CALEDONIA INVESTMENTS

Annual Report 2022

Year ended 31 March 2022

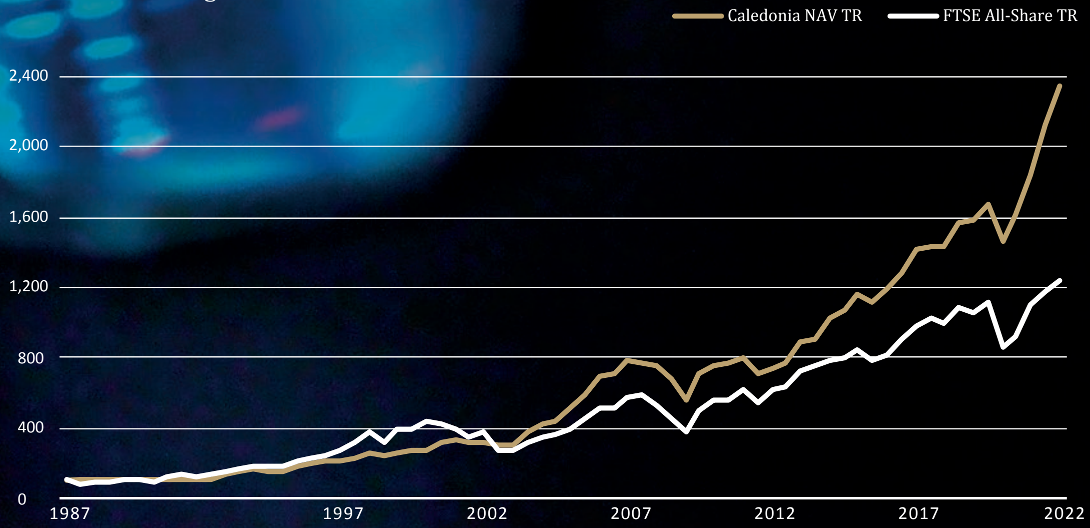
CALEDONIA INVESTMENTS

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 £2.8bn. 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 55 years of increasing annual dividends.

NAV total return growth since 1987



Find out more
www.caledonia.com

Group overview

Caledonia is a self-managed investment trust company with net assets of £2.8bn. 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 2022.

Group NAV £2,783m
(31 March 2021 £2,225m)

Quoted Equity	£830m
Private Capital	£782m
Funds	£794m
Other	£377m

Top 10 investments

1 Seven Investment Management
2 Cobehold
3 Stonehage Fleming
4 Liberation Group
5 Cooke Optics
6 Aberdeen US PE funds
7 Axiom Asia funds
8 Microsoft
9 Watsco
10 Oracle

Quoted Equity

Further detail
Turn to page 24

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 on cost

Private Capital

Further detail
Turn to page 28

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 £50m to £125m provides a meaningful presence and growth capital.

Target 14% total return and 5% yield

Funds

Further detail
Turn to page 32

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 2022

- Net asset value per share total return of 27.9%
- Annual dividend per share up 3% to 64.8p
- 55th consecutive year of annual dividend increases
- Special dividend per share of 175p

Results summary

	31 March 2022	31 March 2021	Change %
NAV total return[1]	27.9%	25.9%	
NAV per share	5041p	4000p	26.0
Net assets	£2,783m	£2,225m	25.1
Annual dividend per share	64.8p	62.9p	3.0
Special dividend per share	175.0p	–	

1. Alternative performance measure APM - see page 132 for details.

Performance summary

	1 year %	3 years %	5 years %	10 years %
NAV total return[1]	27.9	47.8	66.2	215.1
Annualised: NAV total return[1]	27.9	13.9	10.7	12.2
Total shareholder return	36.5	8.1	8.1	11.9
FTSE All-Share total return	13.0	5.3	4.7	7.2

1. Alternative performance measure APM - see page 132 for details.

Pools – annualised returns[1]

	Value £m	1 year return %	3 years return %	5 years return %
Quoted Equity	830	14.1	14.0	11.0
Private Capital	782	54.7	16.1	12.8
Funds	794	38.3	21.9	17.6
Cash and other	377			
Net assets	2,783	27.9	13.9	10.7

1. Investment and pool returns are an alternative performance measure APM - see page 132 for details.

Chairman's statement

David Stewart
Chairman

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

Results

The NAV total return for the year ended 31 March 2022 was 27.9%. The performance included positive returns from all parts of our portfolio. Returns from our private assets were particularly strong; Private Capital delivered two successful portfolio company exits, plus healthy returns from the remaining investee companies; the Funds portfolio benefitted from strong valuation growth in private equity markets and favourable exits in its portfolio. Our balance sheet remains strong with total liquidity of £591m available at 31 March 2022, reflecting our banking facilities and £341m of cash.

Income and dividend

Investment income (revenue account) grew 14% to £51.0m and net income was £39.3m. It is worth noting that we expect investment income to reduce gradually in the coming years. While it remains a relatively low-income environment, our focus will be on total returns rather than pure income from our portfolio. The board is recommending a final dividend of 47.3p per share, which represents a full year dividend of 64.8p, an increase of 3.0% when compared to the previous year. This would represent the 55th consecutive year of increases in our annual dividend.

Special dividend

The company has recommended special dividends in the past where either cash levels are high or there has been a significant disposal. Following the disposals of Deep Sea Electronics and BioAgilytix during the year, the board is recommending a special dividend of 175p per share at a cost of £95m. This provides a considerable enhancement to the long-term yield that Caledonia has delivered to shareholders which, on a ten year basis, is over 3%.

Board and staff

As previously announced, Will Wyatt retires as Chief Executive at the company's annual general meeting in July 2022. On behalf of the board, I would like to thank Will for his outstanding service to Caledonia over the past twelve years. Under his leadership, Caledonia's strategy has successfully evolved whilst the ethos, culture and values of the business have been carefully nurtured. In financial terms, NAV has grown strongly with an annualised NAV total return of 12.2%, significantly outperforming the annualised FTSE All-Share total return of 7.2% over this period. Subject to shareholder approval I am delighted that he will continue to serve on the board as a non-executive director enabling us to continue to benefit from his experience.

Will is to be succeeded by Mathew Masters, currently Head of Caledonia Quoted Equity, who was appointed to the board as Chief Executive Officer Designate on 1 April 2022. Mathew joined Caledonia from Grant Thornton in 2006, initially as an investment executive. He became Head of the Capital portfolio in 2010, before taking on broader responsibility for the Income strategy in 2019 when he was promoted to Head of Quoted Equity. I would also like to welcome Mathew to the board in his role as CEO. The board and I look forward to working with him in the years ahead as he builds on his impressive track record from leading the Quoted Equity portfolio and develops Caledonia's investment strategy.

During the year, Caledonia welcomed Lynn Fordham and Anne Farlow as independent non-executive directors. Anne will succeed Shonaid Jemmett-Page as Chairman of the Remuneration Committee in June 2022 and Lynn will succeed Stuart Bridges as Chairman of the Audit Committee in July 2022. Shonaid Jemmett-Page has decided to step down from the board as an independent non-executive director before the expiry of her third term in office in 2024. We are most grateful for her input and wish her well for the future. As part of our succession planning activities, a search for Shonaid's successor was scheduled to commence next year once Lynn, Anne and Mathew have each had the opportunity to settle into their new roles in the board. This activity will instead commence shortly. The board has therefore asked Stuart to delay his planned retirement from the board for up to one year whilst we recruit a replacement for Shonaid.

AGM

The AGM is an important part of our shareholder communications programme and we look forward to holding a physical meeting later in the year.

Outlook

Caledonia's medium and long-term NAV total return performance remains ahead of target and of relevant markets. However, following an improved short-term outlook as economies emerged from the worst effects of the pandemic, new challenges have appeared. Russia's invasion of Ukraine has significantly increased geopolitical risks and has exacerbated inflationary pressures. Interest rates are moving to levels not seen for many years and there are justifiable concerns that central banks remain somewhat behind the curve.

We anticipate significantly higher levels of volatility as markets adapt to interest rate increases and support from central banks is reduced as quantitative easing policies are unwound. However, the portfolio is well diversified and we remain confident that the long-term prospects for the underlying investments remain strong.

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 59 comprise the Strategic report of the company. The Strategic report was approved by the board on 25 May 2022 and signed by Mr Wyatt on its behalf.

Chief Executive's report

Will Wyatt
Chief Executive

Our strategy of investing in a diversified portfolio of high-quality holdings in listed equities, directly owned private companies and funds has generated significant value over the last year and makes us well placed to respond to the challenges posed by inflation, supply constraints and potentially lower GDP growth. We remain confident that our approach and high-quality portfolio will continue to deliver our aims of growing net assets and dividends over the long term.

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 NAV total return for the year of 27.9% built on the previous year's outturn of 25.9%, once again with all three parts of the portfolio producing strong positive returns. Strength in western stock markets was a helpful backdrop to the year. Caledonia's large allocation to private equity assets, which have witnessed high levels of liquidity and pricing uplifts, particularly in growth companies, has also been beneficial, though asset and manager selection remains critical to success. Shareholders should be reassured by the current high levels of cash. While bond and equity markets look vulnerable to falls, cash provides an appropriate cushion to market reversals and optionality when opportunities arise, despite the high level of inflation.

Caledonia has particularly low stock turnover relative to other investment companies, though we do operate an active approach to portfolio management. New or follow-on investments of £216.8m were made during the year, £110.5m of which was invested in the Funds pool. Divestments totalled £588.7m, dominated by the disposals of Deep Sea Electronics ('DSE') and BioAgilytix by the Private Capital pool. It was particularly pleasing to witness the increasing maturity of the Funds pool which benefitted from elevated levels of fund distributions, receiving £178.0m during the year.

Investment income was £51.0m, an increase of 14.3% over the previous year. Net income for the year was £39.3m, up 31.8% which was flattered by the one-off recognition of £8.5m of historic tax losses. Total comprehensive income, which includes changes in the valuation of investments during the year, totalled £611.3m (2021: £467.6m). The group balance sheet NAV of £2.78bn is at an all time high. Maintenance of a strong balance sheet is central to our strategy, particularly with Caledonia's sizeable exposure to illiquid assets. Currency also moved favourably during the year, positively impacting capital gains on investments and thus the annual return by £59m, or around 3 percentage points.

Total liquidity remains healthy with cash of £341m plus undrawn bank facilities of £250m at the year end. Caledonia's £250m banking facilities include £137.5m expiring in May 2025, with the balance of £112.5m expiring in July 2022. Discussions are well advanced with ING to renew the latter facility for a further three years.

The company made a series of share buy-backs throughout the year, with over 710,000 shares being purchased and cancelled for £24m at attractive levels of discount to NAV.

Investment performance

We aim 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. However, management and the investment teams are incentivised 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. Results continue to be ahead of both short-term and long-term targets. The decision to increase exposure to non-UK assets over the past decade has resulted in Caledonia significantly outperforming the FTSE All-Share index, which, whilst not used as a benchmark, provides a useful reference point for UK-based investors.

Years to 31 March	1 year %	3 years %	5 years %	10 years %
NAVTR APM	27.9	47.8	66.2	215.1
FTSE All-Share	13.0	16.8	25.8	99.5
NAVTR v FTSE All-Share TR	+14.9	+31.0	+40.4	+115.6
Annualised performance				
NAVTR APM	27.9	13.9	10.7	12.2
RPI	9.0	4.3	3.7	3.0
NAVTR v RPI	+18.9	+9.6	+7.0	+9.2
FTSE All-Share TR	13.0	5.3	4.7	7.2
NAVTR v FTSE All-Share TR	+14.9	+8.6	+6.0	+5.0

APM Alternative performance measure – further information on page 132.

