service contract information has also been updated.

The full directors' remuneration policy is contained on pages 52 to 60 of the company's annual report 2020, which is available in the 'Results & reports' section of Caledonia's website at www.caledonia.com.

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

Legacy arrangements

The policy is essentially forward looking in nature. In view of the long-term nature of the company's remuneration structures - including obligations under service contracts, pension arrangements and incentive schemes - a substantial number of pre-existing obligations will remain outstanding at the time that the new policy is approved, including obligations that are 'grandfathered' by virtue of being in force at 27 June 2012 or which were incurred under the previous remuneration 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.

Remuneration structure

Executive directors

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

Salary (fixed pay)

Purpose and link to strategic objectives	To support the recruitment and retention of executive directors of the calibre required to manage and grow the company successfully.
Operation	Reviewed annually. The basic salaries of the executive directors for the 2021 financial year were: W P Wyatt: £540,000; T J Livett: £384,400; J M B Cayzer-Colvin: £343,700.
Opportunity and recovery or withholding provisions	Salary increases are normally awarded by reference to any increase in the cost of living, but may take into account other factors such as external market positioning, change in the scope of the individual's responsibilities or level of experience, development in the role and levels of pay elsewhere in the company. Year-on-year increases in basic salaries will not exceed inflation by more than 5%, other than in exceptional circumstances or where there is a change in role or responsibilities. No recovery or withholding provisions.
Performance measurement framework	Not applicable.

Benefits (fixed pay)

Purpose and link to strategic objectives	To provide a range of benefits alongside basic salary to recruit and retain high calibre executive directors.
Operation	Executive directors are provided with family private medical insurance cover, death-in-service insurance, and permanent health insurance and, in the case of Mr Wyatt and Mr Cayzer-Colvin, a legacy cash allowance in lieu of a company car. They are also entitled to receive minor benefits that are available to other Caledonia staff. The executive directors are also covered by the company's directors' and officers' liability insurance policy and have the benefit of an indemnity under the company's articles of association. Where there is a valid business reason for doing so, the company may pay for the cost of spouses or partners accompanying directors on business trips and reimburse directors for hotel accommodation and travel expenses (including payment of any tax thereon). Executive directors are also eligible to receive other minor benefits and expenses payments (again including payment of any tax thereon).
Opportunity and recovery or withholding provisions	A taxable benefits package that is competitive with the marketplace. The value of taxable benefits provided, other than ad hoc items incurred in connection with Caledonia's business that may be deemed taxable benefits such as travel and other expenses, will not in aggregate exceed 10% of basic salary. No recovery or withholding provisions.
Performance measurement framework	Not applicable.

Short-term incentives (variable pay)

Purpose and link to strategic objectives	To reward performance on an annual basis against key financial, operational and individual objectives.
Operation	Discretionary annual bonus scheme and deferred bonus plan under which a proportion of bonus may be compulsorily deferred into shares. Bonus is not pensionable.
Opportunity and recovery or withholding provisions	The maximum potential bonus is 100% of basic salary. Any bonus over 50% of basic salary is compulsorily deferred into shares for a period of three years. 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. All bonus payments are subject to the overriding discretion of the Remuneration Committee, which also retains discretion to amend the proportions of bonus subject to compulsory deferral or not to require any deferral. In order to be entitled to an annual bonus, an executive director must normally be in the group's employment and not under notice of termination (either given or received) at the time the bonus is paid. The Remuneration Committee has the right to cancel or reduce any cash bonus or deferred bonus shares granted after the effective date of this policy which have not yet been paid or vested, in the circumstances described under long-term incentives below. The Remuneration Committee also has the right to recover all or part of cash bonus paid or deferred bonus shares and dividend 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.
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	To motivate executive directors to deliver long-term shareholder value, thereby aligning the interests of management with those of shareholders. To encourage long-term retention of key executives.
Operation	A performance share scheme under which participants are awarded nil-cost options over the company's shares.
Opportunity and recovery or withholding provisions	The maximum value of nil-cost options that may be granted in any year under the performance share scheme rules is 200% of basic salary, although the company's policy is to grant annual awards of no more than 150% of basic salary. On exercise of nil-cost options, participants will also receive an amount 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. 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. 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.
Performance measurement framework	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. 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.

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	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. 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. No recovery or withholding provisions.
Performance measurement framework	Not applicable.

Notes to the policy table

1. Performance measures and targets

Annual bonus

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

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.

Remuneration policy

2. **New components introduced into the new remuneration policy**
There were 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 were (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, introduced (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	The Chairman's fee is determined by the Remuneration Committee and the non-executive directors' fees are set by the board. These are reviewed periodically taking into account the responsibilities and time commitments required and non-executive director fee levels generally. The Chairman receives an annual fee, which includes his basic non-executive director's fee, but does not receive any other remuneration. Non-executive directors receive basic fees, which are subject to an aggregate annual limit for non-executive directors' ordinary remuneration contained in the articles of association, currently £350,000. It is intended that this cap, which has not been changed for some time, be increased to £600,000 as part of proposed amendments to the articles of association at this year's annual general meeting. In addition, special fees are paid for the chairmanship and membership of the Audit and Remuneration Committees and also for the role of Senior Independent Non-Executive Director and Chairman of the Governance Committee. The fees of the Chairman and the non-executive directors on implementation of the policy for the 2021 financial year were as follows: 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.
Other benefits	The Chairman and the non-executive directors are all covered under the company's directors' and officers' liability insurance policy and have the benefit of an indemnity under the company's articles of association. The Chairman is also provided with an office and secretarial support. The company may, where appropriate, pay for the cost of spouses or partners accompanying non-executive directors on trips where there is a business reason for doing so and reimburse non-executive directors for hotel accommodation and travel expenses (in each case including payment of any tax thereon).

Remuneration policy for new appointments

Executive directors

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

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

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

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

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

Chairman and non-executive directors

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

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

Executive directors

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

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

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

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

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

Chairman and non-executive directors

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

Inspection

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

Policy on external non-executive directorships held by executive directors

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

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

Policy on payments for loss of office

Executive directors

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

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

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

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

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.

A post-cessation shareholding requirement for executive directors of two years has been implemented, 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.

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 2021 and describes how Caledonia's remuneration policy will be implemented for the 2022 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 2021 and a comparison with the previous financial year.

	W P Wyatt		T J Livett		J M B Cayzer-Colvin	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Fixed remuneration and benefits						
Salary	540	540	384	375	344	335
Taxable benefits[1]	23	20	7	5	22	21
Pension related benefits	71	71	51	49	45	44
Total fixed remuneration	634	631	442	429	411	400
Variable remuneration						
Short term Incentives[2]	459	–	346	–	309	–
Long term Incentives[3]	735	174	–	–	482	174
Total variable remuneration	1,194	174	346	–	791	174
Total	1,828	805	788	429	1,202	574

1. **Taxable benefits**
   Taxable benefits principally comprise private medical insurance cover, a small Christmas supplement paid to all Caledonia staff and business related expense reimbursements which are deemed by HMRC to be taxable. 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 and income protection insurance, directors' and officers' liability insurance and certain other benefits of minor value provided to all of Caledonia's staff.

2. **Short-term incentives**
   In accordance with the Company's remuneration policy, the following amounts included in the short term incentives column will be compulsorily deferred via the deferred bonus plan, for a period of three years in the form of nil-cost options:

2021	Compulsorily deferred £'000	Cash £'000	Total £'000
W P Wyatt	189	270	459
T J Livett	154	192	346
J M B Cayzer-Colvin	137	172	309

2020	Compulsorily deferred £'000	Cash £'000	Total £'000
W P Wyatt	–	–	–
T J Livett	–	–	–
J M B Cayzer-Colvin	–	–	–

For Mr Wyatt and Mr Livett, 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 2021 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 on a constant currency basis, with payments commencing on achievement of a total return of 6%, rising to a maximum pay-out against a total return of 13.5%, and pool objectives, by measures such as increasing Caledonia's knowledge of the Asian and US fund universe, ensuring Caledonia remains positioned with managers raising new funds, refining and executing the Funds pool strategy and cash flow. Individual performance for each executive director was assessed by reference to personal objectives set at the start of the year, including non-financial measures such as risk management, marketing of the company, team leadership, management skills, systems and controls enhancements, improvements to reporting, team development and promotion of Caledonia's corporate culture and image both internally and externally.

The company's NAVTR was 25.9% over the year against an increase in RPI (for bonus purposes) of 3%, giving a 100% payment for company performance. Notwithstanding the strong performance of the company overall, the Remuneration Committee concluded that the bonuses of the executive directors in respect of company performance should reflect the permanent loss of capital associated with the disposal of Buzz Bingo and accordingly reduced the payment to Mr Wyatt for this element to 35% and to Mr Livett and Mr Cayzer-Colvin to 40% and 15% respectively.

The Funds pool's return over the year was 49.1% on a constant currency basis (34.8% on a Sterling basis), giving a payment of 100% for Mr Cayzer-Colvin for this element. In assessing Mr Cayzer-Colvin's achievement of his pool objectives, the Remuneration Committee took account of the fact that Caledonia remains well known in its target funds sectors in both the US and Asia and continues to be offered participation in new fund launches even when oversubscribed by existing limited partners. It also noted the good progress being made in implementing the strategy of increasing the pool's focus on private equity funds and the reduction in quoted market fund exposures and concluded that Mr Cayzer-Colvin should be awarded the full bonus of 35% salary for attainment of pool objectives. It further decided that Mr Cayzer-Colvin's team leadership and general contribution in executive decision taking merited a bonus of 15% of salary for individual performance.

In terms of Mr Wyatt's and Mr Livett's individual performance, the Remuneration Committee assessed aspects such as shareholder engagement, execution of the board's strategy, enhancements made to systems and controls, improved reporting, management of the executive team and peer group liaison and analysis. Mr Wyatt and Mr Livett were each considered to have met their personal objectives for the year in full. The total bonuses awarded to Mr Wyatt, Mr Livett and Mr Cayzer-Colvin for the year were therefore determined as follows:

	W P Wyatt		T J Livett		J M B Cayzer-Colvin	
	Award %	Max %	Award %	Max %	Award %	Max %
Performance						
Company	35	50	40	50	15	25
Pool	n/a	n/a	n/a	n/a	25	25
Objectives						
Pool	n/a	n/a	n/a	n/a	35	35
Individual	50	50	50	50	15	15
Total	85	100	90	100	90	100

3. **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 2016 under the performance share scheme and one-third of the awards granted under that scheme in 2018. All such awards were nil-cost options.

The 2016 and 2018 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 2016 performance share scheme awards measured over the five years to 31 March 2021, Caledonia's annualised NAVTR over the period was 8.9%, resulting in 89% vesting. For Mr Cayzer-Colvin's award measured by reference to his pool's performance, the Funds pool delivered an annualised total return of 14.9% over the period, resulting in 100% vesting.

For the 2018 performance share scheme awards measured over the three years to 31 March 2021, Caledonia's annualised NAVTR over the period was 8.6%, resulting in 86% vesting. For Mr Cayzer-Colvin's award measured by reference to his pool's performance, the Funds pool delivered an annualised total return of 14.6% over the period, resulting in 100% vesting.

The awards granted in 2016, following performance testing, vested on 26 May 2021. The awards granted in 2018, also following performance testing, will vest on 30 May 2021. The values, as reflected in the 2021 long term incentives column above, are calculated using the three-month average share price to 31 March 2021 of 2741p, together with the value of dividends 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 £	Value of dividend equivalents at vesting £	Estimated total at vesting[a] £
W P Wyatt	664,693	70,061	734,753
J M B Cayzer-Colvin	435,901	45,816	481,717

[a] Due to rounding, the individual columns do not necessarily add up to the total column.

The estimated value attributable to share price appreciation since grant in 2016 and 2018, based on the three-month average share price to 31 March 2021, was £53,062 for Mr Wyatt and £34,583 for Mr Cayzer-Colvin. No discretion was exercised by the Remuneration Committee in respect of share price appreciation.

The 2020 figures shown in the long-term incentives and total rows in the single total figure table on page 79 have been restated to replace estimated values for performance share scheme awards included in last year's report. The estimated values, which included dividend equivalents, were £183,359 for Mr Wyatt and £183,219 for Mr Cayzer-Colvin. The restated figures, which reflect the values on the vesting dates, were as follows:

	Value of long-term incentive awards at vesting £	Value of dividend equivalents at vesting £	Total at vesting £
W P Wyatt	150,274[a]	24,178	174,452
J M B Cayzer-Colvin	150,785[b]	23,018	173,803

[a] 5,602 shares granted in 2015 vested on 26 June 2020. The mid closing price was 2682.5p per share.
[b] 5,126 shares granted in 2015 vested on 26 June and 504 shares granted in 2017 vested on 21 July 2020. The mid closing prices were 2682.5p and 2635p respectively.

Chairman and non-executive directors

Fees and other remuneration paid to the Chairman and the non-executive directors during the year ended 31 March 2021 and the previous year were as follows:

	Fees		Taxable expenses[6]		Total[8]	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
D C Stewart	150	150	–	–	150	150
S J Bridges	46	46	–	–	46	46
Hon C W Cayzer[1]	45	42	–	–	45	42
G B Davison[2]	47	46	–[7]	–	48	46
C H Gregson[3]	–	16	–	–	–	16
C L Fitzalan Howard[4]	42	29	–	–	42	29
S C R Jemmett-Page[5]	47	46	–	–	47	46

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 Davison was appointed as senior independent director on 24 July 2019.
3. Mr Gregson retired as a director on 24 July 2019.
4. Mrs Fitzalan Howard was appointed as a director on 22 July 2019.
5. Mrs Jemmett-Page was appointed as chairman of the Remuneration Committee on 24 July 2019.
6. Taxable expenses include expense reimbursements relating to travel, accommodation and subsistence in connection with board and committee attendance during the year which are deemed by HMRC to be taxable in the UK. Amounts are the grossed-up cost of UK tax paid by the company. Non-taxable expense reimbursements have not been included in the table.
7. Mr G B Davison incurred a taxable expense during the year in connection with travel to a meeting with a total cost, including tax, of £225.
8. Due to rounding, individual columns do not necessarily add up to the total column.

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

Total pension entitlements (audited)

Defined contribution

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

	Pension contribution		Cash supplement		Total	
	2021 £	2020 £	2021 £	2020 £	2021 £	2020 £
W P Wyatt	–	–	71,178	71,178	71,178	71,178
T J Livett	–	–	50,668	49,429	50,668	49,429
J M B Cayzer-Colvin	–	–	45,303	44,189	45,303	44,189

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.