Strategy and allocation

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

Pool name	2022 %	2021 %	Strategic allocation %
Quoted Equity	29.8	32.2	35-50
Private Capital	28.1	37.2	35-45
Funds	28.6	28.6	20-30
Cash and other	13.5	2.0	+/-10
Net assets	100.0	100.0	

The strategic allocation ranges shown in the table above are a guide to ensure that the portfolio remains proportionately balanced. The two large exits from the Private Capital pool have resulted in its allocation being below its target range. Quoted Equity is below target due to the rapid valuation growth of other asset pools in the year. New investments are individually made on merit, not simply to address short-term allocation imbalances.

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	35-50%
	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 £50m 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 - NAVTR

Years to 31 March	1 year %	3 years %	5 years %	10 years %
Pool name				
Quoted Equity	14.1	48.2	68.6	189.3
Capital portfolio	14.6	57.8	97.9	244.9
Income portfolio	13.7	28.5	19.5	92.1
Private Capital	54.7	56.3	82.7	319.8
Funds	38.3	81.2	125.0	412.8
Portfolio	29.9	55.5	82.7	271.0

Caledonia Quoted Equity

The total return for the Quoted Equity pool was 14.1% over the year. This strong performance reflected the positive movement in global public equity markets and our stock selection within both the Capital and Income portfolios, delivering total returns of 14.6% and 13.7% respectively. Performance was driven by good returns from a broad range of sectors and across markets in the UK, Continental Europe and North America. Six holdings - Microsoft, Thermo Fisher, National Grid, Diageo, London Metric and Big Yellow - delivered returns of over 30% during the year.

Trading activity was relatively limited in the first half of the year, in line with our long-term investment approach. However, the more volatile market backdrop arising during the second half of the year created some buying opportunities, though portfolio performance was pared back. Positions in Alibaba, the prominent Chinese e-commerce and cloud-computing company, and in Moody's, a leading global provider of credit ratings, financial data and analytics, have been added to the Capital portfolio. Over the year there has been an increase in our holding in Philip Morris International and a reduction in our holdings in AG Barr and Polar Capital. Other activity was restricted to refining positions in existing investments.

Chief Executive's report (continued)

Caledonia Private Capital
Caledonia's Private Capital portfolio is dominated by significant positions in four UK-centric businesses, one US co-investment and one private European investment company. These six investments represent over 95% of the portfolio value. Investee companies are revalued in March and September each year. The portfolio generated a total return of 54.7% for the year.

On 1 June 2021, Caledonia announced that portfolio company DSE, a leading provider of backup power control systems, had been acquired by Generac Holdings Inc. ('Generac'). Generac is a leading global designer and manufacturer of energy technology solutions and other power products. DSE had grown strongly since its acquisition by Caledonia in October 2018. Caledonia received net proceeds of £242m in cash, net of fees, for the sale of its 84.2% fully diluted stake. This included a pre-disposal dividend of £12.6m. DSE was valued at £193m in Caledonia's accounts at 31 March 2021.

On 17 November 2021, Caledonia announced that the shareholders of portfolio company BioAgilytix, a leading provider of bioanalytical testing for large molecule research and development, had agreed terms of a majority investment in the company by international private equity firm Cinven. Caledonia co-invested in BioAgilytix in February 2019 alongside Cobepa. Since then, the business had grown strongly via a mix of impressive organic growth and acquisitions in the US and Australia, expanding its geographic reach and capabilities. The transaction completed on 22 December 2021 delivering gross proceeds of US$183m, net of fees. The BioAgilytix co-investment was valued at US$36m in Caledonia's accounts at 31 March 2021. The sizeable valuation uplift reflected the strong growth in the business, good levels of profitability and the attractiveness of the sector. Caledonia agreed to re-invest US$42m alongside Cinven and a consortium of investors including Cobepa, for a minority investment in BioAgilytix. This holding in BioAgilytix was valued at cost of US$42m (£32m) at 31 March 2022, reflecting the recent closing of the transaction.

Seven Investment Management ('7IM'), a vertically integrated multi-asset class investment manager, continues to perform well. The successful integration of the Partners Wealth Management business has been a major contributor to performance, alongside growth in 7IM's platform business. Assets under management continue to grow strongly through a mix of positive investment performance and net new fund inflows of c.£1.6bn during the year. The valuation at 31 March 2022 was £174m, a return of 41% for the year.

Cobepa, the Belgian-based investment company, owns a diverse portfolio of private global investments. The businesses within its portfolio have delivered healthy performances which, coupled with two notable exits, has resulted in a significant valuation increase for the year. As noted above, Cobepa was the majority owner of BioAgilytix, which was sold to Cinven, and it has also recently completed the disposal of its largest asset, Hillebrand, to Deutsche Post DHL Group at an equity value of €1.5bn. The impact of these transactions is largely included in the valuation of Caledonia's holding in Cobehold (the holding company of Cobepa) which was £159m at 31 March 2022, a return of 44% for the year.

Stonehage Fleming, the international multi-family office, continues to deliver good growth, both organically and through successful acquisitions. In summer 2020, the business acquired Cavendish Asset Management which has now been fully integrated, and in January 2022 completed the acquisition of the private client business of the Maitland Group, a global advisory, administration and family office firm. The Maitland private client business is highly complementary to Stonehage Fleming's existing operations. The acquisition was funded from existing cash resources and additional term debt. The valuation at 31 March 2022 was £140m, a return of 25% for the year.

Liberation Group, a pub, restaurant and drinks business with operations in the Channel Islands and the South West of the UK has traded well through the year, despite the adverse impact of the Omicron variant of Covid-19 during the busy December to early January trading period. The business has proved to be financially robust with an estate focused on destination pubs, a strong food offering, large outdoor spaces and, in several sites, good quality accommodation. Summer trading saw better than expected levels of demand return as consumers responded to a relaxation of Coronavirus restrictions, supported by the popularity of UK-based holidays. The pubs recently acquired from Wadworth & Co. are performing well following a programme of investment. The valuation at 31 March 2022 was £136m, a return of 6% for the year.

Cooke Optics, a leading manufacturer of cinematography lenses, has also traded well over the last twelve months. The business has faced a number of challenges over the past two years but is now delivering improved financial performance. The recently launched range of full frame cine lenses has been positively received by the market with a healthy initial order book. The market is strong as global demand for both streaming and cinema content remains elevated. The valuation at 31 March 2022 was £118m, including £30m of term debt, an equity return of 34% for the year.

Caledonia Funds

The total return for the Funds portfolio was 38.3% for the year. This reflects strong underlying fund performance, including an increased level of distributions, from across our maturing portfolio. Caledonia's valuation policy is to utilise the latest valuations reported by the managers of the funds in which we invest, adjusted for any cash movements to our reporting date. 20% of NAV is based on valuations dated 31 March 2022 and 71% dated 31 December 2021, both primarily the directly owned funds. The remainder, mostly fund of funds holdings, are dated 30 September 2021. Further details of the process by which we assess the reasonableness of these valuations can be found in the Financial review and Valuation methodology sections which follow.

Caledonia Funds' investments are principally in third party managed private equity funds operating in North America and Asia. The level of return during the year has been very strong, reflecting the outcome of a consistent, planned approach to selecting and committing to funds over the last ten years, which mature to deliver valuation growth and generate cash distributions as underlying holdings are realised. Almost all of our managers have recorded good growth this year, across both geographies. Our investments with fund of funds managers - Aberdeen US Private Equity funds, Axiom Asia funds and Asia Alternatives funds - have shown particularly healthy returns.

The strategy for the Funds portfolio involves committing between US$100m and US$150m per annum to new fund opportunities. During the year, £111m was drawn down and £169m was distributed by the funds; we also received £9m from the sale of a fund position in the secondary market. The level of distributions remains positive, with a notable bias towards our North American funds, reflecting merger, acquisition and IPO activity in broader private equity markets.

Responsible investment

We have a particularly engaged style of interaction and stewardship of our investee companies. Our staff sit on the boards of all of our Private Capital companies and often serve on the advisory boards of the private equity funds in which we invest. Despite usually being only a small shareholder in listed companies, we are often given privileged access to their management teams. We are therefore well positioned to both monitor and effect change to the approach investee companies take to ESG matters. We are midway through a project to ensure that such factors are fully incorporated into our investment decision making process.

Outlook

The Western world appears to have come through the worst of the Covid-19 pandemic, absent further mutations. This is not the case in Asia where China's zero-Covid policy remains firmly in place. Further geopolitical events have unsettled markets, particularly in commodities, and have exacerbated supply side constraints. The prospect of increasing interest rates to combat unhealthily strong inflation makes the old market adage of 'don't fight the Fed' look ominously prescient this year. Bond yields have already risen strongly and, with equities at lofty valuations, investors are thinking carefully about allocation to alternative assets.

Caledonia's portfolio is comprised of high-quality businesses and funds, many of which have the ability to respond to the challenges posed by inflation, supply constraints and recent forecasts of lower growth in GDP. The strong balance sheet, with ample liquidity, leaves us in a good position to resist these headwinds, although Caledonia's portfolio will not be immune to falls in valuations. However, our long-term mindset, outstanding management team and current allocation gives us a good platform from which to continue to achieve the aims of growth in 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 in pages 10 to 59 comprise the Strategic report of the company. The Strategic report was approved by the board on 25 May 2022 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
Turn to page 24

Private Capital

Seven Investment Management

Cobehold

Stonehage Fleming

Liberation Group

Cooke Optics

BioAgilytix

Further information
Turn to page 28

Funds

North American funds

Asian funds

Further information
Turn to page 32

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 18, 60 and 96

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 64

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 42

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 48

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

Our business model (continued)

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	**10.7%**	**12.2%**
RPI + 3%	6.7%	6.0%

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

	Annualised over 10 years
NAVTR	**12.2%**
TSR	**11.9%**
FTSE All-Share TR	7.2%

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

Annual dividend per share 64.8p

Annualised growth over:	
1 year	3.0%
5 years	3.4%
10 years	4.2%

Manage investment risk effectively for long-term wealth creation

NAV per share 5041p

Annualised growth over:	
1 year	26.0%
5 years	8.2%
10 years	9.8%

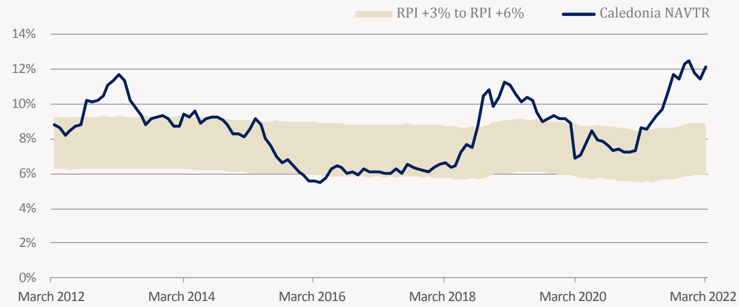
Performance measures

Further information on the definition and calculation of the performance measures referred to below can be found on pages 132 and 133.

Performance trend

Metric

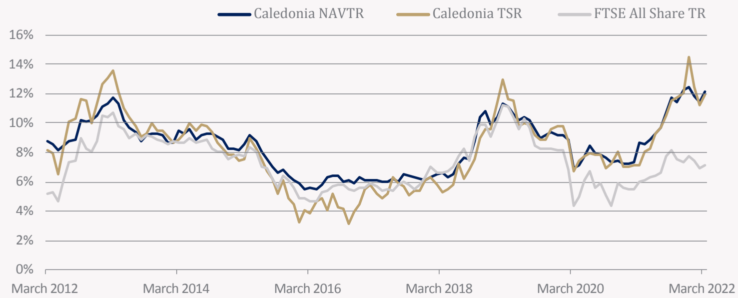
NAVTR annualised 10 year rolling performance



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.