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. No awards were made 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[1] number	Receivable if minimum performance achieved[2] %	End of performance period
W P Wyatt								
Performance Share Scheme	Nil-cost option	150% of salary	04.08.20	810	2640p	30,682	10	31.03.25
Total scheme interests awarded				810		30,682		
T J Livett								
Performance Share Scheme	Nil-cost option	150% of salary	04.08.20	577	2640p	21,841	10	31.03.25
Total scheme interests awarded				577		21,841		
J M B Cayzer-Colvin								
Performance Share Scheme	Nil-cost option	150% of salary	04.08.20	516	2640p	19,528	10	31.03.25
Total scheme interests awarded				516		19,528		

1. The number of shares comprised in the awards under the performance share scheme was determined by reference to the company's share price at the time that the awards were made.
2. The performance targets for awards under the performance share scheme are set out under the statement of directors' share scheme interests on page 83.

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 2021 £'000	Fees 2020 £'000
T J Livett	Non-executive director, Premier Marinas Holdings	37.5	37.5
J M B Cayzer-Colvin	Non-executive Chairman, The Henderson Smaller Companies Investment Trust	35.0	34.5

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.

Mr King exercised all of the vested 2015 performance share scheme award over 2,915 shares on 22 July 2020, which was subject to performance testing as at 31 March 2020 and vested on 26 June 2020, at a total pre-tax value of £89,902, including £12,581 in respect of dividend equivalents.

Mr King's pro-rated entitlements to performance share scheme awards made in 2016 and 2018 were subject to performance testing as at 31 March 2021. 5,987 shares awarded in 2016 and 1,367 shares awarded in 2018 will vest on 26 and 30 May 2021 respectively.

Annual report on directors' remuneration

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 78. Both Mr Wyatt and Mr Cayzer-Colvin have attained the minimum guideline shareholding as at 31 March 2021. Mr Livett joined the company in 2019 and has therefore yet to begin building a shareholding. The values of the relevant shareholdings of each executive director as at 31 March 2021, calculated by reference to Caledonia's closing share price on that date of 2645p, 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	30.7	2846
T J Livett	–	–
J M B Cayzer-Colvin	10.1	1967

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 2021 (or date of cessation in the case of Mr Gregson) were as follows:

	Beneficial		Non-beneficial	
	2021 number	2020[1] number	2021 number	2020 number
D C Stewart	4,072	4,072	–	–
W P Wyatt[2]	1,149,317	1,143,715	80,038	80,038
T J Livett[3]	–	–	–	–
J M B Cayzer-Colvin[2]	374,913	374,320	150,273	121,942
S J Bridges	5,309	5,309	–	–
Hon C W Cayzer[2]	41,092	41,092	15,500	15,500
G B Davison	8,100	8,100	–	–
C L Fitzalan Howard[4]	2,000	–	–	–
C H Gregson	n/a	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 1,009,898 shares (2020 – 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 (2020 – 1,000 shares). His non-beneficial interests included 14,500 shares (2020 – 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 (2020 – 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' share scheme interests

The interests of directors as at 31 March 2021 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[1]	Unvested without performance conditions[2]	Vested but un-exercised[3]	Total
W P Wyatt	*Performance share scheme awards*					
	Granted 26.05.16 (nil-cost)	2422p	–	–	15,665	15,665
	Granted 21.07.17 (nil-cost)	2837p	18,488	–	–	18,488
	Granted 30.05.18 (nil-cost)	2705p	19,963	8,585	–	28,548
	Granted 30.05.19 (nil-cost)	2910p	27,835	–	–	27,835
	Granted 04.08.20 (nil-cost)	2640p	30,682	–	–	30,682
	Performance share scheme total		96,968	8,585	15,665	121,218
	Deferred bonus plan – compulsory awards[4]					
	Granted 30.05.19 (nil-cost)	2910p	–	7,560	–	7,560
	Deferred bonus plan total		–	7,560	–	7,560
	Total share scheme interests		96,968	16,145	15,665	128,778

During the year, Mr Wyatt exercised performance share scheme awards over a total of 5,602 shares at a pre-tax gain of £150,274 plus an additional sum of £24,178 in respect of dividend equivalents.

T J Livett	*Performance share scheme awards*					
	Granted 30.05.19 (nil-cost)	2910p	19,330	–	–	19,330
	Granted 04.08.20 (nil-cost)	2640p	21,841	–	–	21,841
	Performance share scheme total		41,171	–	–	41,171
	Total share scheme interests		41,171	–	–	41,171
J M B Cayzer-Colvin	*Performance share scheme awards*					
	Granted 26.05.16 (nil-cost)	2422p	–	–	10,197	10,197
	Granted 21.07.17 (nil-cost)	2837p	11,200	–	–	11,200
	Granted 30.05.18 (nil-cost)	2705p	12,088	5,706	–	17,794
	Granted 30.05.19 (nil-cost)	2910p	17,280	–	–	17,280
	Granted 04.08.20 (nil-cost)	2640p	19,528	–	–	19,528
	Performance share scheme total		60,096	5,706	10,197	75,999
	Deferred bonus plan – compulsory awards[4]					
	Granted 30.05.19 (nil-cost)	2910p	–	5,619	–	5,619
	Deferred bonus plan total		–	5,619	–	5,619
	Total share scheme interests		60,096	11,325	10,197	81,618

During the year, Mr Cayzer-Colvin exercised performance share scheme awards over a total of 5,630 shares at a pre-tax gain of £150,785 plus an additional sum of £23,018 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 and Mr Livett on 21 July 2017, 30 May 2018, 30 May 2019 and 4 August 2020, 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.

   The nil-cost options granted on 26 May 2016, shown as vested but unexercised, were performance tested against their relevant target as at 31 March 2021 and achieved a vesting level of 89% for those measured against Caledonia's NAVTR. The proportion of Mr Cayzer-Colvin's nil-cost options awarded at that date measured against the Funds pool's return achieved a 100% vesting level. The one-third of the shares comprised in the nil-cost options granted on 30 May 2018, shown as unvested without performance conditions, subject to three-year performance testing was tested as at 31 March 2021 and achieved a vesting level of 86% for those measured against Caledonia's NAVTR. The proportion of Mr Cayzer-Colvin's nil-cost options measured against the Funds pool's total return achieved a 100% vesting level.

Other exercise conditions

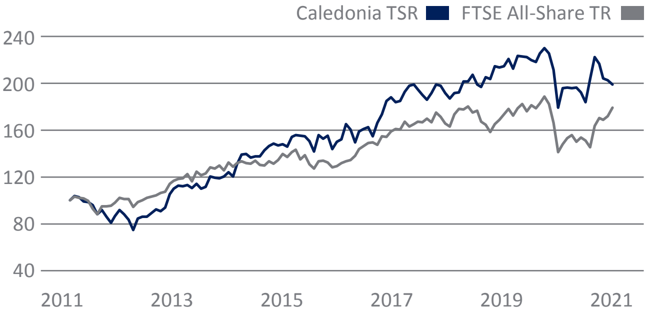
2. **Performance share scheme**
   Nil-cost options that vest following the three or five year performance testing become immediately exercisable on the third or fifth anniversary of grant, as applicable.
3. **Vested but unexercised**
   Shares vested but unexercised represent those awards that are immediately exercisable without any conditions.
4. **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.

Directors' remuneration report (continued) Annual report on directors' remuneration

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 2021. 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 2021, prepared on the same basis as in the single total figure in the table on page 79, and the percentage of the maximum potential short and long-term incentives received in those years.

Years ended 31 March	Chief Executive	Total remuneration £'000	Incentives vested as a percentage of maximum: Short-term %	Long-term %
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	805[1]	–	20.9
2021	W P Wyatt	1,828	85	87.9

1. Restated from last year's single total figure table to reflect the company's share price on the vesting date of the 2015 performance share scheme award.

Percentage change in remuneration of directors

The following table shows the percentage change in the basic salary/fees, value of taxable benefits and short-term incentives paid to directors in the year to 31 March 2021 against the previous financial year, compared with the average percentage changes in those components of pay of Caledonia's other staff, excluding directors, on a per capita basis.

The per capita percentage increase in basic salary for staff shown in the table is higher than the standard award of 2.5% from 1 April 2020 due to the effect of non-standard increases awarded for promotions, increased responsibilities or other such adjustments. The Chief Executive did not receive an increase in basic salary for the 2021 financial year. Increases in non-executive fees relate to changes in responsibilities made in 2019 or, in the case of Mrs Fitzalan Howard, her first full year as a director since appointment. 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. Mr Wyatt, Mr Livett and Mr Cayzer-Colvin were awarded bonuses of 85%, 90% and 90% respectively based on company performance and individual objectives, compared with no bonus in the previous financial year. 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.

	Basic salary/ fees %	Taxable benefits/ expenses %	Short-term incentives %
Executive directors			
W P Wyatt	–	12.9	100
T J Livett	2.5	23.6	100
J M B Cayzer-Colvin	2.5	6.2	100
Chairman and non-executive directors			
D C Stewart	–	–	n/a
S J Bridges	–	–	n/a
Hon C W Cayzer	6.6	–	n/a
G B Davison	3.5	100	n/a
C L Fitzalan Howard	43.8	–	n/a
S C R Jemmett-Page	2.2	–	n/a
Staff per capita (excluding directors)	7.4	5.2	157.5

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 79, against the lower quartile, median and upper quartile total remuneration of the company's employees as at 31 March 2021. 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.

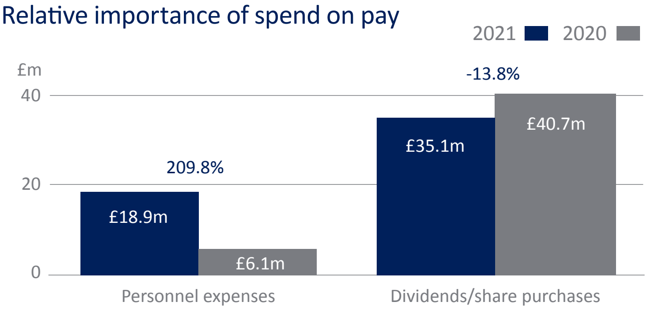
Year	Methodology	Pay ratios P25 (lower quartile)	Pay ratios P50 (median)	Pay ratios P75 (upper quartile)	Basis	Remuneration values Chief Executive	Remuneration values P25 (lower quartile)	Remuneration values P50 (median)	Remuneration values P75 (upper quartile)
2019	*Option A*	32:1	13:1	5:1	Total remuneration (£'000)	1,864	58	140	403
	Salary only	13:1	6:1	4:1	Salary only (£'000)	540	42	88	150
2020	*Option A*	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
2021	*Option A*	30:1	15:1	6:1	Total remuneration (£'000)	1,828	61	122	329
	Salary only	12:1	7:1	4:1	Salary only (£'000)	540	46	78	138

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 2022 financial year

The company expects to operate the remuneration policy as described on pages 72 to 78 without any changes in the financial year ending 31 March 2022.

Basic salaries of executive directors

In respect of the 2022 financial year, the Remuneration Committee has awarded an inflation-based increase in basic salary of 1.5% 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 2022 financial year are as follows:

	Salary for year to 31 March 2022 £	Salary for year to 31 March 2021 £
W P Wyatt	540,000	540,000
T J Livett	390,250	384,400
J M B Cayzer-Colvin	349,000	343,700

Chairman's and non-executive directors' fees

The Chairman's and the non-executive directors' fees have not been increased for the 2022 financial year and therefore remain as follows:

	Fees for years to 31 March 2021 and 2022 £
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 2022 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.

Directors' remuneration report (continued)
Annual report on directors' remuneration

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.

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 directors' remuneration report and share plans. Willis Towers Watson, appointed by the Committee following a formal selection process, provides independent remuneration advice where required. No advice was provided by Willis Towers Watson during the year. Willis Towers Watson 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. Fees incurred are charged on the basis of each 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 objective and 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. Given the composition of the Remuneration Committee and this requirement, we are comfortable that no conflicts are arising in respect of decision-making by the Remuneration Committee.

Statement of voting at general meetings

At the annual general meeting of the company held on 29 July 2020, the votes lodged for the resolutions relating to directors' remuneration and the remuneration policy were as follows:

	Number	%
To approve the 2020 Directors' remuneration report (other than the directors' remuneration policy)		
Votes in favour	35,002,062	99.9
Votes against	50,238	0.1
Total votes cast	35,052,300	
Votes withheld	17,321	

	Number	%
To approve the remuneration policy		
Votes in favour	34,981,912	99.8
Votes against	67,692	0.2
Total votes cast	35,049,604	
Votes withheld	20,016	

This report was approved by the board on 26 May 2021 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 54 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 aims for the annual dividend to be fully covered by net revenue for the relevant financial year in a period of normal trading. The company has available distributable reserves of £1,988m, broadly equivalent to 54 years' payment of the current annual dividend, which may be used to smooth a net revenue shortfall in any particular year.

2021 dividend distributions

An interim dividend of 17p per share (2020 – 16.6p) was paid on 7 January 2021 and the board has recommended a final dividend of 45.9p per share (2020 – 44.5p), giving total annual dividends for the year of 62.9p per share (2020 – 61.1p).

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 2021, 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 2021, 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 2021, 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 2021, 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%

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

Other governance matters (continued)

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 2021, the trust held 491,716 ordinary shares, representing 0.89% 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 them, if they 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 29 July 2020, 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 29 October 2021 or, if earlier, the conclusion of the next annual general meeting.

At the annual general meeting held on 29 July 2020, 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 29 October 2021 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 29 October 2021 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, 21 July 2021 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 58 and 59. All of the directors served throughout the year.

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.

Appointment and removal of directors

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.

Articles of association

A special resolution to adopt new articles of association will be considered by shareholders at the 2021 annual general meeting.

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 58 to 91 comprise the Directors' report of the company. The Directors' report was approved by the board on 26 May 2021 and signed on its behalf by:

Richard Webster
Company Secretary

Other governance matters (continued)

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 R (12)	Details of any arrangement under which a shareholder has waived or agreed to waive any dividends.	Other governance matters – page 88. 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 R (13)	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 R (14)(a)	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 63. Relations with controlling shareholders.
9.8.4 R (14)(c)	A statement made by the board that: 1. the listed company has complied with the independence provisions included in any agreement with a controlling shareholder entered into under Listing Rule 9.2.2 AD R (1) 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 AD R (1) have been complied with during the period under review by the controlling shareholder or any of its associates 3. so far as the listed company is aware, the procurement obligation (as set out in Listing Rule 9.2.2 B R (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.	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 group and company 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 accounting standards in conformity with the requirements of the Companies Act 2006 (the 'Act') and applicable law. In addition, the group financial statements are required under the Disclosure Guidance and Transparency Rules to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies to the European Union ('EU IFRSs').

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 estimates that are reasonable, relevant and reliable

» state whether international accounting standards in accordance with the Act have been followed in the group and parent company financial statements

» state whether EU IFRSs have been followed in the group financial statements

» assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern

» prepare the financial statements on the going concern basis unless they intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 Act. They are also responsible for any internal control they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that complies with law and regulation.

The directors are also 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 58 and 59 confirm that, to the best of their knowledge:

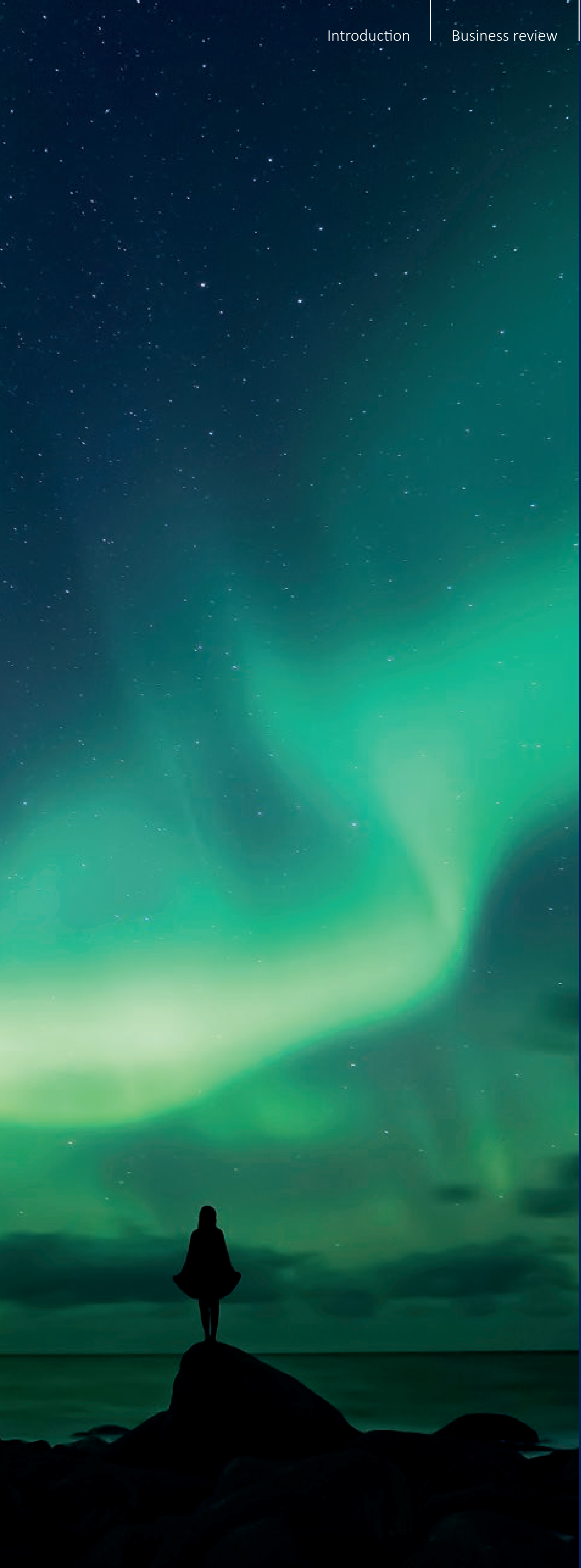
1. the group and parent company financial statements, which have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole
2. the Strategic report contained on pages 4 to 55 and Directors' report contained on pages 58 to 91 include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the board by:

Will Wyatt	**Tim Livett**
Chief Executive	Chief Financial Officer
26 May 2021	26 May 2021

Our independence and reputation enables us to take the long term view, which is key to our goal of building a store of wealth and delivering steady and rising income for our shareholders.

Considered & long-term



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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 ("the Company") for the year ended 31 March 2021 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 106 to 110.

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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of, 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 to the extent applicable.

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 10 financial years ended 31 March 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: group financial statements as a whole	£18.1m (2020:£16.4m) 0.8% (2020: 0.9%) of total assets	
Coverage	100% (2020:100%) of group profit before tax	
Key audit matters		**vs 2020**
Recurring risks	Valuation of unquoted Investments	▼

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

Key audit matters are those matters that, in our professional judgement, 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 matter in arriving at our audit opinion above, together with our key audit procedures to address this matter and our findings from those procedures in order that the Company's members, as a body, may better understand the process by which we arrived at our audit opinion. This matter was addressed, and our findings 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 this matter.

In the prior year we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. Following the trade agreement between the UK and the EU, and the end of the EU-exit implementation period, the nature of these uncertainties has changed. We continue to perform procedures over material assumptions in forward looking assessments such as going concern, however we no longer consider the effect of the UK's departure from the EU to be a separate key audit matter.

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2.2 Key audit matters: our assessment of risks of material misstatement

	The risk	Our response
Valuation of unquoted investments for the group and for the company Group and Parent company: £1,454.3m; (2020: £1,057.8m) Of which Private Capital Pool £826.8m (2020: £611.3) and the Funds Pool are £627.5m (2020: £ 437.4m) Refer to page 65 (Audit Committee Report), page 106 (accounting policy) and page 113 (financial disclosures.	**Subjective valuation:** 65% (2020: 58%) of the group’s total assets (by value) and 48% (2020: 58%) of the Parent company’s total assets (by value) are held in investments where no quoted market price is available. Unquoted investments comprise the Private Capital pool and the Funds pool. As these investments are unquoted and illiquid, the fair value is determined through the application of valuation techniques. The application of valuation techniques involves the exercise of significant judgement by the Group in relation to the choice of valuation technique employed and assumptions into the respective models (e.g. earnings multiples). During the year, the Group and the Parent company’s investment portfolio has continued to be impacted by COVID-19, although there is less uncertainty compared to prior year due to the Group’s experience of the last 12 months and the availability of observable data from actual performance of portfolio companies and comparable companies over the last 12 months. The impact on individual portfolio companies varies. This has increased the level of judgement required to be exercised by the Group, in particular as a result of the volatility in comparable company multiples and earnings. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of certain unquoted investments, as detailed above, 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 22) disclose the sensitivities estimated by the Group and the Parent company.	Our procedures included: **Control operation**: We obtained an understanding of the Group’s processes to determine the fair value of unquoted investments. We documented and assessed the design and implementation of the unquoted investment valuation processes and controls. **Control observation:** Attendance at bi-annual Valuations Committee meetings and Audit Committee meetings where we assessed the Audit Committee’s and Valuations Committee’s challenge and approval of unquoted investment valuations; We performed the tests below rather than seeking to rely on any of the Group’s controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Historical Comparisons:** Assessment of investment realisations in the period, comparing actual investment sales proceeds to prior year-end valuations to understand the reasons for significant variances and determine whether they are indicative of bias and error in the group’s approach to valuations; **Methodology choice:** In the context of observed industry best practice and the provisions of the Internal Private Equity and Venture Capital Valuation Guidelines, we challenged the appropriateness of the valuation basis selected; **Our valuations experience:** Challenging the investment manager on key judgements affecting investee company valuations, such as discount factors, the choice of benchmark for earnings multiples and where applicable the reasonableness of execution discounts applied to indicative offers received by management. 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. We performed an assessment of whether an understatement of the valuation of certain unquoted investments identified through these procedures was material. **Comparing valuations:** Where a recent transaction has been used to value any holding, we obtained an understanding of the circumstances surrounding the transaction and whether it was considered to be on an arm’s-length basis and suitable as an input into a valuation. We also assessed whether subsequent changes or events such as market or entity specific factors would imply a change in value. For the valuation of fund interests, we obtained and agreed the latest reported net asset values from the fund managers. **Assessing transparency:** Consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unquoted investments and the disclosure of changing one or more inputs to reasonably possible alternative valuation assumptions. **Our findings:** We found the resulting valuations of the unquoted investments to be mildly cautious (2020 finding: balanced). We found the disclosure of related assumptions and sensitivities to be balanced (2020 finding: balanced.)

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

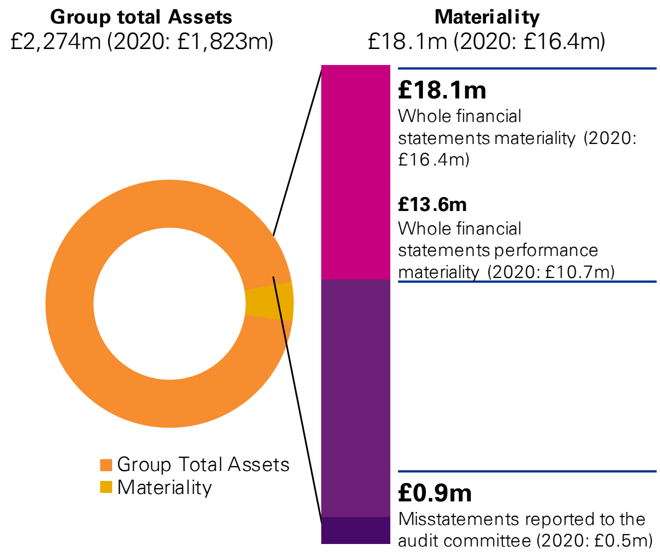
Materiality for the Group financial statements as a whole was set at £18.1m (2020: £16.4m), determined with reference to a benchmark of group total assets, of which it represents 0.8% (2020: 0.9%). Materiality for the parent company financial statements as a whole was set at £18.1m (2020: £16.4m), determined with reference to a benchmark of parent company total assets, limited to be less than materiality for group materiality as a whole.

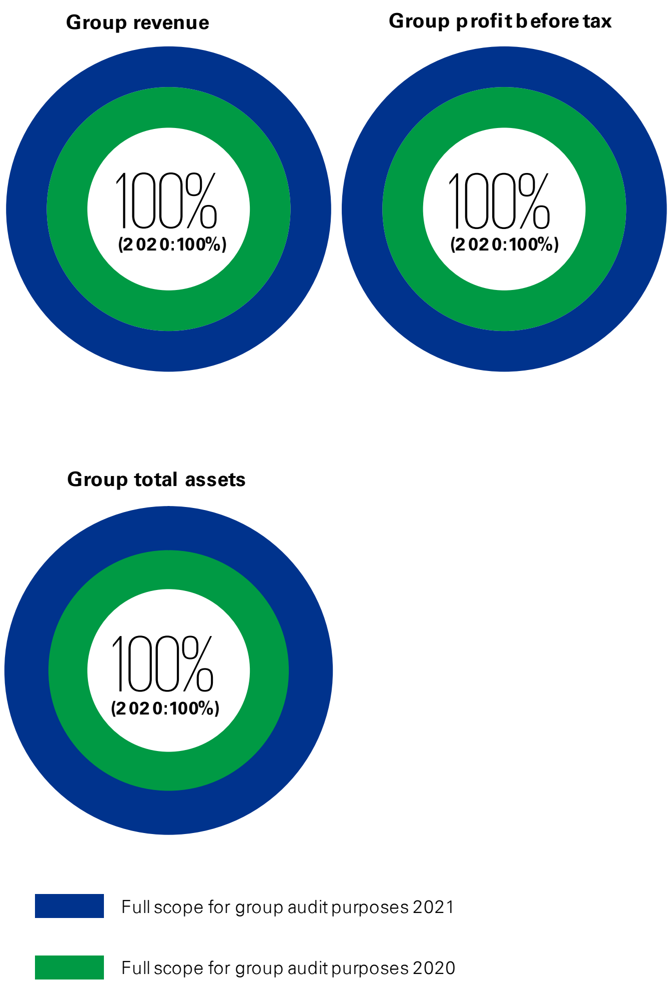
In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality for the group and parent company was set at 75% (2020: 65%) of materiality for the financial statements as a whole, which equates to £13.6m (2020: £10.7m) for both the group and parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.9m (2020: £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. 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.





4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company'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").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its 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 risk that we considered most likely to adversely affect the Group's and Company's available financial resources and metrics relevant to debt covenants over this period was:-

- Potential impact of COVID-19 on the Group's private equity funds (Fund Pool investments), and uncertainty of the timing when uncalled commitments made by the Group to these entities would be called due.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the Directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

Our procedures also included:

- Critically assessing assumptions in base case and downside scenarios relevant to liquidity and our knowledge of the Group and the sector in which it operates.
- We also compared past budgets to actual results to assess the directors' track record of budgeting accurately;
- We inspected the confirmation from the lender of the level of committed financing, and the associated covenant requirements;
- We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern.

Our conclusions based on this work:

— we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

— we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;

— we have nothing material to add or draw attention to in relation to the directors' statement on page 106 of the accounting policies 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 the going concern period, and we found the going concern disclosure on page 106 of the accounting policies to be applicable; and

— the related statement under the Listing Rules set out on pages 60 - 63 is materially consistent with the financial statements and our audit knowledge.

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 above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Audit and Risk Committee and Executive management as to the Group's high-level policies and procedures to prevent and detect fraud and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.

- Reading board, audit, valuation, remuneration committee and annual general meetings minutes.

- Considering remuneration incentive schemes and performance targets for management and directors.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet performance targets, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of unquoted investment portfolio. On this audit we do not believe there is a fraud risk related to revenue recognition because there are few judgemental aspects and there is limited opportunity for manipulation due to the nature of the revenue meaning there is available data which can be verified to external sources.

We also identified an additional fraud risk over the valuation of private capital portfolio investments. Further detail in respect of valuation of unquoted investments is set out in the key audit matter disclosures in section 2 of this report.

We also performed procedures including:

- Comparing journal entries to supporting documentation for a selection based on risk, for example, post-close journals, those posted by senior finance management, those posted to unusual accounts or those containing unusual journal descriptions; and
- Assessing significant accounting estimates, including valuation of unquoted investments, for any indicators of management bias.