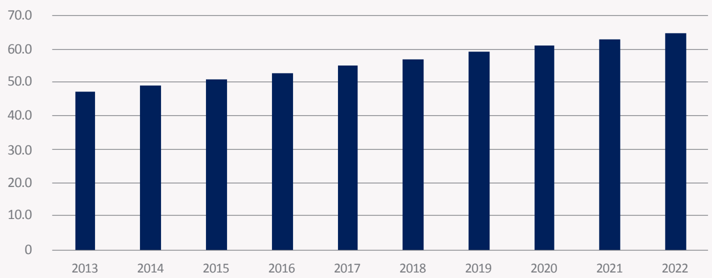
TSR annualised 10 year rolling performance



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.

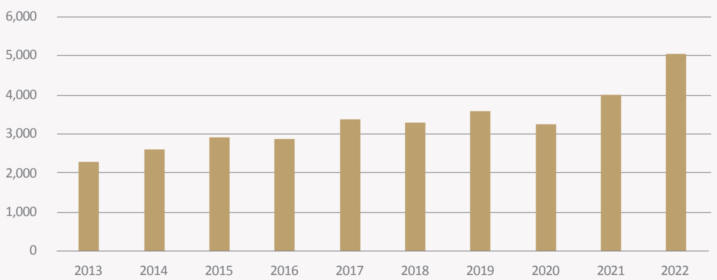
Annual dividend/share over 10 years (p)



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 64 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 to keep shareholders apprised of performance. Caledonia's AGM is an important part of our shareholder communications programme. In response to UK Government restrictions related to the Covid-19 pandemic and mindful that some shareholders could remain wary of travelling to our office for the meeting, arrangements were made for shareholders to listen to the AGM remotely online, hear from our directors 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 67.
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 which enables regular formal and informal access to board directors, irrespective of seniority. Following the cessation of the Government's work from home guidance, staff have largely returned to our office, albeit on a more flexible basis than prior to the pandemic. Frequent colleague involvement in board and committee meetings continues. Formal periodic reports on staff-related matters, including any instances of concerns or grievances raised and suggestions received for improvements to the 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 50.

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 in the Income and Capital portfolios. With Covid-19 travel restrictions being eased, staff have returned to face-to-face meetings with management teams as part of our ongoing stewardship activities, supplemented by ongoing use of virtual conferencing. We continue to make considered use of our voting rights at all shareholder meetings. **Private Capital** Our employees serve as non-executive directors on the boards of portfolio companies in which Caledonia holds a significant investment, providing oversight and helping to ensure that our board is kept apprised of key developments and the views of a broader group of stakeholders. Whilst the pandemic once again prevented planned board visits to portfolio companies, directors received deep-dive presentations from the Chief Executives of 7IM and Liberation Group during the year in addition to other regular reporting. This programme of regular presentations from the leadership of investee companies provided directors additional insight to assist with investment 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. Our Funds team has welcomed the return to in-person meetings to enable us to gain real insight into the management of our portfolio. Further details on our stewardship activities can be found on page 48.
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, during the year we paid more than 94% (2021: 95%) of our supplier invoices within 30 days and benefit from good relationships often built over many years with suppliers who share our values.
Community	We have established an ongoing commitment to the wider community via The Caledonia Investments Charitable Foundation and also to foster further employee involvement in the community. We have continued efforts to advance greater talent diversity in our sector.	**Charitable giving** The Caledonia Investments Charitable Foundation was initially established to provide grants to eligible applicants closely connected to our investee companies who faced financial hardship due to the Coronavirus pandemic. Grants of around £260,000 were made in the previous financial year, reducing to around £13,000 in pandemic-related payments this year. The Foundation is now the focus for Caledonia's charitable activity. £230,000 was contributed to charities in the year. The Cornwall Community Foundation, the Maritime Volunteer Service, the Queen's Green Canopy, #10000BlackInterns and Guy's and St Thomas' Foundation to support research into long-Covid were the principal beneficiaries. Other donations have supported the charitable activities of employees. **Diversity and inclusion** Caledonia will continue its partnership with #10000BlackInterns in 2022 following the success of last year's internship programme. #10000BlackInterns is an initiative designed to help transform the horizons and prospects of young black people in the UK, offering paid work experience. Further details on our community activities can be found on page 50.

Section 172 statement (continued)

How stakeholder interests have influenced decision making

Succession planning

Further details on succession planning
Turn to page 68

Will Wyatt, as part of long-term succession planning, informed the board in November 2021 of his intention to retire as Chief Executive at the company's AGM in July 2022. Subject to re-election by shareholders, the board invited him to continue to serve as a non-executive director. Will is to be succeeded as Chief Executive by Mathew Masters, who joined the board as Chief Executive Officer Designate on 1 April 2022.

In making its decision to promote Mathew, the board considered the excellent returns for shareholders he and his team had made as Head of the Capital portfolio and, since taking on broader responsibility for the Income strategy in 2019, his performance as Head of Quoted Equity. They also considered his experience in both listed and private markets and stakeholder feedback.

The board, cognisant of the expectation of shareholders set out in the UK Corporate Governance Code that at least half of its members, excluding the Chairman, should be considered independent, commenced a search process for an additional non-executive director.

Deep Sea Electronics

Further details on Deep Sea Electronics
Turn to page 28

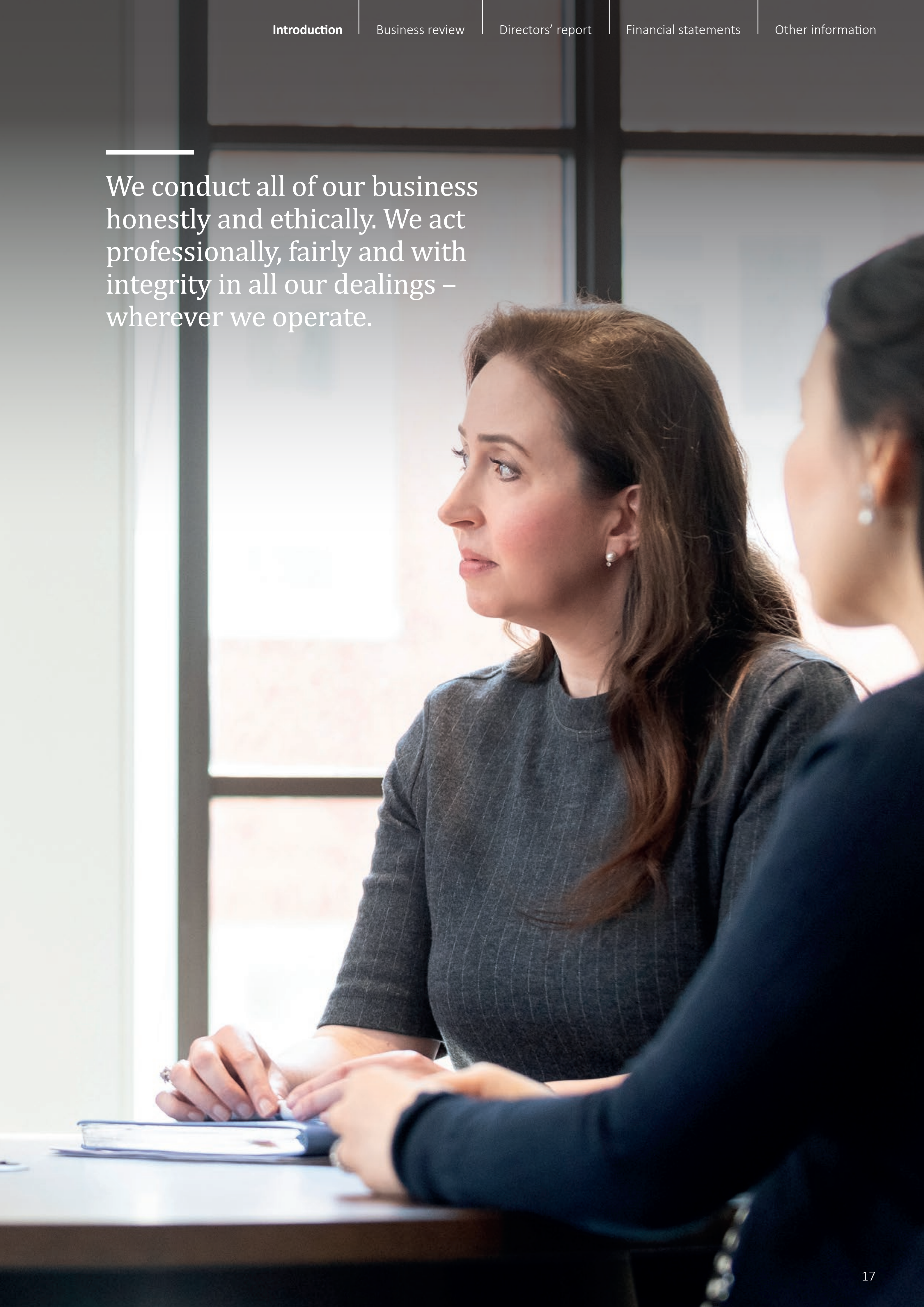
Deep Sea Electronics ('DSE'), a leading provider of backup power control systems, was purchased from Caledonia by Generac Holdings Inc., a leading global designer and manufacturer of energy technology solutions and other power products, during the year.

The board carefully considered the offer received from Generac, noting that it was compelling and provided a significant premium and was in the best interests of Caledonia's shareholders. The opportunities created for DSE's employees and the ongoing development of its industry-leading products were also considered.

Dividends

Further details on dividends
Turn to page 39

In making its decisions regarding the 2021 final dividend and 2022 interim dividend the board considered 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.



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

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

Business review

Investment review

Performance and analysis

All parts of the portfolio delivered strong returns, reflecting strong performance in both public and private equity markets during the year.

Performance

NAV total return for the year ended 31 March 2022 was 27.9% (2021: 25.9%). This reflects valuation growth in the period in both public and private equity markets. Over the medium and longer term, Caledonia's NAV total return has been in the range of 10% to 12% on an annualised basis, comfortably outperforming the FTSE All-Share over these periods.

Total cumulative return (%)

	1 year	3 years	5 years	10 years
Caledonia NAVTR	27.9	47.8	66.2	215.1
FTSE All-share	13.0	16.8	25.8	99.5
NAVTR v FTSE All-Share	14.9	31.0	40.4	115.6

Annualised returns (%)

	1 year	3 years	5 years	10 years
Caledonia NAVTR	27.9	13.9	10.7	12.2
FTSE All-share	13.0	5.3	4.7	7.2
NAVTR v FTSE All-Share	14.9	8.6	6.0	5.0

Group performance was driven by positive returns from each pool within the portfolio. The Quoted Equity pool delivered an annual return of 14.1%, benefitting from exposure to high quality growth stocks in the US. The Private Capital portfolio generated a return of 54.7% following the biannual revaluation of its holdings. All principal investee companies are progressing well and, coupled with the previously announced sales of Deep Sea Electronics ('DSE') in early June 2021 and BioAgilytix in December 2021, delivered excellent returns for the year. The Funds pool returned 38.3% driven by strong valuation growth, based on the most recent valuations received from fund managers, and also generated net cash inflows over the year, reflecting the growing maturity of its fund holdings.