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Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

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 and through discussion with management and those charged with governance (as required by auditing standards), and discussed with management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements. 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 and as the Group is an Investment Trust, taxation legislation including section 1158 of the Corporation Tax Act 2010 as amended by the Investment Trust (Approved Company) (Tax) Regulations 2011. 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 or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

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 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 fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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

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

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

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

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

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 45 that they have carried out a robust assessment of the emerging and 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 how emerging risks are identified, 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.

We are also required to review the viability statement, set out on page 45 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

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 judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- 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;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

7. 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.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page [A], 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 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 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.

9. 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 and the terms of our engagement by the Company. 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 the further matters we are required to state to them in accordance with the terms agreed with the Company, 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 2021

Group statement of comprehensive income

for the year ended 31 March 2021

		2021			2020		
	Note	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m
Revenue							
Investment income	1	44.6	–	44.6	53.4	–	53.4
Other income	1	0.1	0.8	0.9	–	–	–
Net gains and losses on fair value investments	8	–	437.0	437.0	–	(206.3)	(206.3)
Net gains and losses on fair value property	9, 10	–	3.2	3.2	–	–	–
Total revenue		44.7	441.0	485.7	53.4	(206.3)	(152.9)
Management expenses	2	(18.9)	(7.6)	(26.5)	(17.2)	0.6	(16.6)
Profit/(loss) before finance costs		25.8	433.4	459.2	36.2	(205.7)	(169.5)
Treasury interest receivable	3	0.1	–	0.1	0.6	–	0.6
Finance costs	4	(2.7)	–	(2.7)	(2.1)	–	(2.1)
Exchange movements		(0.8)	–	(0.8)	(0.9)	–	(0.9)
Profit/(loss) before tax		22.4	433.4	455.8	33.8	(205.7)	(171.9)
Taxation	5	7.4	2.8	10.2	0.8	(1.8)	(1.0)
Profit/(loss) for the year		29.8	436.2	466.0	34.6	(207.5)	(172.9)
Other comprehensive income items never to be reclassified to profit or loss							
Re-measurements of defined benefit pension schemes	24	–	2.3	2.3	–	1.1	1.1
Tax on other comprehensive income	5	–	(0.7)	(0.7)	–	(0.7)	(0.7)
Total comprehensive income		29.8	437.8	467.6	34.6	(207.1)	(172.5)
Basic earnings per share	7	54.3p	795.0p	849.3p	63.1p	-378.1p	-315.0p
Diluted earnings per share	7	53.6p	784.2p	837.8p	62.6p	-378.1p	-315.0p

The total column of the above statement represents the group's statement of comprehensive income, prepared in accordance with IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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

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

The accounting policies and notes on pages 106 to 129 are an integral part of these financial statements.

Statement of financial position
at 31 March 2021

	Note	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Non-current assets					
Investments held at fair value through profit or loss	8	2,194.0	1,656.7	2,198.9	1,658.1
Investments in subsidiaries held at cost	8	–	–	0.9	0.9
Investment property	9	13.3	8.7	–	–
Property, plant and equipment	10	29.0	28.0	–	–
Deferred tax assets	11	8.4	1.0	6.1	–
Employee benefits	24	4.0	5.1	–	–
Non-current assets		2,248.7	1,699.5	2,205.9	1,659.0
Current assets					
Trade and other receivables	12	3.4	6.6	37.7	36.4
Current tax assets	5	7.3	2.6	7.3	2.6
Cash and cash equivalents	13	14.2	114.7	14.5	112.6
Current assets		24.9	123.9	59.5	151.6
Total assets		2,273.6	1,823.4	2,265.4	1,810.6
Current liabilities					
Trade and other payables	14	(26.4)	(30.0)	(34.9)	(30.0)
Employee benefits	24	(2.6)	(0.9)	–	–
Current liabilities		(29.0)	(30.9)	(34.9)	(30.0)
Non-current liabilities					
Interest bearing loans and borrowings	15	(15.0)	–	(15.0)	–
Employee benefits	24	(2.9)	(5.2)	–	–
Deferred tax liabilities	11	(1.4)	–	–	–
Non-current liabilities		(19.3)	(5.2)	(15.0)	–
Total liabilities		(48.3)	(36.1)	(49.9)	(30.0)
Net assets		2,225.3	1,787.3	2,215.5	1,780.6
Equity					
Share capital	16	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		1,979.1	1,541.3	1,979.5	1,543.2
Retained earnings		254.3	255.5	243.8	246.9
Own shares		(13.9)	(15.3)	(13.9)	(15.3)
Total equity		2,225.3	1,787.3	2,215.5	1,780.6
Undiluted net asset value	17	4055p	3259p		
Diluted net asset value	17	4000p	3236p		

The Company profit for the year ended 31 March 2021 was £464.5m (2020: £175.3m loss).

The financial statements on pages 102 to 129 were approved by the board and authorised for issue on 26 May 2021 and were signed on its behalf by:

Will Wyatt
Chief Executive

Tim Livett
Chief Financial Officer

The accounting policies and notes on pages 106 to 129 are an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 March 2021

	Share capital £m	Share premium £m	Capital redemption reserve £m	Capital reserve £m	Retained earnings £m	Own shares £m	Total equity £m
Group							
Balance at 31 March 2019	3.2	1.3	1.3	1,748.4	292.4	(44.6)	2,002.0
Total comprehensive income							
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)
Transactions with owners of the company							
Contributions by and distributions to owners							
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
Total comprehensive income							
Profit for the year	–	–	–	436.2	29.8	–	466.0
Other comprehensive income	–	–	–	1.6	–	–	1.6
Total comprehensive income	–	–	–	437.8	29.8	–	467.6
Transactions with owners of the company							
Contributions by and distributions to owners							
Share-based payments	–	–	–	–	5.5	–	5.5
Transfer of shares to employees	–	–	–	–	(2.8)	2.8	–
Own shares purchased	–	–	–	–	–	(1.4)	(1.4)
Dividends paid	–	–	–	–	(33.7)	–	(33.7)
Total transactions with owners	–	–	–	–	(31.0)	1.4	(29.6)
Balance at 31 March 2021	3.2	1.3	1.3	1,979.1	254.3	(13.9)	2,225.3
Company							
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)
Transactions with owners of the company							
Contributions by and distributions to owners							
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
Profit and total comprehensive income	–	–	–	436.6	27.9	–	464.5
Transactions with owners of the company							
Contributions by and distributions to owners							
Share-based payments	–	–	–	–	5.5	–	5.5
Transfer of shares to employees	–	–	–	–	(2.8)	2.8	–
Own shares purchased	–	–	–	–	–	(1.4)	(1.4)
Dividends paid	–	–	–	–	(33.7)	–	(33.7)
Total transactions with owners	–	–	–	–	(31.0)	1.4	(29.6)
Balance at 31 March 2021	3.2	1.3	1.3	1,979.8	243.8	(13.9)	2,215.5

The accounting policies and notes on pages 106 to 129 are an integral part of these financial statements.

Statement of cash flows
for the year ended 31 March 2021

		Group		Company	
	Note	2021 £m	2020 £m	2021 £m	2020 £m
Operating activities					
Dividends received		42.3	48.8	42.3	48.8
Interest received		2.3	1.7	2.3	1.7
Cash received from customers		0.1	–	–	–
Cash paid to suppliers and employees		(17.8)	(23.3)	(14.4)	(28.7)
Taxes received		0.1	0.2	0.1	0.2
Taxes paid		(0.1)	(0.1)	(0.1)	(0.1)
Group tax relief received		0.9	3.7	0.7	3.7
Group tax relief paid		–	(0.1)	(0.2)	–
Net cash flow from operating activities		27.8	30.9	30.7	25.6
Investing activities					
Purchases of investments		(240.2)	(383.1)	(240.2)	(383.1)
Proceeds from disposal of investments		142.7	397.2	142.2	399.6
Purchases of property, plant and equipment		(3.5)	(2.7)	–	–
Net cash flow from/(used in) investing activities		(101.0)	11.4	(98.0)	16.5
Financing activities					
Interest paid		(3.1)	(1.7)	(2.9)	(1.6)
Dividends paid to owners of the company		(33.7)	(32.8)	(33.7)	(32.8)
Proceeds from bank borrowings		65.0	10.0	65.0	10.0
Repayment of bank borrowings		(50.0)	(10.0)	(50.0)	(10.0)
Loan receipts from subsidiaries		–	2.5	–	2.5
Loan payments to subsidiaries		(4.1)	–	(7.8)	(1.0)
Purchases of own shares		(1.4)	(7.9)	(1.4)	(7.9)
Net cash flow used in financing activities		(27.3)	(39.9)	(30.8)	(40.8)
Net increase/(decrease) in cash and cash equivalents		(100.5)	2.4	(98.1)	1.3
Cash and cash equivalents at year start		114.7	112.3	112.6	111.3
Cash and cash equivalents at year end	13	14.2	114.7	14.5	112.6

The accounting policies and notes on pages 106 to 129 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 2021.

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 private equity financial instruments

For directly owned private investments (Private Capital investments), totalling £826.8m (2020 - £611.3m) valuation techniques using a range of internally and externally developed unobservable inputs are used to estimate fair value. Valuation techniques make maximum use of market inputs, including reference to the current fair values of instruments that are substantially the same (subject to appropriate adjustments). Private Capital assets have been disaggregated into categories and sensitised according to the degree of uncertainty attached to their estimation in note 22.

For private equity fund investments (unlisted Funds Pool investments), totalling £627.5m (2020 - £437.4 m) held through externally managed fund vehicles, the estimated fair value is based on the most recent valuation provided by the external manager, usually received within 3-6 months of the relevant valuation date. Where required, valuations are adjusted for investments and distributions between the valuation date and the reporting date. These valuations depend upon the reasonableness of the fair value estimation made by third-party managers, which are assumed to be reliable in the absence of contrary information.

Fair value estimates for the above private assets 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.

Other judgement

Management has exercised judgement in determining the classification of money market investments held by the group as cash equivalents under IFRS 7. In arriving at this judgement management has noted that it uses money market funds to manage day-to-day working capital requirements, and that all such funds are highly liquid Low Volatility Net Asset Value products with a minimum credit rating of AAAm, and a maximum weighted-average maturity of 60 days. They have therefore judged that the risk of changes in value is insignificant and investments can be readily converted to a known amount of cash upon redemption, and therefore classification as cash equivalents is appropriate. They note that, although remote, there is not a zero risk of significant change in value and that therefore this classification is judgemental.

Going concern

The group balance sheet shows net current liabilities of £4.1m, as a result of trade payables due within 12 months. As at 31 March 2021 the group holds £730m of liquid assets and has access to £235m of undrawn committed banking facilities, £97.5m of which expires in July 2022 and £137.5m of which expires in May 2025. The Directors therefore believe the group will be able to meet these current liabilities as they fall due for at least 12 months from the date of approval of the financial statements.

The group has conducted a going concern assessment which considered future cash flows, the availability of liquid assets and debt facilities, banking covenant requirements (see note 15) and consideration of the risks arising from the Covid-19 pandemic over at least 12 months from the date of approval of these financial statements. In making this assessment a number of stress scenarios were developed. A severe but plausible scenario assumed (a) reduction in income from quoted equities and privately held investments, (b) a significant fall in distributions from private equity funds and (c) continued investment into private businesses. A stress scenario used the above assumptions and additionally assumed that (d) all outstanding private equity fund commitments are drawn (see note 20).

Under these scenarios the group would have a range of mitigating actions available to it, including usage of banking facilities, disposal of some liquid assets and reduction in discretionary spend which would enable it to meet all of its liabilities as they fall due and still hold significant liquid assets over the assessment period.

As a result of this assessment the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis. For further details on assessment of going concern and viability please refer to page 45.

Basis of accounting

These financial statements have prepared in accordance with international financial reporting standards ('IFRSs') adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. 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 as they fall due for at least 12 months from the date of approval of the financial statements. Accordingly, the directors have adopted the going concern basis in preparing these financial statements.

Adopted IFRSs and IFRSs not yet applied

In the current year, the group has not adopted any new standards or interpretations.

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

» IFRS 17 Insurance Contracts

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

Assessment as investment entity

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

Basis of consolidation

In accordance with the IFRS 10/IAS 28 Investment entities amendments, the consolidated financial statements include the financial statements of the company and service entities controlled by the company made up to the reporting date. Control is achieved where the company has 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.

Significant accounting policies (continued)

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.

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 re-estimate 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 intercompany balance with the parent. In addition, the parent recognises an increase in equity and an increase in intercompany balance for 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 42 to 44.

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.

Significant accounting policies (continued)

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.

Receivables
Receivables do not carry any interest and are stated at their nominal value as reduced by expected credit losses ('ECL') arising from an annual ECL assessment of recoverable 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. Cash is reduced by ECL losses arising from an annual ECL assessment of recoverable amounts.

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

	2021 £m	2020 £m
Income from portfolio investments		
Dividends from UK listed companies	10.8	15.8
Dividends from overseas listed companies	6.3	6.6
Dividends from unlisted companies	20.8	26.6
Distributions from limited partnerships	0.7	2.4
Interest on loan facilities	2.0	2.0
	40.6	53.4
Income from non-portfolio investments		
Dividends from unlisted companies	4.0	–
	44.6	53.4

Other income

	2021 £m	2020 £m
Income statement revenue column		
Property income	0.1	–
Income statement capital column		
US limited partnerships tax refunds	0.8	–

2. Expenses

Management expenses

	2021 £m	2020 £m
Income statement revenue column		
Personnel expenses	11.6	9.5
Depreciation	1.1	1.2
Auditor's remuneration	0.3	0.3
Other administrative expenses	7.2	8.4
Directors' fees and disbursements recharged	(1.0)	(1.5)
Management fees and recharges	(0.3)	(0.7)
	18.9	17.2
Income statement capital column		
Personnel expenses	7.3	(3.4)
Transaction costs	0.3	2.8
	7.6	(0.6)
	26.5	16.6

Further information

Auditor's remuneration

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

	2021 £m	2020 £m
Audit services		
Annual report	0.3	0.2
Other services		
Other assurance	–	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:

	2021 £m	2020 £m
Audit services		
Annual report[1]	0.4	0.5
Other services		
Other assurance, due diligence and tax compliance	–	0.1
	0.4	0.6

1. Included £0.1m (2020 – £0.1m) payable to KPMG Channel Islands Ltd.

Personnel expenses

	2021 £m	2020 £m
Income statement revenue column		
Wages and salaries	9.0	7.2
Compulsory social security contributions	1.6	1.3
Contributions to defined contribution plans	1.0	0.9
Defined benefit pension plans expense (note 24)	–	0.1
	11.6	9.5
Income statement capital column		
Share-based payments (note 23)	6.3	(2.4)
National Insurance on share awards	1.0	(1.0)
	7.3	(3.4)
	18.9	6.1

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

	2021 No	2020 No
Average number of employees	61	59

Total directors' remuneration expensed for the year was £3.2m (2020 – £2.9m), as follows:

	2021	2020
Short term employee benefits	2.5	1.8
Gains on exercise of share awards	0.7	1.1
	3.2	2.9

Notes to the financial statements (continued)

3. Treasury interest receivable

	2021 £m	2020 £m
Interest on bank deposits and liquidity funds	0.1	0.6

4. Finance costs

	2021 £m	2020 £m
Interest on bank loans and overdrafts	2.7	2.1

5. Taxation

Recognised in comprehensive income

	2021 £m	2020 £m
Current tax income		
Current year	3.3	1.5
Adjustments for prior years	0.2	(0.6)
	3.5	0.9
Deferred tax income/(expense)		
Origination and reversal of temporary differences	6.7	(1.9)
Total tax income/(expense)	10.2	(1.0)

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

	2021 £m	2020 £m
Profit/(loss) before tax	455.8	(171.9)
Tax (expense)/credit at the domestic rate of 19%	(86.6)	32.7
Non-deductible expenses	0.5	(0.2)
Losses arising in the year not recognised	(0.1)	(2.8)
Recognition of losses previously not recognised	5.4	–
Non-taxable gains/(losses) on investments[1]	83.0	(39.2)
Non-taxable dividend income	8.0	9.3
Other temporary differences	0.2	(0.3)
Adjustments for prior years	(0.2)	(0.5)
Tax income/(expense)	10.2	(1.0)

1. The Company is exempt from UK corporation tax on capital gains as it meets the HM Revenue & Customs criteria for an investment company set out in Section 1158 of the Corporation Tax Act 2010.

Recognised in other comprehensive income

	2021 £m	2020 £m
Deferred tax expense		
On re-measurements of defined benefit pension schemes	(0.7)	(0.2)
On share options and awards	–	(0.5)
	(0.7)	(0.7)

The Company is exempt from UK corporation tax on capital gains as it meets the HM Revenue & Customs criteria for an investment company set out in Section 1158 of the Corporation Tax Act 2010.

Current tax assets

Current tax assets of £7.3m in both the group and company represented tax loss relief surrender for settlement (2020 – £2.6m in both the group and company).

6. Dividends

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

	2021		2020	
	p/share	£m	p/share	£m
Final dividend for the year ended 31 March 2020 (2019)	44.5	24.4	43.2	23.7
Interim dividend for the year ended 31 March 2021 (2020)	17.0	9.3	16.6	9.1
	61.5	33.7	59.8	32.8

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

Proposed final dividend for the year ended 31 March 2021	45.9	25.2		

The proposed final dividend for the year ended 31 March 2021 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 21 July 2021, will be payable on 5 August 2021 to holders of shares on the register on 2 July 2021. The ex-dividend date will be 1 July 2021. The deadline for elections under the dividend reinvestment plan offered by Link Group will be the close of business on 15 July 2021.

For the purposes of section 1158 of the Corporation Tax Act 2010 and associated regulations, the dividends payable for the year ended 31 March 2021 are the interim and final dividends for that year, amounting to £34.5m (2020 – £33.5m).

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:

	2021 £m	2020 £m
Revenue	29.8	34.6
Capital	436.2	(207.5)
Total	466.0	(172.9)

The weighted average number of shares was as follows:

	2021 000's	2020 000's
Issued shares at the year start	55,374	55,374
Effect of shares held by the employee share trust	(507)	(490)
Basic weighted average number of shares in the year	54,867	54,884
Effect of performance shares, share options and deferred bonus awards	754	388
Diluted weighted average number of shares in the year	55,621	55,272

8. Investments

	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Investments held at fair value through profit or loss				
Investments listed on a recognised stock exchange	719.4	577.6	719.4	577.6
Unlisted investments	1,474.6	1,079.1	1,479.5	1,080.5
	2,194.0	1,656.7	2,198.9	1,658.1
Investments held at cost				
Service subsidiaries	–	–	0.9	0.9
	2,194.0	1,656.7	2,199.8	1,659.0

The movements in non-current investments were as follows:

	Listed equity £m	Unlisted equity[1] £m	Unlisted debt £m	Total £m
Group				
Balance at 31 March 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
Purchases at cost	37.9	208.0	0.4	246.3
Disposal proceeds	(54.4)	(83.5)	(0.5)	(138.4)
Gains/losses on investments	158.3	279.4	(0.7)	437.0
Accrued income	–	(7.4)	(0.2)	(7.6)
Balance at 31 March 2021	719.4	1,440.3	34.3	2,194.0
Company				
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
Purchases at cost	37.9	208.0	0.4	246.3
Disposal proceeds	(54.4)	(83.5)	(0.5)	(138.4)
Gains/losses on investments	158.3	282.9	(0.7)	440.5
Accrued income	–	(7.4)	(0.2)	(7.6)
Balance at 31 March 2021	719.4	1,446.1	34.3	2,199.8

1. Unlisted equity included limited partnership and open ended fund investments, including a loan facility to a wholly owned investment subsidiary investing in US PE funds. It also included £14.0m (2020 – £21.3m) of non-pool investments.

9. Investment property

	Freehold property £m
Cost	
Balance at 31 March 2019	13.9
Acquisitions	2.3
Balance at 31 March 2020	16.2
Acquisitions	3.2
Balance at 31 March 2021	19.4
Revaluation	
Balance at 31 March 2019	(7.2)
Revaluation in the year	(0.3)
Balance at 31 March 2020	(7.5)
Revaluation in the year	1.4
Balance at 31 March 2021	(6.1)
Carrying amounts	
At 31 March 2019	6.7
At 31 March 2020	8.7
At 31 March 2021	13.3

At 31 March 2021, the group held one property classified as investment property, comprising that part of its head office building developed 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. In addition, the rent per square foot used as an input by the valuer was updated by the Group in order to reflect more up-to-date information on ongoing rental negotiations not available to the external valuer. This resulted in a downward revaluation of £0.6m.

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	13.3	Residual development value	Construction costs	£1.0m
			Rent per sq ft pa	£36.19–£74.79 (£69.40)
			Rent-free period	2.0 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 £0.1m and a decrease of 10% would result in an increase in the asset valuation of £0.1m. An increased capitalisation rate of 0.25% would result in a decreased asset valuation of £0.9m and a decrease of 0.25% would result in an increased asset valuation of £0.9m. Conversely, an increase in the estimated rent by 5% would result in an increase in the asset valuation of £0.7m and a decrease of 5% would result in a decrease in the asset valuation of £0.7m. 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.

The prior year sensitivity to inputs was as follows:

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
Cost			
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
Acquisitions	0.1	0.2	0.3
Disposals	–	(0.1)	(0.1)
Balance at 31 March 2021	32.4	4.3	36.7
Depreciation			
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)
Depreciation charge	(0.6)	(0.5)	(1.1)
Eliminate depreciation	0.6	–	0.6
Disposals	–	0.1	0.1
Balance at 31 March 2021	–	(2.0)	(2.0)
Revaluation			
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)
Revaluation in the year	1.8	–	1.8
Eliminate depreciation	(0.6)	–	(0.6)
Balance at 31 March 2021	(5.7)	–	(5.7)
Carrying amounts			
At 31 March 2019	25.5	2.9	28.4
At 31 March 2020	25.4	2.6	28.0
At 31 March 2021	26.7	2.3	29.0

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

Property was revalued at 31 March 2021 by an independent valuer. Had the property been carried under the cost model, the carrying amount would have been £26.3m (2020 – £26.7m).

The fair value of the 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.

The external valuations were prepared by considering the aggregate of the net annual rents receivable from the property 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.

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

Property	Market value £m	Valuation technique	Key unobservable inputs	Range (weighted average)
Buckingham Gate	26.7	Rental yield	Rent per sq ft pa	£37.50–£77.50 (£70.15)
			Capitalisation rate	4.5%
			Purchaser's costs	6.8%

An increased capitalisation rate of 0.25% would result in a decreased asset valuation of £1.6m and a decrease of 0.25% would result in an increased asset valuation of £1.7m. An increase in the estimated rent by 5% would result in an increase in the asset valuation of £1.4m and a decrease of 5% would result in a decrease in the asset valuation of £1.4m. 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.

The prior year sensitivity to inputs was as follows:

Property	Market value £m	Valuation technique	Key unobservable inputs	Range (weighted average)
Buckingham Gate	25.4	Rental yield	Rent per sq ft pa	£36.25–£72.50 (£66.22)
			Capitalisation rate	4.5%
			Purchaser's costs	6.8%

An increased capitalisation rate of 0.25% would result in a decreased asset valuation of £1.4m and a decrease of 0.25% would result in an increased asset valuation of £1.7m. An increase in the estimated rent by 5% would result in an increase in the asset valuation of £1.4m and a decrease of 5% would result in a decrease in the asset valuation of £1.4m. 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.

11. Deferred tax

Deferred tax assets and liabilities were attributable to the following:

Group	Assets £m	Liabilities £m	Net £m
2021			
Employee benefits	2.3	(1.4)	0.9
Tax losses	6.1	–	6.1
	8.4	(1.4)	7.0
2020			
Employee benefits	1.3	(0.3)	1.0

Company	Assets £m
2021	
Tax losses	6.1

Movement in temporary differences during the year

Group	Balance at year start £m	Comprehensive income £m	Other comprehensive income £m	Balance at year end £m
2021				
Employee benefits	1.0	6.7	(0.7)	7.0
2020				
Employee benefits	3.6	(1.9)	(0.7)	1.0

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% (2020 – 19%).

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £2.7m.

Group and company

Unrecognised deferred tax assets

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

	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Tax losses	7.9	12.9	7.6	11.9

A deferred tax asset was not recognised in respect of the tax losses as, given the composition of the Company's portfolio and the restrictions on the utilisation of brought forward tax losses, it is not likely that this asset will be utilised in the foreseeable future. The unrecognised deferred tax assets do not have an expiry date.

Given the Company's status as an investment trust company and the intention to continue meeting the conditions required to obtain approval, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments held by the Company itself.

12. Trade and other receivables

	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Trade receivables	1.7	5.8	1.3	4.5
Non-trade receivables and prepayments	1.7	0.8	0.7	0.1
Other receivables	–	–	35.7	31.8
	3.4	6.6	37.7	36.4

Other receivables included short-term lending to subsidiaries, expected to be recovered within twelve months.

We estimate expected credit losses on the Group and Company' receivables to be under £0.1m and therefore not disclosed further (2020: less than £0.1m).

An aged analysis of group trade receivables is disclosed below.

	Total £m	Within terms £m	0-1 month £m	1-2 months £m	>2 months[1] £m
2021	1.7	0.1	0.5	0.9	0.2
2020	5.8	0.1	0.5	3.0	2.2

1. Receivables more than 2 months overdue in 2020 includes £1.2m relating to fees and other income due from Private Capital investees temporarily deferred due to the Covid-19 pandemic which have subsequently been recovered.

13. Cash and cash equivalents

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Bank balances	0.5	0.7	1.2	1.0
Short-term deposits	13.7	114.0	13.3	111.6
Cash and cash equivalents	14.2	114.7	14.5	112.6

In light of the credit ratings applicable to the Group's cash and cash equivalents and deposits, (see note 22 for further details), we estimate expected credit losses on the Group and Company's receivables to be under £0.1m and therefore not disclosed further (2020: less than £0.1m).

14. Trade and other payables

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Trade payables	0.1	0.4	4.4	–
Non-trade payables and accrued expenses	1.7	1.0	7.1	1.2
Other payables	24.6	28.6	23.4	28.8
	26.4	30.0	34.9	30.0

Other payables included short-term borrowing from subsidiaries.

15. Interest-bearing loans and borrowings

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Non-current liabilities				
Unsecured bank loans	15.0	–	15.0	–

As at 31 March 2021 the group had undrawn committed facilities totalling £235m (2020 - £250m), comprising £97.5m from ING Group expiring in July 2022 and £137.5m from RBSI expiring in May 2025. The facilities are in place to ensure the group has sufficient liquid funds to meet its working capital and investment requirements, most notably drawdown notices from private equity funds, whose exact timing can be unpredictable.

Covenants attached to the group loan facilities asses borrowing levels against the net assets of Caledonia plc and sub-categories of assets held therein, adjusted to take account of liquidity, asset concentration and the markets in which they are invested. As at 31 March 2021, Caledonia plc had remaining borrowing capacity under the covenants of £336m, considerably in excess of undrawn facilities. Compliance with covenants is tested monthly.

During the year, the group and company utilised £65m (2020: £10m) of an available £250m of bank revolving credit facilities.

16. Share capital

	Ordinary shares £m	Deferred ordinary shares £m	Share premium £m	Total £m
Balance at 31 March 2019, 2020 and 2021	2.8	0.4	1.3	4.5

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

	Ordinary shares		Deferred ordinary shares	
	2021 000's	2020 000's	2021 000's	2020 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 23).

As at 31 March 2021, the issued share capital of the company comprised 55,373,734 ordinary shares (2020 – 55,373,734) and 8,000,000 deferred ordinary shares (2020 – 8,000,000). The ordinary and deferred ordinary shares have a nominal value 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. 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.

17. 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 i n 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.

	2021			2020		
	Net assets £m	Number of shares[1] 000's	NAV p/share	Net assets £m	Number of shares[1] 000's	NAV p/share
Undiluted	2,225.3	54,882	4055	1,787.3	54,839	3259
Share awards	–	754	(55)	–	388	(23)
Diluted	2,225.3	55,636	4000	1,787.3	55,227	3236

1. Number of shares in issue at the year end is stated after the deduction of 491,716 (2020: 535,092) ordinary shares held by the Caledonia Investments plc Employee Share Trust.

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

	2021 p	2020 p
Diluted NAV at year start	3236	3582
Diluted NAV at year end	4000	3236
Dividends payable in the year	62	60
Reinvestment adjustment[2]	11	(6)
	4073	3290
NAVTR over the year	25.9%	-8.1%

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

18. 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.
Reportable segments are identified with reference to investment 'pools' which are used by management to organise the asset allocation and performance measurement of the business.
The pools are quoted equity, private companies (Private Capital) and private equity funds (Funds), with each pool exposed to different risks, and operated by different teams according to distinct investment criteria and subject to different internal performance targets.