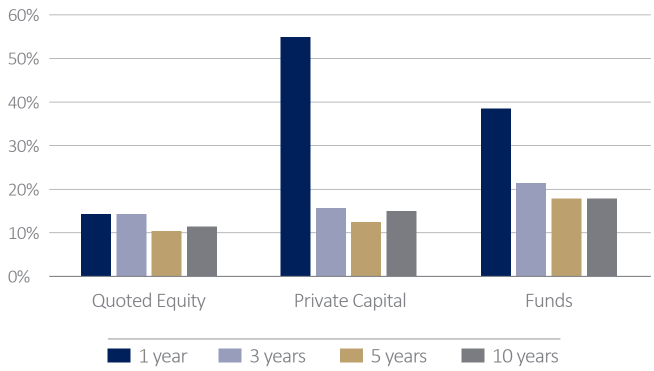
Investment activity

During the year £110.5m of investments were made into the Funds pool, continuing an ongoing programme of drawdown commitments. The Private Capital pool made a US$42m reinvestment into BioAgilytix as part of a consortium of investors. Two new Quoted Equity positions were initiated and several were increased in response to attractive pricing.

Realisations in the year totalled £588.7m, with the Private Capital pool contributing the largest proportion, primarily through its sales of DSE and BioAgilytix. The Funds pool received distributions of £168.9m, primarily from maturing US funds plus £9.1m following the secondary sale of an existing fund position.

Investment income for the year was up 25.3% at £55.8m driven by dividend increases across Quoted Equity holdings, together with dividend distributions from Asian private equity funds.

Annualised investment pool returns



	March 2021 £	Investments £	Realisations £	Accrued income[2] £	Gains/ (losses) £	March 2022 £	Income £	Return[1] %
Pool								
Quoted Equities	716.1	72.6	(36.0)	–	77.4	830.1	23.3	14.1%
Private Capital	826.8	33.7	(374.7)	0.8	295.1	781.7	26.9	54.7%
Funds	637.1	110.5	(178.0)	–	224.8	794.4	5.6	38.3%
Total pools	2,180.0	216.8	(588.7)	0.8	597.3	2,406.2	55.8	29.9%
Non-pool[3]	14.0	10.1	(14.6)	–	(30.2)	(20.7)	–	
Total investments	2,194.0	226.9	(603.3)	0.8	567.1	2,385.5	55.8	
Net cash/(debt)	(0.8)					341.1		
Other net assets	32.1					56.1		
Net assets	2,225.3					2,782.7		

1. Returns for investments are calculated using the Modified Dietz methodology.
2. Private Capital valuations at 31 March 2022 included accrued income of £1.7m (2021: £0.9m).
3. Non-pool investments comprise legacy investments, cash and receivables and deferred tax liabilities (see note 11 to the financial statements) in subsidiary investment entities.

Investment review (continued)

Geography

The following chart shows the distribution of net assets at 31 March 2022 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.

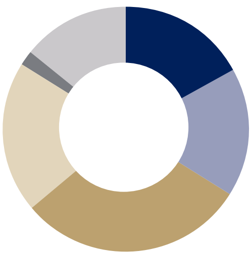
Geography by region

United Kingdom	16%
Channel Islands	16%
Europe	7%
North America	35%
Asia	12%
Cash and other	14%

Over the year there has been a decrease in exposure to UK assets and a corresponding increase in cash, following Private Capital divestments.

The following chart estimates geographic analysis at 31 March 2022 by revenue generation: this demonstrates a highly diverse geographic exposure across our investments.

Geography by revenue generation



United Kingdom	17%
Europe	17%
North America	30%
Asia	20%
Other countries	2%
Cash and other	14%

Asset class

The following chart shows the distribution of net assets at 31 March 2022 by asset class. Listed securities represented 30% of net assets at the year end and unlisted investments (direct investments and funds) accounted for 56%.

Asset class

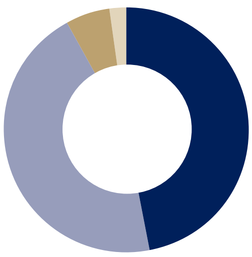
Listed equities	30%
Private companies	28%
Private equity funds	28%
Cash and other	14%

The sale of large direct unlisted investments has resulted in a switch in asset class between private companies and cash.

Currency

The following chart analyses net assets at 31 March 2022 by currency exposure, based on the currencies in which investments or cash and other assets are denominated or traded. During the year, Sterling weakened by 5% against the US dollar, positively impacting the annual return by 3%.

Currency exposure



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

Investments summary

Holdings over 1% of net assets 31 March 2022

Name	Pool	Geography[1]	Business	Value £m	Net assets %
Seven Investment Management	Private Capital	Jersey	Investment management	173.7	6.2
Cobehold	Private Capital	Belgium	Investment company	159.2	5.7
Stonehage Fleming	Private Capital	Guernsey	Family office services	140.1	5.0
Liberation Group	Private Capital	Jersey	Pubs & restaurants	135.7	4.9
Cooke Optics	Private Capital	UK	Cine lens manufacturer	117.8	4.2
Aberdeen US PE funds	Funds	US	Funds of funds	117.3	4.2
Axiom Asia funds	Funds	Asia	Funds of funds	87.6	3.1
Microsoft	Quoted Equity	US	Software	62.4	2.2
Watsco	Quoted Equity	US	Ventilation products	62.2	2.2
Oracle	Quoted Equity	US	Software	58.6	2.1
Texas Instruments	Quoted Equity	US	Semiconductors	54.8	2.0
Asia Alternatives funds	Funds	Asia	Funds of funds	49.8	1.8
Thermo Fisher Scientific	Quoted Equity	US	Pharma & life science services	45.0	1.6
Philip Morris	Quoted Equity	US	Tobacco & vaping	41.9	1.5
British American Tobacco	Quoted Equity	UK	Tobacco & vaping	41.6	1.5
Stonepeak funds	Funds	US	Private equity funds	41.5	1.5
Fastenal	Quoted Equity	US	Industrial supplies	40.6	1.5
Charter Communications	Quoted Equity	US	Cable communications	37.7	1.4
Decheng funds	Funds	Asia/US	Private equity funds	35.9	1.3
Unicorn funds	Funds	Asia	Funds of funds	34.3	1.2
Spirax-Sarco	Quoted Equity	UK	Steam engineering	33.6	1.2
BioAgilytix	Private Capital	US	Bioanalytical testing	31.9	1.1
Hill & Smith	Quoted Equity	UK	Infrastructure	31.6	1.1
LYFE fund	Funds	Asia	Private equity funds	30.0	1.1
Becton Dickinson	Quoted Equity	US	Medical technology	29.5	1.1
PAG Asia fund	Funds	Asia	Private equity funds	29.1	1.0
AE Industrial	Funds	US	Private equity funds	27.8	1.0
Croda International	Quoted Equity	UK	Chemicals	26.6	1.0
Other investments				628.4	22.7
Investment portfolio				2,406.2	86.4
Non-pool investments[2]				(20.7)	(0.7)
Cash and other				397.2	14.3
Net assets				2,782.7	100.0

1. Geography is based on the country of listing, country of domicile for unlisted investments and underlying regional analysis for funds.
2. Non-pool investments comprise legacy investments, cash and receivables and deferred tax liabilities (see note 11 to the financial statements) in subsidiary investment entities.

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	14.6	16.4	14.6	13.2
Income portfolio	13.7	8.7	3.6	6.7
Quoted Equity	**14.1**	**14.0**	**11.0**	**11.2**

Geography by region

United Kingdom	16%
Europe	16%
North America	42%
Asia	19%
Other countries	7%

Sector

Basic materials	16%
Consumer staples	18%
Financials	6%
Healthcare	9%
Industrials	15%
Real estate	3%
Retailers	2%
Technology	21%
Telecommunications	5%
Utilities	5%

Strategy

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 to drive returns, rather than by trading them. 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 deploy and redeem capital when markets provide good opportunities for us. Our thoughtful approach allows us to deploy 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 six stocks that are held 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 portfolio is expected to deliver against these aims over the longer term. The Capital portfolio has no dividend target, is unconstrained and as a consequence should 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 14.1%, with the Capital and Income strategies returning 14.6% and 13.7% respectively. The portfolios benefitted from exposure to high-quality US listed stocks, though increased volatility in the final quarter of the financial year saw returns reduce from earlier in the year.

The portfolio managers are very focused on ensuring that the companies we invest in have good pricing power. This gives the portfolio some ability to mitigate the impacts of inflation, which has increased significantly in the last year.

"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

29.8%

of net assets at 31 March 2022

Find out more
www.caledonia.com/quot

Capital portfolio

Performance

The Capital portfolio delivered a 14.6% total return during the year to March 2022 (2021: 35.9%). The portfolio is highly concentrated with only 20 holdings and so is not explicitly managed with a benchmark in mind. However the portfolio has outperformed the FTSE All-Share over one, three and five year periods by 1.6%, 11.1% and 9.9% (annualised) respectively.

Operating performance was generally strong across the portfolio. The strongest performers in terms of returns were Microsoft (40.2%), Thermo Fisher Scientific (35.9%) and Fastenal (26.1%). Quarterly earnings over the two years to March 2022 saw these companies grow their revenues in the range of 10-20%. Not only did they prove very resilient through the Covid-19 pandemic (and made strong health and societal contributions towards coping with it), they are also dealing with the early stages of an unusually high inflationary environment very well.

Those that fared less well in the year were Alibaba (-28.7%), Ecolab (-13.0%) and Unilever (-11.4%).

We initiated our position in Alibaba, the China headquartered internet retail and cloud services company, after the share price had approximately halved from its peak. The price has since declined further, serving as a reminder of the risks of investing in that market. We take a cautious approach with investing in this area but aim to take a long-term view of the company and its prospects, and believe it has solid fundamentals.

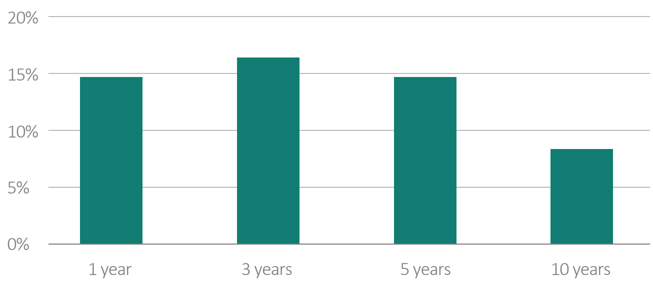
Ecolab is a company that provides cleaning products and services into the restaurant market. It has taken longer than other holdings to recover from the impact of the pandemic. Unilever has endured a series of headwinds including extreme commodity cost inflation and missteps around the proposed acquisition of GSK Consumer Healthcare which has since been abandoned.

Investment activity

In keeping with our long-term buy and hold approach, activity in the year was minimal. We initiated two new positions in Alibaba and Moody's Corporation. We had been following Moody's for a long time and were able to prioritise allocating to it as the markets sold off at the start of 2022.