	Profit/(loss) before tax		Total assets	
	2021 £m	2020 £m	2021 £m	2020 £m
Quoted Equity	174.0	(1.7)	716.1	574.0
Private Capital	150.0	(128.5)	826.8	611.3
Funds	165.9	(13.6)	637.1	450.1
Investment portfolio	489.9	(143.8)	2,180.0	1,635.4
Other investments	(4.2)	(9.1)	14.0	21.3
Total revenue/investments	485.7	(152.9)	2,194.0	1,656.7
Cash and cash equivalents	0.1	0.6	14.2	114.7
Other items	(30.0)	(19.6)	65.4	52.0
Reportable total	455.8	(171.9)	2,273.6	1,823.4

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. Non-current assets below comprise investment property and property, plant and equipment (notes 9-10).

	UK £m	US £m	Other £m	Total £m
2021				
Revenue	102.3	230.1	153.3	485.7
Non-current assets	42.3	–	–	42.3
2020				
Revenue	(161.7)	9.6	(0.8)	(152.9)
Non-current assets	36.7	–	–	36.7

19. Related parties

Identity of related parties

The group and company had related party relationships with its subsidiaries (note 27) and associates (note 26) 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 2021 (2020 – 34.8%).

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 80.

The key management personnel compensation was as follows:

	Group	
	2021 £m	2020 £m
Short-term employee benefits	2.5	1.8
Gains on exercise of share awards	2.0	(2.2)
	4.5	(0.4)

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

Notes to the financial statements (continued)

Other related party transactions

Subsidiaries

Transactions between the company and its subsidiaries were as follows:

	2021		2020	
	Amount of transactions £m	Balance at year end £m	Amount of transactions £m	Balance at year end £m
Comprehensive income items				
Dividends receivable on equity shares	21.9	–	16.3	–
Interest receivable	1.6	–	1.2	–
Capital distributions receivable	–	–	2.1	–
Management fees payable	(26.6)	(6.6)	(15.6)	(3.7)
Taxation received	0.7	–	3.7	–
Taxation paid	(0.1)	–	–	–
Financial position items				
Equity subscribed	98.0	–	18.8	–
Investment loans	17.9	137.1	92.3	122.7
Capital contributions	–	–	4.4	–
Loans receivable	3.8	35.5	0.1	31.7
Loans payable	4.0	(24.8)	(1.6)	(28.8)

Associates and joint ventures

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

	2021		2020	
	Amount of transactions £m	Balance at year end £m	Amount of transactions £m	Balance at year end £m
Directors fees[1]	0.1	–	0.1	–
Dividends receivable on equity shares	0.7	–	1.1	–

1. Transactions with subsidiary.

20. 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	
	2021 £m	2020 £m	2021 £m	2020 £m
Investments				
Contracted but not called	285.9	305.2	290.4	313.5
Conditionally contracted	75.6	75.6	75.6	75.6
	361.5	380.8	366.0	389.1

Amounts are callable within the next twelve months. The group has conducted a going concern assessment which considered future cash flows, the availability of liquid assets and debt facilities, and consideration of the risks arising from the Covid-19 pandemic over the 12 month period required. In making this assessment a number of stress scenarios were developed. The most severe scenario included all outstanding private equity fund commitments being drawn. Under this severe scenario the group would have a range of mitigating actions available to it, including usage of banking facilities, disposal of some liquid assets and reduction in discretionary spend which would enable it to meet all of its liabilities and still hold significant liquid assets. For further details on assessment of going concern and viability please refer to page 45.

21. 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.

Management have not set out a maturity analysis in relation to the pensions guarantees totalling £20.5m on the grounds that management are unable to accurately allocate to the earliest period in which the guarantee could be called due to the conditions of this guarantee.

22. 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 (which encompasses price risk, currency risk and fair value interest rate risk), credit risk and liquidity risk.

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

Market risk

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

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 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. Factors affecting instruments traded in the market could include changes in market prices whether driven by market sentiment, information specific to individual investments, or the movements in foreign currency relative to the group's functional currency of Sterling.

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 affect portfolio asset prices.

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	
	2021 £m	2020 £m	2021 £m	2020 £m
Investments held at fair value through profit or loss	2,159.0	1,621.3	2,164.6	1,622.7

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	
	2021 £m	2020 £m	2021 £m	2021 £m
Increase in prices	215.9	162.1	216.6	162.3
Decrease in prices	(215.9)	(162.1)	(216.6)	(162.3)

The sensitivity to equity and fund investments has increased during the year due to investment portfolio gains in the year, increasing the portfolio value at the year end.

Currency risk

The group's currency risk is attributable to monetary items which are denominated in currencies other than the group's functional currency of Sterling. This excludes the impact of foreign currency movements on equity instruments which carry price risk (see price risk section above). 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 monetary items 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	
	2021 £m	2020 £m	2021 £m	2020 £m
Investments in debt instruments	4.3	5.1	4.3	5.1
Forward currency contracts	–	(7.8)	–	(7.8)
Cash and cash equivalents	0.6	8.6	0.6	8.4
	4.9	5.9	4.9	5.7

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	
	2021 £m	2020 £m	2021 £m	2020 £m
Sterling depreciates (weakens)	0.4	0.5	0.4	0.5
Sterling appreciates (strengthens)	(0.4)	(0.4)	(0.4)	(0.4)

The exposure to foreign currency has decreased in the year due to a reduction in foreign denominated cash and cash equivalents and the closing out of all foreign currency contracts in the year.

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 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Fixed rate				
Interest-bearing loans to non-consolidated subsidiaries	4.4	35.4	4.4	35.4
Floating rate				
Investments in debt instruments	30.0	–	30.0	–
Cash and cash equivalents	14.2	114.7	14.5	112.6

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 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Decrease in interest rates	–	(1.3)	–	(1.3)
Increase in interest rates	–	1.3	–	1.3

The group's sensitivity to interest rates has reduced over the year due to a reduction in fixed interest loans, at a relatively higher rate of interest, than floating rate investments and lower cash balances.

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 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Investments in debt instruments	34.4	35.4	34.4	35.4
Operating and other receivables	3.4	6.6	37.7	36.4
Cash and cash equivalents	14.2	114.7	14.5	112.6
	52.0	156.7	86.6	184.4

The group's credit risk is primarily attributable to its cash and cash equivalents, trade receivables and debt investments. For an aged analysis of trade receivables see note 12. A group analysis of credit ratings for cash and cash equivalents is presented below. All other financial assets are unrated.

Credit rating	Group 2021 £m	Group 2020 £m
AAAm[1]	13.7	114.0
A+ A-[1]	0.5	0.7
	14.2	114.7

1. The group holds £13.7m (2020 - £114.0m) in Low Volatility Net Asset Value money market funds which all hold a AAAm rating from Standard & Poors and £0.5m (2020- £0.7m) of cash in current accounts with two commercial banks with credit ratings from Standard & Poors of A+ and A-.

Debt instruments relate to loans to investees within the Private Capital pool totalling £34.4m (2020- £35.4m). 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 assess the credit risk relating to these instruments as part of an overall ongoing monitoring of its debt and equity positions in each relevant investee.

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 money market liquidity funds of £13.7m and £13.3m respectively (2020 – group £114.0m and company £111.6m).

At the year end, the group and company had £6.1m invested in the Aberdeen Liquidity Fund (Lux) GBP, £4.2m in the GBP Liquidity Fund Institutional Cash Series plc Institutional Sterling Liquidity fund from BlackRock and £3.0m in the HSBC Global Liquidity Funds plc US Dollar Liquidity Fund. In addition, the group had £0.4m invested in the HSBC Global Liquidity Funds plc Sterling Liquidity Fund.

At the prior 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. In addition, 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.

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 drawn at 31 March 2021 by £15m (2020: undrawn).

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 (2020 – £250m).

The group's total capital at 31 March 2021 was £2,240.3m (2020 – £1,787.3m) and comprised equity share capital and reserves of £2,225.3m and borrowings of £15m (2020: £nil). The group had drawn borrowings of £15m at the year end (2020 – ungeared) and had a further £235m (2020: £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	
	2021 £m	2020 £m	2021 £m	2020 £m
Investments held at fair value				
Level 1	719.4	577.6	719.4	577.6
Level 2	6.3	1.3	6.3	1.3
Level 3	1,468.3	1,077.8	1,473.2	1,079.2
	2,194.0	1,656.7	2,198.9	1,658.1

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	
	2021 £m	2020 £m	2021 £m	2020 £m
Balance at the year start	1,077.8	1,092.1	1,079.2	1,091.5
Transfer from Level 2	–	7.8	–	7.8
Transfer to Level 1	–	(7.1)	–	–
Purchases[1]	208.4	238.2	208.4	238.2
Disposal proceeds	(84.3)	(86.1)	(84.3)	(85.5)
Gains and losses on investments sold in the year	(65.5)	24.0	(31.0)	23.7
Gains and losses on investments held at the year end[1]	339.5	(195.6)	308.5	(201.0)
Accrued income	(7.6)	4.5	(7.6)	4.5
Balance at the year end	1,468.3	1,077.8	1,473.2	1,079.2

1. 2021 purchases includes a £22m investment in Buzz Bingo as part of a company voluntary arrangement re-financing, and £36m in relation to new equity acquired in Liberation Group to support the group's acquisition of a portfolio of pubs and other capital accretive projects across its estate. 2021 Losses on investments sold includes a loss of £69m on disposal of Buzz Bingo. Caledonia chose not to participate in a fundraising and sold its shareholding in Buzz for a nominal amount.

The following table provides information on significant unobservable inputs used at 31 March 2021 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Private company assets have been disaggregated into categories as follows: Assets in the large, earnings based category have an Enterprise Value of >£150m, and benefit from a reasonable number of comparative data points, as well as having sufficient size to make their earnings reliable and predictable. The asset in the medium, earnings based category has an Enterprise Value of £50-£100m and has a more limited universe of comparable businesses available. Assets in the smaller, earnings based category have an Enterprise value of <£50m. Their smaller size results in fewer data points due to a lack of available listed comparators, and makes them generally more vulnerable than larger assets to changes in economic conditions. The asset in the large, leisure category is Liberation Group, which operates in a sector subject to significant uncertainty as at 31 March 2021. Manager valuations are used for assets where the net asset method is employed.

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

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

Description / valuation method	Fair value £m	Unobservable input	Weighted average input	Input sensitivity +/-	Change in valuation +/- £m
Internally developed					
Private companies					
Large, earnings	434.9	EBITDA multiple	13.3x	10.0%	42.9 / (45.8)
Medium, earnings	95.6	EBITDA multiple	13.0x	12.5%	10.2 / (11.4)
Small, earnings	21.9	EBITDA multiple	3.9x	15.0%	2.4 / (2.4)
Large, Leisure, tangible assets	127.7	Tangible assets multiple	1	17.5%	25.8 / (27.6)
Net assets / manager valuation	146.7	Multiple	1	0.1x	14.7 / (14.7)
	826.8				96.0 / (101.9)
Non-pool companies	14.0				
Total internal	840.8				
Externally developed					
Private equity fund					
Net asset value	627.5	Manager NAV	1	5%	31.4 / (31.4)
	1,468.3				127.4 / (133.3)

The table below sets out information about significant unobservable inputs used at the prior year end, 31 March 2020 in measuring financial instruments categorised as Level 3 in the fair value hierarchy. The valuation techniques applied in the prior period included one-off risk-based adjustments to reflect the very significant uncertainty over the potential impact of Covid-19 present at the time the valuations were prepared (see section below entitled 'Private capital companies valuation - prior period' for more detail). The current year valuations contained no such adjustments. The differences in techniques used year-on-year are reflected in the above sensitivity tables.

Description / valuation method Observable input	Fair value £m	Weighted average input	Input sensitivity +/-	Change in valuation +/- £m
Internally developed				
Private 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			
Externally developed				
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

Valuation approach
For each asset management consider a range of valuation methods and select those which are considered most appropriate for each asset, taking into consideration the quantity and quality of data points available with each method. Methods include inter alia:

Indicative offers. We regularly receive indications of interest from potential acquirers for our private capital assets either as part of a structured sale process or in the form of a direct approach. Where we judge it appropriate, the insight gained from such approaches is incorporated into the data sets used in arriving at valuations. Where there is an offer from credible buyer or buyers, and there is an intention to advance discussions, our practice is to consider fair values derived from an indicative enterprise value based on offers received with an appropriate discount applied. Discounts aim to reflect the unique uncertainty associated with the execution of each transaction, and are normally in a range of 5-20%.

Multiples. This method involves the application of an earnings multiple to the maintainable earnings of the business, most commonly earnings before interest, tax, depreciation and amortisation ("EBITDA") multiples, and is likely to be appropriate for investments in established businesses with an identifiable ongoing earnings stream. Such multiples are derived from (i) comparable public companies based on geographic location, industry, size, target markets and other factors that management considers to be reasonable and (ii) reported mergers and acquisitions transactions involving comparable companies. EBITDA multiples ranged from 4x to 14x (2020: 5x to 12x), weighted average 12.7x (2020: 8.4x). Earnings are obtained from portfolio company statutory and management accounts and forecast management accounts. Maintainable earnings are estimated by adjusting reported and forecast earnings for non-recurring items (for example restructuring expenses), for significant corporate actions, and, in exceptional cases, run-rate adjustments.

Net assets. This method is likely to be appropriate for businesses whose value derives principally from the underlying value of its assets rather than its ongoing earnings. A third-party valuation may be used to derive the fair value of a particular asset or group of assets, most commonly property assets.

Having selected an appropriate method, management then consider a range of data relevant to each asset. The data selected and the assumptions used are in each case examined by the Valuation Committee and Audit Committee to ensure sufficient challenge and reflection has been made on the decisions made to arrive at valuations.

Due to the unusual nature of the pandemic and the continually evolving situation, it should be noted that there is a greater than usual degree of uncertainty in forming valuations for our Private Capital companies as at 31 March 2021.

In arriving at valuations for the Private Capital portfolio the directors have conducted a portfolio analysis, examining company and sector specific vulnerabilities, the quantity and quality of data available, as well as considering operating and financial leverage and liquidity. They have classified the investments into five categories based on a combination of enterprise value, valuation technique and sector as shown below.