Quoted Capital	**£m**
Opening value	530.7
Investments	52.5
Realisations	(36.0)
Gains/losses	62.1
Closing value	609.3
Investment income	11.1

Annualised pool returns - Capital



Significant pool investments

Name	Business	Geography	First invested	Value £m	Pool %	Return %
Microsoft	Software	US	2014	62.4	10.2	40.2
Oracle	Software	US	2014	58.6	9.6	25.5
Watsco	Ventilation products	US	2017	45.2	7.4	25.4
Thermo Fisher Scientific	Biotech development	US	2015	45.0	7.4	35.9
Texas Instruments	Semiconductors	US	2018	40.0	6.6	3.7
Charter Communications	Cable communications	US	2017	37.7	6.2	(7.4)
Spirax-Sarco	Steam engineering	UK	2011	33.6	5.5	15.7
Philip Morris	Tobacco & vaping	US	2011	31.7	5.2	14.9
Hill & Smith	Infrastructure	UK	2011	31.6	5.2	2.2
Becton Dickinson	Medical technology	US	2015	29.5	4.8	16.0
Fastenal	Industrial supplies	US	2020	29.1	4.8	26.1
British American Tobacco	Tobacco & vaping	UK	2015	27.8	4.6	23.7
Other investments				137.1	22.5	
				609.3	100.0	

Income portfolio

Performance

The Income portfolio delivered a 13.7% total return during the year to March 2022 (2021: 17.5%). Like the Capital portfolio, the Income portfolio is highly concentrated, comprising 17 holdings. The portfolio has outperformed the FTSE All-Share over one and three year periods by 0.6% and 3.4% respectively, and underperformed it by 1.1% over a five year period.

The strongest performers in terms of returns this year were mostly purchased during the Covid-19 sell-off when high quality stocks were re-priced and became eligible for the Income portfolio. These included Big Yellow (43.7%), Diageo (33.2%) and London Metric (33.9%). There was some weaker performance from DS Smith (-21.1%) and Unilever (-11.4%).

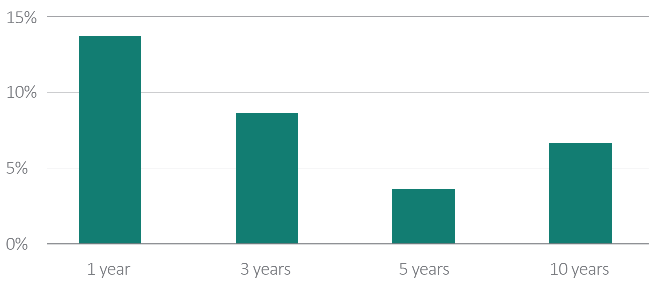
Big Yellow and LondonMetric are both UK based, asset backed property businesses and are superbly managed by teams who think like owners rather than managers. We are delighted to be invested alongside them in these companies. Big Yellow is a self-storage business focused in areas where supply is low and demand is high. The business performed well throughout the pandemic (although the share price did not) and is now moving from strength to strength. LondonMetric was an early investor in urban logistics and has increasingly orientated itself towards high-demand assets in that area.

Investment activity

Activity in the year consisted of initiating a position in Philip Morris, and topping-up existing holdings in response to price movements.

Quoted Income	**£m**
Opening value	185.4
Investments	20.1
Realisations	–
Gains/losses	15.3
Closing value	220.8
Investment income	12.2

Annualised pool returns - Income



Significant pool investments

Name	Business	Geography	First invested	Value £m	Pool %	Return %
Watsco	Ventilation products	US	2017	17.0	7.7	25.4
Fortis	Utilities	US	2020	16.2	7.3	23.4
Reckitt Benckiser	Consumer goods	UK	2020	15.7	7.1	(6.7)
National Grid	Electricity	UK	2015	15.4	7.0	43.0
Diageo	Alcoholic drinks	UK	2020	14.9	6.8	33.2
Texas Instruments	Semiconductors	US	2018	14.9	6.7	3.7
Big Yellow Group	Self-storage	UK	2020	14.4	6.5	43.7
SGS	Testing & certification	Europe	2020	14.2	6.4	6.9
British American Tobacco	Tobacco & vaping	UK	2015	13.8	6.3	23.7
Unilever	Consumer goods	UK	2015	12.9	5.8	(11.4)
Sabre Insurance	Motor insurance	UK	2017	12.2	5.5	(2.5)
Other investments				59.2	26.9	
				220.8	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	54.7	16.1	12.8	15.4

Rationale

The Private Capital pool comprises a small number of direct investment holdings in private companies, predominantly in the mid-market. We focus on cash generative businesses with strong growth potential. Unlike many private equity investors, as a balance sheet investor we are not constrained by the finite life of a private equity fund, which allows us to take a truly long-term approach to managing and realising value from our investments.

Performance and activity

During the year the Private Capital pool produced a return of 54.7%.

Caledonia's Private Capital portfolio is dominated by significant positions in four UK centric businesses, one US co-investment and one private European investment company. These six investments represent over 95% of the portfolio value. Investee companies are revalued in March and September each year.

On 1 June 2021, Caledonia announced that portfolio company DSE, a leading provider of backup power control systems, had been acquired by Generac Holdings Inc. DSE had grown strongly since its acquisition by Caledonia in October 2018. Caledonia received net proceeds of £242m in cash, net of fees, for the sale of its 84.2% fully diluted stake. This included a pre-disposal dividend of £12.6m. DSE was valued at £193m in Caledonia's accounts at 31 March 2021.

On 17 November 2021, Caledonia announced that the shareholders of portfolio company BioAgilytix, a leading provider of bioanalytical testing for large molecule research and development, had agreed terms of a majority investment in the company by international private equity firm Cinven. Caledonia co-invested in BioAgilytix in February 2019 alongside Cobepa. Since then, the business had grown strongly via a mix of impressive organic growth and acquisitions in the US and Australia, expanding its geographic reach and capabilities. The transaction completed on 22 December 2021 delivering gross proceeds of US$183m, net of fees. Caledonia agreed to re-invest US$42m alongside Cinven and a consortium of investors including Cobepa, for a minority investment in BioAgilytix.

Seven Investment Management ('7IM'), a vertically integrated multi-asset class investment manager continues to perform well. The successful integration of the Partners Wealth Management business has been a major contributor to performance, alongside growth in 7IM's platform business. Assets under management continue to grow strongly through a mix of positive investment performance and net new fund inflows of c.£1.6bn during the year. The valuation at 31 March 2022 was £174m, a return of 41% for the year.

"We work closely with our portfolio companies, providing enduring capital and enduring support - this approach has generated growth and value for all our stakeholders this year as well as over the longer term."

Tom Leader
Head of Caledonia Private Capital

Private Capital

28.1%

of net assets at
31 March 2022

Find out more
www.caledonia.com/pcap

Cobepa, the Belgian based investment company, owns a diverse portfolio of private global investments. The businesses within its portfolio have delivered healthy performances which, coupled with two notable exits, has resulted in a significant valuation increase for the year. As noted above, Cobepa was the majority owner of BioAgilytix, which was sold to Cinven, and it has also recently completed the disposal of its largest asset, Hillebrand, to Deutsche Post DHL Group at an equity value of €1.5bn. The impact of these transactions is largely included in the valuation of Caledonia's holding in Cobehold (the holding company of Cobepa) which was £159m at 31 March 2022, a return of 44% for the year.

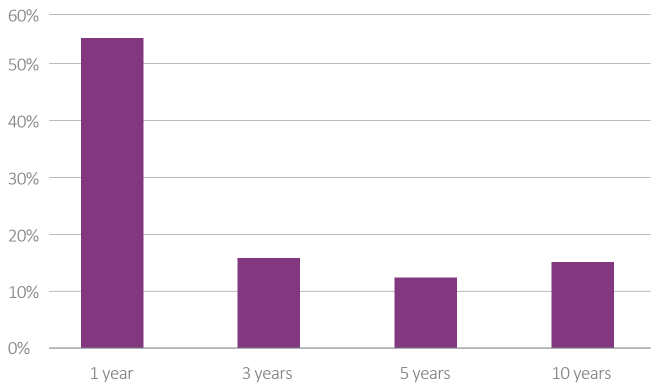
Stonehage Fleming, the international multi-family office, continues to deliver good growth, both organically and through successful acquisitions. In summer 2020, the business acquired Cavendish Asset Management which has now been fully integrated, and in January 2022 completed the acquisition of the private client business of the Maitland Group, a global advisory, administration and family office firm. The Maitland private client business is highly complementary to Stonehage Fleming's existing operations. The acquisition was funded from existing cash resources and additional term debt. The valuation at 31 March 2022 was £140m, a return of 25% for the year.

Liberation Group, a pub, restaurant and drinks business with operations in the Channel Islands and the South West of the UK has traded well through the year, despite the adverse impact of the Omicron variant of Covid-19 during the busy December to early January trading period. The business has proved to be financially robust with an estate focused on destination pubs, a strong food offering, large outdoor spaces and, in several sites, good quality accommodation. Summer trading saw better than expected levels of demand return as consumers responded to a relaxation of Coronavirus restrictions, supported by the popularity of UK-based holidays. The pubs recently acquired from Wadworth & Co. are performing well following a programme of investment. The valuation at 31 March 2022 was £136m, a return of 6% for the year.

Cooke Optics, a leading manufacturer of cinematography lenses, has also traded well over the last twelve months. The business has faced a number of challenges over the past two years but is now delivering improved financial performance. The recently launched range of full frame cine lenses has been positively received by the market with a healthy initial order book. The market is strong as global demand for both streaming and cinema content remains elevated. The valuation at 31 March 2022 was £118m, including £30m of term debt, an equity return of 34% for the year.

Private Capital	**£m**
Opening value	826.8
Investments	33.7
Realisations	(374.7)
Gains/losses	295.1
Accrued income	0.8
Closing value	781.7
Investment income	26.9

Annualised pool returns - Private Capital



Significant pool investments

Name	Business	Geography	First invested	Equity held %	Book cost £m	Value £m	Income Revenue £m	Income Capital £m	Pool %	Return %
Seven Investment Management	Investment management	Jersey	2015	81.8	113.4	173.7	5.4	45.8	22.2	40.5
Cobehold	Investment company	Belgium	2004	5.2	32.3	159.2	2.1	46.9	20.4	44.3
Stonehage Fleming	Family office services	Guernsey	2019	33.8	89.3	140.1	4.0	24.6	17.9	25.3
Liberation Group	Pubs & restaurants	Jersey	2016	96.8	139.7	135.7	0.8	7.1	17.4	6.2
Cooke Optics	Cine lens manufacturer	UK	2018	93.6	97.8	117.8	1.2	22.3	15.1	24.8
Other investments					48.5	55.2	13.4	148.4	7.0	
					521.0	781.7	26.9	295.1	100.0	

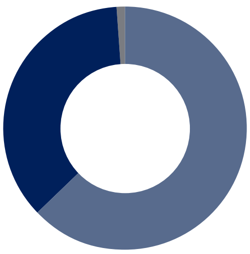
Funds

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 (%)

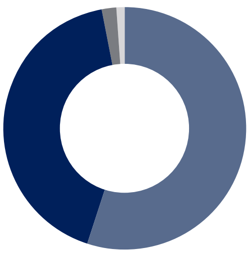
	1 year	3 years	5 years	10 years
Funds	38.3	21.9	17.6	17.8

Fund type



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

Geography by region



North America	55%
Asia	42%
United Kingdom	2%
Europe	1%

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 for Caledonia to access directly. North American fund investments focus on buyout funds in the lower mid-market. Asia 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 2022 was well diversified, representing 64 funds managed by 40 managers.

Performance

During the year the Funds pool produced a return of 38.3%. Over the longer term, annualised five and ten year returns for the pool were 17.6% and 17.8%.

The North American portfolio grew from £321m to £416m in the year and now comprises 51% of the pool NAV. The largest fund manager exposure in the North American portfolio is Aberdeen US PE funds, with funds of funds totalling £117m. Aberdeen's funds invest in a diverse range of lower mid-market US businesses and delivered a return for the year of 57.7%. Funds with particularly strong performance were Boyne Capital (112.4%) and JF Lehman (82.0%). Boyne focuses on North American small and mid-size buyout opportunities and distributions included the sale of a fire protection solutions company. JF Lehman successfully exited a number of businesses across its portfolio in the year generating returns of 82.0%.

The Asia portfolio grew from £300m to £375m in the year and now comprises 48% of the pool NAV. The largest fund manager exposure in the Asia portfolio is Axiom Asia, with funds of funds totalling £88m. Axiom's funds invest in businesses across Asia including China, Australia, Japan and South Korea, and include underlying holdings in technology, media and telecommunications, retail, consumer, media and technology and healthcare. Funds with notably strong performance included Ince Capital (46.9%) and LYFE Capital (32.5%). Ince Capital focuses on early stage consumer-facing companies in China. LYFE Capital invests in China's healthcare industry and returns were driven by successful exits from medical technology companies.

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

Jamie Cayzer-Colvin
Head of Caledonia Funds

Funds

28.6%

of net assets at 31 March 2022

Find out more
www.caledonia.com/funds

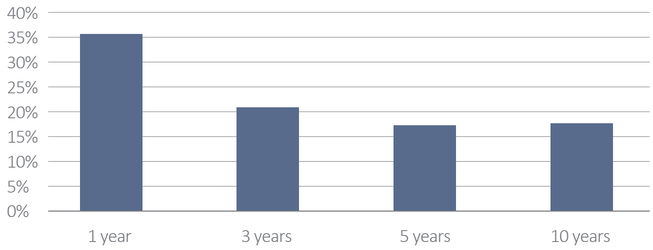
Investment activity

The group invested £111m over the year across 56 funds. During the year we committed US$171m (£130m) to ten new funds, encompassing North American lower mid-market funds and funds investing in the Asia region. Total undrawn commitments at the year end were £331m.

The largest distributions in the year came from North American funds of funds Aberdeen (£40m) and North American fund JF Lehman (£27m). The latter fund's distributions included exits from businesses focusing on sensor technology, commercial and industrial deconstruction, nuclear services and marine and industrial applicators.

	Funds £m
Opening value	637.1
Investments	110.5
Realisations	(178.0)
Gains/(losses)	224.8
Closing value	794.4
Investment income	5.6

Annualised pool returns - Funds



Significant pool investments

Name	Business	Geography	First invested	Book cost £m	Value £m	Income Revenue £m	Income Capital £m	Pool %	Return %
Aberdeen US PE funds	Funds of funds	US	2013	66.6	117.3	0.0	46.8	14.8	57.7
Axiom Asia funds	Funds of funds	Asia	2012	38.5	87.6	0.0	20.3	11.0	28.4
Asia Alternatives funds	Funds of funds	Asia	2012	20.2	49.8	0.0	14.5	6.3	38.0
Stonepeak funds	Private equity funds	US	2015	31.7	41.5	0.0	7.1	5.2	21.3
Decheng funds	Private equity funds	Asia/US	2015	16.5	35.9	0.0	4.3	4.5	13.9
Unicorn funds	Funds of funds	Asia	2017	21.0	34.3	0.0	9.3	4.3	44.2
LYFE fund	Private equity funds	Asia	2018	6.0	30.0	0.3	8.6	3.8	32.5
PAG Asia fund	Private equity funds	Asia	2015	15.6	29.1	4.3	3.4	3.7	32.7
Other investments				232.2	368.9	1.0	110.5	46.4	
				448.3	794.4	5.6	224.8	100.0	38.3

Financial review

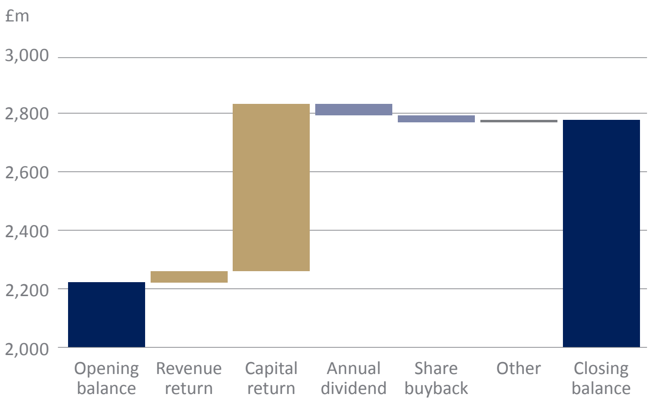
Tim Livett
Chief Financial Officer

Caledonia's net assets are significantly exposed to global equity markets. The current year has seen strong valuation growth from each part of the portfolio. Two major transactions in the Private Capital portfolio boosted returns and led to a marked uplift in our cash position.

The unprecedented levels of government and central bank support for economies around the globe has supported strong public equity markets through most of the year but growing inflationary pressures created uncertainty as we moved into the final quarter of our financial year. 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 27.9%, compared with the FTSE All-Share total return of 13.0%.

Caledonia's net assets increased to £2,782.7m at 31 March 2022, from £2,225.3m at the start of the year, largely due to strong capital gains across the portfolio as positive valuation movements continued and, particularly for our private assets, converted into transaction events which led to significant cash inflows. In addition, with approximately 53% of the investment assets denominated in US dollars, the weakening of Sterling by 5% over the year positively impacted the annual return by £59m, included within the capital return, or around three 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 2022, the total comprehensive income was £611.3m (2021: £467.6m), of which £39.3m (2021: £29.8m) derived from income and £572.0m (2021: £437.8m) from capital.

Income statement

£m	2022 Revenue	2022 Capital	2022 Total	2021 Revenue	2021 Capital	2021 Total
Investment & other income	51.6	4.8	56.4	44.7	0.8	45.5
Net gains on investments and property	–	570.7	570.7	–	440.2	440.2
Management expenses	(21.0)	(11.8)	(32.8)	(18.9)	(7.6)	(26.5)
Net finance costs	(2.2)	–	(2.2)	(2.6)	–	(2.6)
Exchange movements	(0.1)	–	(0.1)	(0.8)	–	(0.8)
Profit before tax	28.3	563.7	592.0	22.4	433.4	455.8
Taxation and other	11.0	8.3	19.3	7.4	4.4	11.8
Total comprehensive income	39.3	572.0	611.3	29.8	437.8	467.6

Revenue performance

Investment and other income in the year of £51.6m was 15% higher than last year's £44.7m. Dividend income from the holdings in the Quoted Equity portfolios increased to £18.5m compared to £17.1m in the prior year; this small increase reflected a more stable trading environment following the declines seen in the previous year when some businesses were impacted severely by the Covid-19 pandemic. Dividend income from the Private Capital businesses of £25.4m was £4.6m higher than the prior year. The pre-sale dividend from DSE of £12.6m was £3.5m above the prior year and the dividend from Stonehage Fleming increased by £3.3m. Cooke Optics was down £0.7m reflecting the decision to retain cash ahead of the launch of a new lens range in early 2022, and Liberation was £1.1m lower, in contrast to the remaining 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%, the same level as last year.

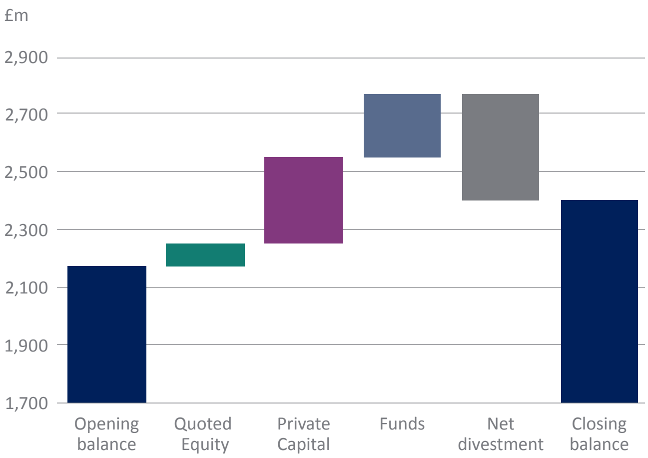
Overall, the company's revenue management expenses were 11% higher than last year at £21.0m (2021: £18.9m). This reflected an increase in personnel expenses of £1.3m: the dominant factor being an increase in annual bonus cost, where the strong profit performance in 2022 had a direct impact, partly offset by a lower salary base. Other costs increased due to investment in systems and technology to support business operations. Fees and recharges also declined following the disposal of Buzz Bingo in the prior year and DSE in the current year, although this was largely offset by savings in legal and professional fees.

Total return derived from income and shown in the revenue column was £39.3m, including a taxation credit of £11.0m primarily relating to the use of tax losses for group relief; last year's comparative figures were total return of £29.8m and a taxation credit of £7.4m.

Capital performance

Valuation net gains on investments were £567.1m (2021: £437.0m), including a loss of £30.2m in non-pool assets principally relating to the tax liability in Caledonia US Investments Ltd, a subsidiary holding US private equity funds. 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 £77.4m, Funds investments a net gain of £224.8m and Private Capital investments a net gain of £295.1m. In addition to gains on investments, there was also a gain of £3.6m on investment property following the successful redevelopment and letting of 29 Buckingham Gate and £4.8m of investment income arising from the dividend distribution by Pennon, following the disposal of its Viridor waste management business.

Change in pool investments value



The gain of £77.4m on Quoted Equity investments reflected the positive movement in global public equity markets and our stock selection within both the Capital and Income portfolios. Performance was driven by good returns from a broad range of sectors and across UK, Continental European and North American markets.

Financial review (continued)

The underlying capital gains in the private equity funds portfolio were strong throughout the year. The headline gains of £224.8m reflect the outcome of a consistent, planned approach to selecting and committing to funds over the last ten years, which mature to deliver valuation growth and cash distribution as underlying holdings are realised. The gains were positively impacted by the 5% strengthening of the US dollar against Sterling, in a portfolio principally comprising US dollar assets.

The Private Capital portfolio delivered strong gains of £295.1m, reflecting good progress at the principal investee companies coupled with the two significant disposals during the year. Half of the valuation gain was generated by the sales of DSE (£37m) and BioAgilytix (£111m), a co-investment with Cobepa. The balance included major contributions from Cobehold, the holding company of Cobepa (gain of £47m), Seven Investment Management (gain of £46m), Stonehage Fleming (gain of £25m), Cooke Optics (gain of £22m) and Liberation Group (gain of £8m): all the businesses continue to develop and are progressing well, both from a growth and profitability perspective.

The company's capital management expenses were £11.8m (2021: £7.6m), an increase of £4.2m year on year. This primarily reflected an increase in personnel expenses: £11.4m in the year compared with £7.3m in 2021, reflecting the higher levels of expected vesting of the performance share awards in a year of strong investment returns. Transaction costs of £0.4m (2021: £0.3m) were incurred, mainly linked to due diligence work on new private equity fund investments.

Total return derived from capital was a gain of £572.0m (2021: £437.8m). The movement was generated by the higher levels of capital gains achieved by our investments in Funds and Private Capital compared to the prior year.

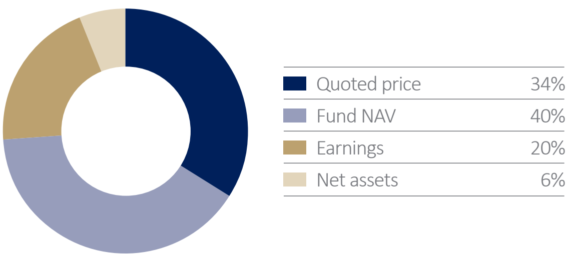
Valuation

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 40 to 41. 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. Fund managers' NAV reports are received some time after the reporting date, typically two or three months, but sometimes up to six months. This delay creates a risk of changes or events occurring between the NAV and reporting dates which could impact valuations. This risk is carefully monitored. The increased level of volatility in public equity markets during the first calendar quarter of 2022, principally reflecting concerns about increasing rates of inflation, rising interest rates and the conflict in Ukraine, led to a review of this pricing risk. Our review determined the public market movements between 31 December 2021 and 31 March 2022 for the relevant market indices were not out of line with historic precedent, the impact of inflation was not deemed to be material for the underlying holdings within our fund investments and that there was no material exposure to the conflict in Ukraine. We also reviewed the underlying valuation methodologies adopted by our fund managers and were satisfied that the techniques utilised were appropriate. The NAV of the Funds pool comprised 20% of NAV based on valuations dated 31 March 2022, 71% of NAV based on valuations dated 31 December 2021 with the remainder, mostly funds of funds holdings, dated 30 September 2021.