Investment	Category	EV Range £m	Valuation technique	Valuation £m
Deep Sea Electronics	Large, internally developed	>150m	Earnings	193.0
Liberation Group	Large, internally developed, Leisure	>150m	Tangible fixed assets	127.7
Seven Investment	Large, internally developed	>150m	Earnings	126.4
Stonehage Fleming	Large, internally developed	>150m	Earnings	115.5
Cobehold	Utilise external valuation	N/A	Net assets	112.3
Cooke Optics	Medium, internally developed	50-100m	Earnings	95.6
Bioagilytix	Utilise external valuation	N/A	Net assets	26.2
Other investments	Smaller	<50m		30.1
				826.8

The valuation of Private Capital companies has also been informed by offers we have received from interested parties in the year ended 31 March 2021.

More details on the valuation process for individual assets within these categories is outlined below.

Large, internally developed
Deep Sea Electronics' valuation primarily uses an earnings multiple method with earnings based on trading over historic, current and forecast periods. Trading market multiples were judged to be elevated by strong share price recovery of comparable listed businesses, whilst comparable earnings remained depressed due to Covid-19 impacting trading performance, which was factored into the valuation range considered.

Seven Investment Management uses an earnings multiple method with earnings derived from trading over historic, current and forecast periods, with recent acquisitions of Partners Wealth Management and Find a Wealth Manager being integrated into earnings. A particularly high quality set of comparator companies was identified when arriving at an appropriate multiple.

Stonehage Fleming uses an earnings multiple method with earnings derived from trading over historic, current and forecast periods. A particularly high quality set of comparator companies was identified. Management judged that comparable trading multiples were inflated due to Covid-19 adversely impacting earnings combined with recent market price increases and this was factored into the valuation range considered.

Medium, internally developed
Cooke Optics uses an earnings multiple method with earnings derived from trading over historic, current and forecast periods. A multiple was arrived at after considering a basket of sector specific transactions and sector specific multiples. Cooke Optics is a market-leading company operating in a niche sector so the quantity of available suitable comparable publicly quoted comparators is low.

Large, internally developed, Leisure
Liberation Group is Private Capital's only consumer facing business and has therefore been placed in its own category even though it has an enterprise value of >£150m. Given the significant volatility and uncertainty experienced in the pub and restaurant sector in the last year, and the continued unpredictability associated with it, there is a greater degree of uncertainty over the fair value of this asset than other similarly -sized assets in the Private Capital pool. When considering the valuation of Liberation, identifying maintainable earnings was challenging due to lower levels of earnings in the most recent financial year due to Covid-19 trading restrictions; comparator earnings multiples were also skewed for the same reason. Management therefore selected an industry specific method of using a multiple of tangible fixed assets to arrive at a valuation, derived from a range of tangible fixed asset multiples from comparable leisure groups.

Utilise external valuation
Cobehold's fair value is derived from the valuation prepared by Cobepa which reflects the net asset value of the group as at 31 December 2020, Cobehold's year end.

BioAgilytix 's valuation utilises the valuation prepared by Cobepa, the majority shareholder of BioAgilytix, as at 31 December 2020.

Other investments
Other investments comprise businesses with an enterprise value of less than £50m whose valuations are derived internally on an earnings multiple basis, and in one case a net assets basis where the largest component of the value is derived from a third-party property valuation.

Private capital companies valuation – prior period
For the comparative period 31 March 2020, private capital investments were assigned a risk category and, where deemed appropriate, included Covid-19 adjustments based upon that risk category, to reflect the impact of Covid-19 on multiples and earnings, which would not otherwise have been factored into valuations. Valuations in the current period do not need to apply this method due to the fact that inputs used already factor in the impact of Covid-19 on the underlying businesses.

Non-pool companies
Non-pool companies comprise principally cash or group company receivables held in subsidiary investment entities.

Private equity funds
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. 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 2020 managers' NAVs, which would be expected to include the economic impact of Covid-19.

For the comparative period 31 March 2020, private equity fund interests were based principally upon manager NAVs as at 31 December 2019, which would not be expected to include the economic impact of Covid-19. Consequently, fund interests were grouped by region and sector and risk categories of high, medium and low were assigned accordingly. The value of underlying holdings were then reduced by a factor of 100%, 50% or zero of the movements on an appropriate small cap index for high, medium and low risk holdings respectively to arrive at a directors' estimate of fair value at 31 March 2020.

23. 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.

The terms and conditions of the grants outstanding were as follows, whereby all grants are settled by physical delivery of shares:

Grant date	Entitlement	Vesting conditions	Number of shares
Performance share scheme awards			
12.06.13	Award grant to senior staff	Note 1	2,747
27.11.14	Award grant to senior staff	Note 2	5,433
26.06.15	Award grant to senior staff	Note 4	8,894
26.05.16	Award grant to senior staff	Note 4	125,195
21.07.17	Award grant to senior staff	Note 4	129,026
30.05.18	Award grant to senior staff	Note 4	219,068
31.05.19	Award grant to senior staff	Note 4	221,080
04.08.20	Award grant to senior staff	Note 4	261,369
			972,812
Deferred bonus awards to senior staff			
30.05.18	Compulsory award	Note 3	493
31.05.19	Compulsory award	Note 3	41,386
04.08.20	Compulsory award	Note 3	5,229
			47,108

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/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.

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.

The weighted average share price at the date of exercise of share awards during the year was as follows:

	2021 p	2020 p
Weighted average share price	2620	3061

Employee expenses were as follows:

Years ended 31 March	2021 £m	2020 £m
Performance share awards granted in 2015	–	0.2
Performance share awards granted in 2016	0.1	(1.3)
Performance share awards granted in 2017	0.7	(0.6)
Performance share awards granted in 2018	0.8	(1.2)
Performance share awards granted in 2019	1.5	(0.5)
Performance share awards granted in 2020	1.3	0.1
Performance share awards granted in 2021	1.3	–
Deferred bonus awards for 2017	0.2	0.5
Deferred bonus awards for 2019	0.4	0.4
	6.3	(2.4)

24. Employee benefits

Group

	2021 £m	2020 £m
Non-current assets		
Defined benefit pension asset	4.0	5.1
Current liabilities		
Profit sharing bonus	(2.6)	(0.9)
Non-current liabilities		
Defined benefit pension obligations	(0.3)	(3.8)
National Insurance on performance shares and deferred bonus awards	(1.5)	(0.8)
Dividends payable on performance shares and deferred bonus awards	(1.1)	(0.6)
	(2.9)	(5.2)
Total employee liabilities	(5.5)	(6.1)

Defined benefit pension obligations

The group makes contributions to three (2020 – 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 (2020 – 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. Caledonia Group Services Ltd, a wholly owned subsidiary of Caledonia Investments plc, is the Sponsoring Employer for all Schemes.

	2021 £m	2020 £m
Present value of funded obligations	72.4	67.9
Fair value of plan assets	(76.1)	(69.2)
Present value of net assets	(3.7)	(1.3)

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

	2021 £m	2020 £m
Balance at the year start	67.9	74.0
Service cost	0.1	0.1
Interest cost	1.5	1.7
Actuarial loss/(gain) from changes:		
– in demographic assumptions	–	0.3
– in financial assumptions	6.6	(2.9)
– experience gains	(0.6)	(1.5)
Actual benefit payments	(3.1)	(3.8)
Balance at the year end	72.4	67.9

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

	2021 £m	2020 £m
Balance at the year start	69.2	73.9
Interest income	1.6	1.7
Return on plan assets less interest income	8.3	(3.0)
Employer contributions	0.1	0.4
Actual benefit payments	(3.1)	(3.8)
Balance at the year end	76.1	69.2

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

	2021 £m	2020 £m
Service cost	0.1	0.1
Interest on obligations	1.5	1.7
Interest on plan assets	(1.6)	(1.7)
	–	0.1

Amounts recognised in other comprehensive income were as follows:

	2021 £m	2020 £m
Actuarial (losses)/gains arising from financial assumptions	(6.6)	2.9
Actuarial losses arising from demographic assumptions	–	(0.3)
Actuarial gains from experience adjustments	0.6	1.5
Return on plan assets less interest income	8.3	(3.0)
Re-measurement gains in the year	2.3	1.1

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

	2021 £m	2020 £m
Equities	40.0	31.7
Bonds	25.3	22.5
Cash	10.8	15.0
	76.1	69.2

The analysis of plan assets above included an underlying asset allocation of investment funds.

Principal actuarial assumptions at the reporting date (expressed as weighted averages) were as follows:

	2021 %	2020 %
Discount rate at the year end	1.9	2.3
Future salary increases	4.4	3.0
Future pension increases	3.4	2.9
RPI price inflation	3.4	2.9

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 27.0 years (2020 – 26.9 years) for males and 27.5 years (2020 – 27.4 years) for females who are currently 62 years of age.

Expected contributions to group post-employment benefit plans for the year ending 31 March 2022 were £0.1m (2021 – £0.1m).

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 2019 and 2018. A summary of the recent funding obligations and weighted average duration of the defined benefit obligations was as follows:

	Obligations at 31 Mar 2018 £m	Weighted average duration at 31 Mar 2021 years
Amber Industrial Holdings Pension Scheme	12.5	14
Caledonia Pension Scheme	31.7	15

	At 30 Sep 2019 £m	At 31 Mar 2021 years
Sterling Industries Pension Scheme	25.8	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.

	2021 £m	2020 £m
Reduction in the discount rate of 0.25%	2.7	2.4
Increase in inflation of 0.25%	1.8	1.4
Increase in life expectancy of one year	3.8	3.1

Risks

The pension schemes typically expose the group to risks such as:

» Investment risk – the schemes hold their investments in equities and bonds, the value of which fluctuates, whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

» Interest rate risk – the schemes' liabilities are assessed using market rates of interest, based on corporate bond yields, to discount the liabilities and are therefore subject to any volatility in the movement of the market rate of interest. The net interest income or expense recognised in profit or loss is calculated using the market rate of interest.

» Inflation risk – a significant proportion of the benefits under the schemes is linked to inflation. Although the schemes' assets are expected to provide a good hedge against inflation over the long term, movements over the short term would increase the schemes' net deficit.

» Mortality risk – in the event that members live longer than assumed, the liabilities may turn out to have been understated originally and a deficit may emerge if funding has not been adequately provided for the increased life expectancy.

» 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.

25. Post balance sheet events

There were no post balance sheet events.

26. Interests in associates

Company	Class	Holding %	Registered office
Sterling Thermal Technology Holdings Ltd	Ordinary	25.0	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	36.0	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:

	2021 £m	2020 £m
Assets	226.0	246.8
Liabilities	(124.0)	(101.7)
Equity	102.0	145.1
Revenues	333.7	347.1
Profit	3.5	14.9

27. Subsidiaries

Subsidiaries	Class	Holding %	Key to Registered office	Company	Class	Holding %	Key to Registered office
Amber 2010 Ltd	Ordinary	100.0[1]	3	Caledonia US Investments Ltd	Ordinary	100.0[1]	3
Buckingham Gate Ltd[2]	Ordinary	100.0[1]	3	Caledonia Venus Holdings Ltd	A Ordinary	100.0[1]	5
Caledonia CCIL Distribution Ltd	Ordinary	100.0[1]	3	Crewkerne Investments Ltd	A Ordinary B Ordinary	50.5 100.0	3
Caledonia Financial Ltd	Ordinary	100.0[1]	3	Easybox Self-Storage Ltd	Ordinary	100.0[1]	3
Caledonia Group Services Ltd[2]	Ordinary	100.0[1]	3	Edinmore Investments Ltd	Ordinary	100.0[1]	3
Caledonia Ireland ICAV	Ordinary	100.0[1]	4	Sterling Crewkerne Ltd	Ordinary	100.0[1]	3
Caledonia Land & Property Ltd	Ordinary	100.0[1]	3	Sterling Industries Ltd	Ordinary	100.0[1]	3
Caledonia Treasury Ltd[2]	Ordinary	100.0[1]	3	The Union-Castle Mail Steamship Co Ltd	Ordinary A Ordinary	100.0[1] 100.0[1]	3
BioAgilytix							
Caledonia Precision Blocker Inc	Common	100.0[1]	6				
Bloom Engineering							
Bloom Combustion (India) Private Ltd	Ordinary	100.0	7	Bloom Engineering (Europa) GmbH	Ordinary	100.0	10
Bloom Combustion Products (Shanghai) Co Ltd	Ordinary	100.0	8	Bloom Engineering Co Inc	Common	100.0	11
Bloom Engineering (China) LLC	Member	100.0	9	Bloom Engineering Holdings Inc.	Common	96.4[1]	12
Brookshire							
Brookshire Capital LLP	Member	70.0[1]	3	Brookshire Trading Ltd	Ordinary	100.0	3
Cooke Optics							
Chaplin Bidco Ltd	Ordinary	100.0	13	Cooke (Shanghai) Optics Technology Co Ltd	Ordinary A	100.0	16
Chaplin Midco Ltd	Ordinary	100.0	13	Cooke Optics Group Ltd	Ordinary	100.0	13
Chaplin Topco Ltd	A Ordinary B Ordinary C Ordinary A Growth B Growth C Growth	100.0[1] 79.6[1] 92.5[1] 52.6[1] 59.6[1] 100.0[1]	13	Cooke Optics Holdings Ltd	Ordinary	100.0	13
Cooke Americas Ltd	Ordinary	100.0	14	Cooke Optics Ltd	Ordinary	100.0	13
Cooke Brasil Serviços De Assistência Técnica LTDA	Ordinary	100.0	15	Cooke Optics TV Ltd	Ordinary	100.0	13
Deep Sea Electronics							
Caledonia Quint Bidco Ltd	Ordinary	100.0	17	Deep Sea Electronics India Pte Ltd	Ordinary	100.0	19
Caledonia Quint Midco Ltd	Ordinary	100.0	17	Deep Sea Electronics Ltd	Ordinary	100.0	17
Caledonia Quint Topco Ltd	Ordinary B Growth	99.0[1] 7.3[1]	17	DSE Development Ltd	Ordinary	100.0	17
Deep Sea Electronics Inc	Common	100.0	18				
Liberation Group							
A.E. Smith & Son Ltd	Ordinary	100.0	20	La Rocque Enterprises Ltd	Ordinary	100.0	20
A.S.B.M. Ltd	Ordinary	100.0	20	La Rocque Inn (Jersey) Ltd	Ordinary	100.0	20
A.S.B.O. Ltd	Ordinary	100.0	20	Lapwing (Trading) Ltd	Ordinary	100.0	20
A.S.B.T. Ltd	Ordinary	100.0	20	Le Hocq Hotel Ltd	Ordinary	100.0	20
Aurora Hotel Ltd	Ordinary	100.0	20	Les Garcons Ltd	Ordinary	100.0	21
Bath Street Wine Cellar Ltd	Ordinary	100.0	20	Longueville Distributors Ltd	Ordinary	100.0	20
Brasserie du Centre Ltd	Ordinary	100.0	20	M Still Catering Ltd	Ordinary	100.0	22
Bucktrout & Company Ltd	Deferred Ordinary Preference	100.0 100.0 100.0	21	Marais Hall Ltd	Ordinary	100.0	23
Butcombe Brewery (EBT) Ltd	Ordinary	100.0	22	Mary Ann Products (Jersey) Ltd	Ordinary	100.0	20
Butcombe Brewery Ltd	Ordinary	100.0	22	Mitre Hotel (Jersey) Ltd	Ordinary	100.0	20
Butcombe Brewing Company Ltd	Ordinary	100.0	22	Nightbridge Ltd	Ordinary	100.0	20
Caesarea Hotel (Jersey) Ltd	Ordinary	100.0	20	Old Court House Hotel (St Aubin) 1972 Ltd	Ordinary	100.0	20
Café de Paris (Jersey) Ltd	Ordinary	100.0	20	Parade Hotel (Jersey) Ltd	Ordinary	100.0	20