The following chart summarises the source of valuations across the portfolio, illustrating that 74% of the portfolio value is subject to either market prices or independent external valuation:

Pool assets by valuation method



Expenses

Caledonia allocates expenses between revenue and capital in accordance with guidance from the Association of Investment Companies and broader market practice. In addition to transaction costs, share-based payment expenses are allocated to capital. Caledonia's share-based compensation is directly linked to investment performance and is therefore 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 0.84% (2021: 0.98%). 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 133. 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 55 consecutive years.

We paid an interim dividend of 17.5p per share on 6 January 2022 and have proposed a final dividend of 47.3p and a special dividend of 175.0p. The total annual dividend for the year of 64.8p is an increase of 3.0% on last year.

Including the proposed final dividend, the dividends to be paid out of revenue earnings for the year ended 31 March 2022 total £35.1m, which was more than covered by net revenue for the year of £39.3m. The special dividend payment of £94.9m will be attributed to the capital reserve.

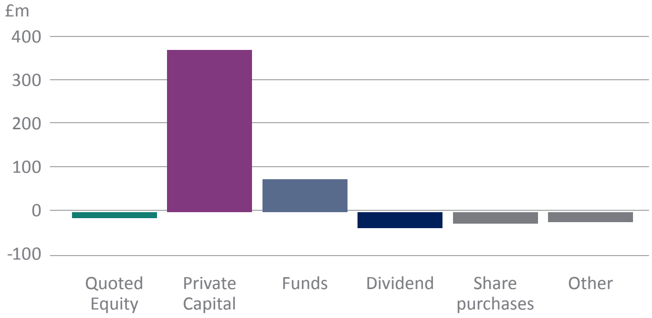
Cash flows, liquidity and facilities

Over the year we generated significant cash receipts from the sales of DSE (£242m, including pre-sale dividend) and BioAgilytix (£105m – net of re-investment). We continued to invest into private equity funds, but strong distributions from our US funds resulted in a notable net cash inflow from our Funds pool for the first time since commencing this strategy. There was a small net investment in stocks for the Quoted Equity pool as a couple of new positions were established.

We closed the year with £341.1m of cash (2021: £14.2m) and bank borrowings of nil (2021: £15m). This movement was broadly accounted for by £602.2m received from realisations and £36.1m generated by operating activities, partly offset by £226.9m paid for investment purchases and dividends paid in the year totalling £34.6m. The bank borrowing of £15m was repaid and £27.5m was used for purchasing our own shares.

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

Net cash movement



At 31 March 2022, the company had no borrowings and £250m of undrawn committed facilities; the total facilities comprised £112.5m from ING Group and £137.5m from RBSI expiring in May 2025, including £25m in our treasury subsidiary. Discussions with ING are well advanced to renew the existing facilities for a further three-year term to July 2025, with a one-year potential extension. 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 updated, reviewed and approved by the board this year. 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 63% of the investment assets are non-sterling denominated. This risk is fully recognised by the business and considered carefully within our risk management approach.

Tim Livett
Chief Financial Officer
25 May 2022

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 a 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-end 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-end 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. 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. Adjustment may also be necessary for features of the fund agreement not captured in the valuation report, such as performance fees or carried interest. The timing of fund NAV reports creates a risk of changes or events occurring between the fund NAV and reporting dates which impacts valuation. This issue is monitored carefully and, if of a material nature, can lead to adjustments either at the specific fund level or more broadly across the relevant funds affected by the identified change or event. If a decision has been made to sell the fund interest or portion thereof, the expected sale 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.

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 approach and specifically reviews our 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 good practice guidance from other advisers, provides input to the board as a whole on the status of the risk management programme.

Principal risks

The board has considered a robust assessment of the principal risks facing Caledonia, including those that would threaten its business model, future performance, solvency or liquidity. Principal risks are defined as those that have the potential to materially impact the delivery of our strategic objectives. We periodically review additions or deletions from our list of principal risks, reflecting new and emerging risks arising from changes in the external environment or from within our own business. During the financial year the risk associated with successful integration of ESG and climate change issues into our investment activity was incorporated into a new principal risk, reflecting growing stakeholder interest and importance of this area. Separate risks in relation to the EU/UK trading relationship and global pandemic (Covid-19) were removed as principal risks. We recognise that the impact of Covid-19 is still significant but our mitigating actions, both operationally and for our Private Capital investee businesses, have largely been successful. However, we note that the repercussions of the global pandemic will be widespread and lengthy, including the impact on government finances and world trade, and we will ensure that this issue continues to be fully considered in our investment management activities.

We have identified seven principal risks, described in more detail on pages 44 and 45, which can be considered in the following three groups.

Strategic risks

As an investment business, 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. The principal risks covering our strategic approach and investment decision making are fundamental to the execution of our business model. The newly added ESG and climate change risk is critical to the successful implementation of our strategy.

External risks

The principal risks associated with the market, liquidity and regulatory and legal matters capture the key external risks which impact our business.

Operational risks

Our operational risks, which include business continuity, attracting and retaining talent, cyber security and fraud risk form the final group.

We have assessed the change in risk status for each of our principal risks over the last year and concluded that, with the exception of market risk, the level of risk is unchanged. The increase in market risk reflects a heightened level of volatility in public markets since the start of 2022, driven by concerns about sustained higher levels of inflation and the uncertainty arising from the conflict in Ukraine.

Caledonia risk management activities

Caledonia operates a number of interrelated activities, illustrated here, to deliver an integrated approach to risk management which is overseen by the board, the executive and the Investment Approvals Committee.

Risk management reporting

Caledonia manages and reports risk via Operational and Investment Risk Dashboards.

The Operational Risk Dashboard considers risks associated with Caledonia's wider business environment and includes business continuity, IT and cyber security, regulatory, legal and financial controls. Caledonia manages business risk through a number of integrated processes to provide risk visibility to both the board and the executive.

The Investment Risk Dashboard focuses on investment portfolio risks arising from Caledonia's investment strategy. It is considered by the board biannually and it is supported by detailed portfolio analysis which considers risks such as asset allocation and performance, investment volatility, value at risk, diversification, liquidity and concentration.

Strategic review
- Board review of investment pool strategies and approval of overall asset allocation
- Approval of strategic objectives

Investment decisions
- Investment Approvals Committee implements investment strategy and approves individual investments
- Board approval required for investments above certain parameters

Sustainability
- Responsible Investment Policy will define approach taken by Caledonia
- Long-term assessment of sustainability will be one key criteria in investment decision making process

External influences
- Regular monitoring of market, economic and geopolitical developments
- Analysis of key external trends that underpin performance of investee businesses & funds

Ongoing risk monitoring
- Biannual investment pool reviews
- Regular updates to the board and Audit Committee
- Rigorous valuation process for private assets

Risk mitigation framework and analysis
- Biannual risk dashboard review by the Audit Committee
- Assessment of principal, new and emerging risks
- Testing of viability and going concern scenarios

Our purpose
- Grow net asset value
- Pay increasing dividends
- Manage risk

Risk management (continued)

Principal risks	Mitigation and management	Key developments	Movement in risk status in year to 31 March 2022
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.	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.	Overall strategic asset allocation review underway led by Chief Executive Designate, supported with input from the board. Review of strategy for each investment pool in progress – addressing approach, yield and return targets, forecast cash impact and resourcing. Private Capital approach amended to focus on sourcing new investments, building in revised yield objectives, following two successful disposals in the year.	↔
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.	Recruitment to increase investment team resources across all three pools. Increased focus on quality due diligence pre investment, particularly given high market prices, as we seek to increase the rate of new investment across our private assets – both companies and funds. ESG factors to be integrated into key investment processes (see ESG & climate change section).	↔
Market Risk of losses in value of investments arising from sudden and significant movements in market prices, particularly in highly volatile markets. Adds to the risk associated with private asset valuations. 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. Portfolio construction, including use of private assets, provides some mitigation.	Market volatility has increased in recent months, reflecting increased inflationary pressures and the uncertainty arising from the conflict in Ukraine. The Quoted Equity team remains alert to market movements, taking advantage of recent market falls to add target stocks to the portfolio, whilst remaining determinedly long term focused. Foreign exchange exposure remains a live issue for periodic review.	↑
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 the year ahead is updated and reviewed quarterly, including the expected drawdown of capital commitments. A weekly cash update is produced focused on the short-term cash forecast. Loan facilities are maintained to provide appropriate liquidity headroom. The liquidity of the portfolio is reviewed regularly.	Discussions well advanced with ING to renew existing £112.5m facility for a further three years to July 2025. New counterparties for money market funds, all AAA rated, added to limit maximum exposure to £50m with each counterparty and limit associated risk.	↔

Principal risks	Mitigation and management	Key developments	Movement in risk status in year to 31 March 2022
ESG & climate change Risks in relation to the successful incorporation of ESG and climate change impacts into our investment approach. Identifying opportunities to drive our policy objectives, deliver strong returns and manage the risks to meet evolving stakeholder expectations.	Caledonia is building ESG knowledge, particularly on climate change, and developing policy and processes to integrate ESG matters into our investment approach. We anticipate that the assessment of new and existing investments will fully incorporate ESG/climate change risks and opportunities. Reporting will be introduced to demonstrate the impact our approach to ESG matters has on our investment portfolio.	Approach and commitment to ESG and climate change being developed with a plan to fully integrate into corporate strategy and investment activity. Responsible investment policy drafted with external support. Review activity underway internally and with the board. Climate change reporting prepared, with third party support from consultants, to set out our climate change commitments and disclose our approach to managing this risk.	N/A Included for the first time
Regulatory & legal Risks arising from exposure to litigation or fraud or failure to adhere to the tax and regulatory environment. Caledonia operates across a number of jurisdictions and in an industry that is subject to significant regulatory oversight.	Caledonia has internal resources to consider regulatory and tax matters as they arise. Professional advisers are engaged, where necessary, to supplement internal knowledge in specialised areas or when new regulations are introduced. Activities supported by regular staff training. Caledonia is a member of the Association of Investment Companies and operates in line with industry standards.	Continued health and safety protocols maintained to ensure safe working in response to the Covid-19 pandemic. New process introduced for new suppliers to mitigate fraud risk. US PE fund investments structuring refined to ensure ongoing investment trust compliance.	⟷
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. This includes a specific focus on cyber security.	Business continuity plan being refreshed. New approach to information technology disaster recovery implemented in April 2022. IT department structure and staffing refreshed, providing broader range of skills and increased cover. Cyber security focus maintained, with training refresh to address human factor risk from phishing, enhanced password policy implemented and new technology deployed to improve e-mail security (inbound and outbound) and prevent potential data loss. New Enfusion system, covering public equity trading activity and investment accounting activity for the business, successfully implemented on 1 April 2022 providing a robust, well-supported platform for key business processes.	⟷

Note: Principal risks identified in last year's annual report also included Global pandemic (Covid-19) and EU/UK trade (following UK departure from the EU). We have concluded that the potential impact of these particular risks has lessened significantly over the last 12 months and have concluded that they are no longer represent principal risks.