Subsidiaries	Class	Holding %	Key to Registered office	Company	Class	Holding %	Key to Registered office
Caledonia TLG Bidco Ltd	Ordinary	100.0	22	Peirson (1971) Ltd	Ordinary	100.0	20
Caledonia TLG Ltd	Ordinary A Ordinary B Ordinary C Preference	100.0[1] 25.3[1] 67.2[1] 100.0[1]	20	Puffin NewCo Ltd	Ordinary	100.0	20
Caledonia TLG Midco Ltd	Ordinary	100.0	20	Red Lion Ltd	Ordinary	100.0	20
Captains Holdings Ltd	Ordinary	100.0	21	Robin Hood (Jersey) Ltd	Ordinary	100.0	20
Channel Wines & Spirits (Jersey) Ltd	Ordinary	100.0	20	S.L. Ltd	Ordinary	100.0	20
Citann Ltd	Ordinary	100.0	20	Ship Holdings Ltd	Ordinary	100.0	21
Cosy Corner (Jersey) Ltd	Ordinary	100.0	20	Square Ltd	Ordinary	100.0	20
Craig Street Brewing Company Ltd	Ordinary	100.0	20	St John's Hotel Ltd	Ordinary	100.0	20
Divette Holdings Ltd	Ordinary	100.0	21	Stag Hotel (Jersey) Ltd	Ordinary	100.0	20
Don Inn (Jersey) Ltd	Ordinary	100.0	20	Sussex Hotel Ltd	Ordinary	100.0	20
Evenstar Ltd	Ordinary	100.0	20	The Guernsey Brewery Co (1920) Ltd	Ordinary Preference	100.0 100.0	21
Exeter Hotel (Jersey) Ltd	Ordinary	100.0	20	The Independent Brewing Company Ltd	Ordinary	100.0	20
Farmers Inn Ltd	Ordinary	100.0	20	The Liberation Group Ltd	Ordinary	100.0	20
Five Oaks Hotel Ltd	Ordinary	100.0	20	The Liberation Group UK Ltd	Ordinary	100.0	22
Foresters Arms (Jersey) Ltd	Ordinary	100.0	20	The Liberation Pub Company (Guernsey) Ltd	Ordinary	100.0	21
Gimbels (Jersey) Ltd	Ordinary	100.0	20	The Liberation Pub Company (Jersey) Ltd	Ordinary	100.0	20
Glo'ster Vaults Ltd	Ordinary	100.0	20	The Post Horn Ltd	Ordinary	100.0	20
Great Union Hotel (Holdings) Ltd	Ordinary	100.0	20	The Royal Oak Inn Trading Ltd	Ordinary	100.0	22
Great Western Hotel Ltd	Ordinary	100.0	20	Trafalgar Hotel (Jersey) Ltd	Ordinary	100.0	20
Guernsey Leisure Company Ltd	Ordinary	100.0	21	Union Inn (Jersey) Ltd	Ordinary	100.0	20
Guppy's Holdings Ltd	Ordinary	100.0	21	Victor Hugo Ltd	Ordinary	100.0	20
Guppy's of Guernsey Ltd	Ordinary	100.0	21	Victoria (Valley) Ltd	Ordinary	100.0	20
Hautville Ltd	Ordinary	100.0	21	Victoria Hotel (Jersey) Ltd	Ordinary	100.0	20
Horse & Hound (Jersey) Ltd	Ordinary	100.0	20	Wellington Hotel Ltd	Ordinary	100.0	20
John Tregear Ltd	Ordinary	100.0	20	Wests Cinemas Ltd	Ordinary	100.0	20
La Cave des Vins Ltd	Ordinary	100.0	20	White Hart Ltd	Ordinary	100.0	21
Seven Investment Management							
7IM Holdings Ltd	Ordinary Preference	100.0 100.0	24	Caledonia Thames Group (Jersey) Ltd	Ordinary	100.0	25
7IM Investment and Retirement Solutions Ltd	Ordinary	100.0	24	Caledonia Thames Holdings (Jersey) Ltd	Ordinary	93.0[1]	25
7IM Ltd	Ordinary	100.0	24	Find a Wealth Manager Ltd	Ordinary	100.0	26
7IM Trustees Ltd	Ordinary	100.0	24	Partners Wealth Management LLP	Member	95.0	27
Caledonia Thames Acquisitions (Jersey) Ltd	Ordinary	100.0	25	Seven Investment Management LLP	Member	95.0	24

1. Directly held by the company.
2. Included in the consolidation.

3. Cayzer House, 30 Buckingham Gate, London SW1E 6NN
4. 32 Molesworth Street, Dublin 2, D02 Y512, Ireland
5. 1st Floor 7 Castle Quay, Castle Boulevard, Nottingham, Nottinghamshire, NG7 1FW
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9. PHS Corporate Services Inc, 1201 Market Street, Suite 1600, Wilmington, DE 19801, USA
10. Büttgenbachstraße 14, D-40549 Düsseldorf 11, Germany
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14. 264 Morris Avenue, Mountain Lakes, NJ 07046, USA
15. Rua Cardeal Arcoverde, n.17.495, 6o andar, cj.67, Pinheiros, CEP 05. 407-002 Sao Paolo, Brazil
16. Rooms 503/504, No 1 Building, No 908 Xiuwen Road, Minhang District, Shanghai, China
17. Highfield House, Hunmanby Industrial Est, Hunmanby YO14 0PH
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19. 405/406 Pride Gateway, Baner Rune 411045, Maharastra, India
20. 19 Royal Square, St Helier, Jersey JE2 4WA
21. Hougue Jehannet, Vale, Guernsey GY3 5UF
22. Butcombe Brewery, Cox's Green, Wrington, Bristol BS40 5PA
23. Marais Hall, Marais Square, St Anne, Alderney GY9 3TS
24. 55 Bishopsgate, London EC2N 3AS
25. 44 Esplanade, St Helier, Jersey JE4 9WG
26. Sterling House Fulbourne Road, Walthamstow, London, E17 4EE
27. 15 Bowling Green Lane, London, EC1R 0BD

Company performance record

The ten year record of the company's financial performance is as follows:

	Profit/ (loss) for the year £m	Diluted earnings per share p	Annual dividend p	Net assets £m	Diluted NAV per share p	Share price p	Rolling ten years annualised: Total share-holder return %	Rolling ten years annualised: FTSE All-Share Total Return %
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
2021	467.6	837.8	62.9	2,225	4000	2645	7.1	6.0

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.

Glossary of terms and alternative performance measures

Alternative performance measure ('APM')

APMs are not prescribed by accounting standards but are industry specific performance measures which help users of the annual accounts and financial statements to better interpret and understand performance.

Terms in this glossary identified as APMs have been highlighted by the symbol: APM

Discount

Ordinary shares are quoted on the stock market and can trade at a discount to the NAV of the company. The following discount applied to the shares:

	31 Mar 2021 £m	31 Mar 2020 £m
Share price (b)	2645p	2435p
NAV (a)	4000p	3236p
Discount ((a-b)/a) (expressed as a percentage)	33.9%	24.8%

Distributable profits

Distributable profits include profits distributable under the Companies Act 2006 and include distributable reserves, being realised revenue and capital profits, less any unrealised losses in excess of unrealised profits.

	31 Mar 2021 £m	31 Mar 2020 £m
Retained earnings	243.8	246.9
Distributable capital gains and losses	1,744.9	1,527.9
	1,988.7	1,774.8

Dividend cover

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

	31 Mar 2021 £m	31 Mar 2020 £m
Net revenue (b)	29.8	34.6
Dividend payable (a)	34.5	33.5
Dividend cover ((b)/a) (expressed as a percentage)	86%	103%

Ex-dividend date

The date immediately preceding the record date (as described below) for a given dividend. Shareholders who acquire their shares on or after the ex-dividend date will not be eligible to receive the relevant dividend.

APM Investment and pool returns

The company uses the modified Dietz method as a measure of the performance of an investment or investment 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. Average capital takes into account the timing of individual cash flows.

Net assets

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

Net asset value ('NAV')

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

See financial statements note 17.

APM NAV total return ('NAVTR')

NAVTR is a measure of how the NAV per share has performed over a period, considering both capital returns and dividends paid to shareholders. NAVTR is calculated as the increase in NAV per share between the beginning and end of the period, plus accretion from the assumed dividend reinvestment in the period. We use this measure as it enables comparisons to be drawn against an investment index in order to benchmark performance. The result is plotted on page 13 and the calculation follows the method prescribed by the Association of Investment Companies ('AIC').

See financial statements note 17.

	31 Mar 2021	31 Mar 2020	
Closing NAV per share (p)	4000p	3236p	a
Dividends paid out (p)	62p	60p	b
Effect of re-investing dividends (p)	11p	-6p	c
Adjusted NAV per share (p)	4073p	3290p	d=a+b+c
Opening NAV per share (p)	3236p	3582p	e
NAV total return (%)	25.9%	-8.1%	=(d/e)-1

Net revenue

Net revenue comprises income from investments less management expenses, financing costs and tax. Net revenue comprises the revenue column presented in the Group statement of comprehensive income on page 102 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.

APM Ongoing charges

The total of investment management fees and other expenses as shown in the income statement, as a percentage of the average monthly net asset value, following the guidance provided by the Association of Investment Companies

Expense items included in the ongoing charges calculation comprise recurring costs relating to the operation of the company. Ongoing charges exclude transaction costs, external performance fees and 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, plus deferred bonus awards which arise from annual bonus awards over 50% of basic salary, which also relate to the company's investment performance.

	31 Mar 2021 £m	31 Mar 2020 £m
Management expenses (a)	18.9	17.2
Annualised average net assets (b)	1934.6	2033.3
Ongoing charges (a) / (b) (expressed as a percentage)	0.98%	0.85%

Annualised average net assets - 31 Mar 2021	£m
Apr-20	1826.8
May-20	1870.4
Jun-20	1862.0
Jul-20	1837.5
Aug-20	1834.4
Sep-20	1959.6
Oct-20	1947.9
Nov-20	1978.3
Dec-20	1983.2
Jan-21	1970.2
Feb-21	1919.5
Mar-21	2225.3
Average	1934.6

Annualised average net assets - 31 Mar 2020	£m
Apr-19	2023.5
May-19	2045.3
Jun-19	2046.2
Jul-19	2073.2
Aug-19	2067.7
Sep-19	2076.5
Oct-19	2042.3
Nov-19	2069.1
Dec-19	2062.9
Jan-20	2071.3
Feb-20	2034.5
Mar-20	1787.3
Average	2033.3

Record date

The cut-off date on which a shareholder needs to be beneficially entitled to a share on the company's share register in order to qualify for a forthcoming dividend.

Total Shareholder Return ('TSR')

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

Information for investors

Registrar

Our Registrar is:
Link Group ('Link')
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

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

(UK calls cost 12p per minute plus your phone company's access charge. Calls from outside the UK will be charged at the applicable international rate. Lines are open Monday to Friday, excluding UK public holidays.)

Link also provides an online service, Signal Shares, through 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.

Financial calendar

Final dividend ex-dividend date	1 July 2021
Final dividend record date	2 July 2021
Annual General Meeting	21 July 2021
Final dividend payment date	5 August 2021
Half-year results announcement	November 2021
Anticipated interim dividend payment date	January 2022
2022 annual results announcement	May 2022
2022 annual report publication	June 2022

Electronic communications

You may elect to receive communications from the company electronically via its website as an alternative to receiving hard copy accounts and circulars. If you would like to change your communication preference, you may do so at www.signalshares. com or by writing to Link at FREEPOST SAS, Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL (if you are a UK based shareholder) or to SAS, Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL (if you are based overseas). No stamp is required for letters from UK shareholders.

Share price information

The company's ordinary shares are premium listed on the London Stock Exchange under the SEDOL code of 0163992 or TIDM code of CLDN. Prices are published daily in the Financial Times under the 'Investment Companies' heading and in other leading newspapers and can also be viewed on the company's website at www.caledonia.com.

The ISIN for Caledonia's ordinary shares is GB0001639920.

Monthly net asset value

The company releases a net asset value announcement and publishes a factsheet shortly after each month end. These can be found on the company's website at www.caledonia.com.

Boiler room and other scams

Investment and pension scams are often sophisticated and difficult to spot. Shareholders are advised to be wary of any unexpected offers received by email, post or telephone and to check the Financial Conduct Authority's Warning List if any unsolicited communication is received. Visit www.fca.org.uk/scamsmart for more information.

Directors and advisers

Chairman

David C Stewart[2,3]

Executive directors

William P Wyatt (Chief Executive)[2]
Timothy J Livett (Chief Financial Officer)
Jamie M B Cayzer-Colvin

Non-executive directors

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

1. Member of the Audit Committee
2. Member of the Nomination Committee
3. Member of the Remuneration Committee
4. Member of the Governance Committee

Secretary

Richard Webster

Registered office

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Registered number

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25 Dowgate Hill
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London EC2P 2SR

aic
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 or call +44 20 7930 3737 for further details.

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