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. This 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. These scenarios were applied to a detailed three-year financial plan produced in January 2022. The plan was extended to cover the period to May 2025 to support the viability assessment.

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, current cash holdings of £341m, undrawn banking facilities of £250m and readily realisable assets of £830m 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 period to May 2025 (three years from the date of signing the accounts), having determined that this 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. 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 model, its ability to operate 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 2025.

In making this assessment, the directors took comfort from the results of two stress tests that considered the impact of significant market downturn conditions. The first stress test considered four discrete scenarios: a reduction of 10% in the value of the US dollar against Sterling throughout the plan period; a fall in investment income of 20% versus plan; a 25% decrease versus plan in the value of distributions from private equity fund investments; and a 25% fall in the anticipated value of realisations in the Private Capital portfolio versus plan. A further scenario combined all of these four scenarios. The second stress test built on the combination of all the scenarios from the first stress test and applied a full call of all of our outstanding private equity fund commitments at any point during period, creating a number of discrete scenarios. Through our stress testing, 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.

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

Acting responsibly is a key part of our investment philosophy. 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 believe that a responsible approach towards the businesses in which we invest is essential to our continued success and is closely aligned with the risk management considerations of a long-term investor.

We believe that responsible investment and business success go hand in hand. We are embedding the consideration of Environmental, Social and Governance ('ESG') factors into all stages of our investment journey. We remain committed to constructive, long-term focused engagement with the companies and funds in which we invest and believe that careful stewardship is a key tool to address ESG risks and drive positive change. We expect to invest in businesses which will grow, provide employment and generate economic benefit in an environmentally and socially responsible way, both during and after our ownership. We aim to invest in companies and funds that take a responsible approach towards the environment and society, built on good governance practices.

Historically our stewardship activities have focused primarily on governance matters, most notably in our majority owned investee businesses which we seek to operate in line with industry good practice. However, we continue to build on this approach by 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 investment 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 developing our future approach to responsible investment to augment our existing stewardship activities. We have developed a draft of our new ESG policy which has been debated by the board. We have appointed an experienced consultancy to provide comprehensive training for board directors and our investment professionals, to support us with further development of our ESG policy and the formulation of a comprehensive implementation plan to fully integrate ESG considerations into our investment decision making, ongoing monitoring and reporting processes.

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 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.

Climate change

We recognise the challenges of climate change and the potential material risk this poses for the investments which we make, potentially from regulation, adjustments in consumer preferences or pressure to reduce carbon emissions and address broader environmental issues.

We have set a new expectation that the businesses in which we invest should target net zero emissions by 2050. We recognise that the pace of planning and delivery of this commitment will vary across the businesses in our investment portfolio and we anticipate that many businesses will achieve this target more swiftly. We will keep this commitment under review as we gain confidence in the ability of our underlying holdings to achieve this target more rapidly. We plan to implement suitable monitoring and reporting to enable us to track progress.

We intend to use our position as an investor to encourage progress on reaching net zero. Where we own listed securities, we will use our influence through engagement and voting to encourage companies to prepare and demonstrate the actions they have taken to address climate risks and opportunities. For the private businesses where we own significant positions, we will seek to ensure that these companies understand and manage their own environmental impacts, and that they invest in suitable technology to improve energy efficiency and make a successful transition to renewable energy and a low carbon future. We expect our fund managers to consider the risks and opportunities presented by climate change in their investment selection process and to promote initiatives to reduce emissions from the businesses within their funds.

Task Force 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 Task Force on Climate-Related Financial Disclosures ('TCFD') and have provided a set of disclosures in this report on pages 54 to 59.

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.

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, underpinned by modern parental leave policies and health and wellbeing support. 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 as at 31 March 2022, together with comparator data for the previous financial year.

	Male number (%)		Female number (%)	
	2022	2021	2022	2021
Board	7 (64%)	7 (78%)	4 (36%)	2 (22%)
Senior managers	13 (68%)	14 (70%)	6 (32%)	6 (30%)
All employees and board	33 (50%)	34 (52%)	33 (50%)	32 (48%)

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

	Investment staff number (%)		Support staff number (%)	
	2022	2021	2022	2021
Female	5 (28%)	6 (30%)	24 (60%)	24 (60%)
Male	13 (72%)	14 (70%)	16 (40%)	16 (40%)
Total	18	20	40	40

Caledonia operates a flatter management structure than is often found in many other companies. Consequently, 53% (2021: 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, we introduced a formal internship programme with the support of an independent facilitator. Six of our twelve interns were welcomed from the #10000BlackInterns initiative, which seeks to help transform the horizons and prospects of young black people in the UK, to join the business for three weeks to learn more about Caledonia, the investment management industry and build skills for their future careers. We will repeat the internship programme in 2022 as part of our commitment to diversity and inclusion and to play our part in developing future talent for our sector.

Charitable activity

The Caledonia Investments Charitable Foundation was initially established to provide grants to eligible applicants closely connected to our investee companies who faced financial hardship due to the Covid-19 pandemic. The fund supported many individuals, particularly those working for our consumer-facing businesses which were more severely impacted by the pandemic and Government imposed trading restrictions. The Foundation is now the focus of Caledonia's charitable activity, providing support to a small number of causes each year and helping to foster employee involvement in the community. Further details can be found in the Section 172 statement on page 15.

Environment

Caledonia's direct environmental impact is limited, although we continue to take steps to mitigate this. 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 have begun to see a return to business travel during the year to 31 March 2022 to support good investment decision making and proactive stewardship.

Caledonia operates from its refurbished Buckingham Gate property. This office continues to offer lower electrical consumption due to modern electrical and mechanical plant. The building and associated IT infrastructure has been designed with a number of features to 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 which has now been occupied by tenants on a long-term lease. Our electricity supply during the year was sourced from 100% renewable energy.

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 ('SECR'). The data is included within our TCFD reporting on pages 54 to 59.

Task Force on Climate-related Financial Disclosures

Introduction

Caledonia is committed to reporting in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'), building on the initial disclosures in our 2021 annual report. Consistent with our sustainability reporting, we have set out below an explanation of our progress on the assessment, management and governance of climate-related risks and opportunities for both our business and our investment portfolio. This progress is described in accordance with each of the four TCFD reporting pillars – Governance, Strategy, Risk Management and Metrics and Targets.

Caledonia seeks to invest in long-term, sustainable businesses which will grow, provide employment and generate economic benefit responsibly. With investment assets of £2.8bn, we have influence and opportunity to make a positive impact across our portfolio. We recognise the importance of understanding the impact of climate change on and by our portfolio and are in the early stages of collecting all of the relevant inputs to enable us to make a full assessment. We expect that our disclosure will develop markedly over time as we work towards extending our TCFD-aligned disclosures to our non-consolidated investment portfolio.

Our business operates from a small London office with fewer than 60 UK based colleagues and therefore has limited direct climate-related impact or exposure, based on scale and workplace improvement actions taken over many years. Consequently, we have sought to take a proportionate approach to the impact of climate-related risks and opportunities on our business operations.

We set out below an overview of our progress to date, together with our plans for the future, as required by Listing Rule 9.8.6R (8).

Governance

Caledonia's governance around climate-related risks and opportunities.

In this TCFD reporting pillar we have described:

a. the board's oversight of climate-related risks and opportunities

b. management's role in assessing and managing climate-related risks and opportunities.

Overview

Caledonia's board sets strategy and oversees its implementation, which includes our approach to ESG matters and, more specifically, the climate-related risks and opportunities associated with the operation of our business, as well as the impact on our investment strategy.

The board considers deep-dive reviews of the activity and performance of each of the three investment pools at least biannually, led by the relevant pool leadership. In future, we plan to incorporate into these regular assessments of new and existing investments relevant climate-related risks and opportunities ensuring that the board has improved visibility. We plan to adopt this approach from the second half of our 2023 financial year.

Risks associated with our investment portfolio, which include a specific climate change risk section, are reported by management to the board for debate at least biannually. The Audit Committee also reviews investment and operational risks, including those that are climate-related.

Over the previous twelve months, board and management have participated in training and knowledge building sessions on ESG, including climate change, to improve understanding of the potential impact on our investment portfolio and business operations. This training is now being cascaded to our investment team.

The board reviews and approves our approach to TCFD-aligned disclosures alongside other reporting, supported by the work of the Audit Committee.

Our investments

The Chief Executive, supported by the Investment Approvals Committee ('IAC'), is responsible for implementing our investment strategy and the day-to-day management of the risks and opportunities in our portfolio, including those linked to climate change. The IAC consists of the Chief Executive, the heads of the three investment pools, the Chief Financial Officer and the Company Secretary.

The IAC considers and formally approves new investments and proposed realisations, taking into account a broad range of risks and opportunities, including those which are climate-related. New investment proposals are now expected to include a section on ESG-related factors. The IAC also monitors performance and risk across the three investment pools. The Chief Executive reports formally to each board meeting, which includes key decisions made by the IAC and highlights any key risks and mitigations which have been identified.

Our business operations

Day-to-day accountability for the sustainable management of our business, including the impact of climate change, is held by the Chief Executive, supported by the key functional managers responsible for business operations: the Company Secretary, the Chief Financial Officer and the Facilities Manager. This group has devoted significant time over the previous year to develop an understanding and consider the climate-related risks and opportunities relevant to our business operations. The key areas of focus are the efficient operation of our building, business travel and the provision of IT services, together with business resilience. These activities are reviewed by the senior management team and reported to the board.

Strategy

We have made good progress in developing our capability to identify and assess the actual and potential impacts of climate-related risks and opportunities on our business, strategy and financial planning where such information is material. We have set out below a description of our status toward:

a. identifying the climate-related risks and opportunities over the short, medium and long term

b. assessing the impacts of these climate-related risks and opportunities on our businesses, strategy and financial planning.

We are working to develop the technical capabilities needed to enable us to undertake more detailed assessments of these risks, opportunities and impacts, as well as the resilience of our strategy, taking into consideration different climate-related scenarios, including a 2°c or lower scenario. We are aiming to achieve full disclosure of these matters by the time of publication of our 2024 annual report.

Overview

We seek to create value through disciplined investment and careful stewardship of the assets within our portfolio. We believe that responsible investment and business success go hand in hand, and have started to take steps to ensure that ESG factors, including those linked to climate change, are fully considered in all stages of our investment journey.

Our investments

As a long-term investor, we make a small number of new investments each year across our three investment pools to achieve our purpose and appropriately manage risk. We do not have a sustainability-driven investment strategy, nor is it our intention to do so, but we believe that our approach, including the principle of being environmentally responsible, is important in driving sustainable long-term investment returns. We plan to use our influence as an investor to ensure investee businesses and funds have a cautious and responsible approach to environmental management of their business operations and, in making new investments, we seek to avoid investment in businesses that cause material harm to the environment, unless they have a clear strategy to positively address their impact in a reasonable time period.

We invest across a wide range of businesses but have limited exposure to those that create high levels of emissions such as energy, resources and transportation. The following categories of climate-related risks and opportunities that may impact investments within our portfolio have been identified:

Opportunities:	» Sustainable business opportunities (both existing and new). » Technology to provide lower emission energy solutions for running specific businesses.
Risks:	» Market, regulation, reputational and physical risks.

We are heavily dependent upon the disclosures provided by the companies within our Quoted Equity pool and the managers of the private equity funds we invest in to develop a full and detailed understanding of how individual companies within our portfolio will be impacted either by the issues we have identified or by issues which are more specific to a particular business.

In the short term we anticipate the key risks to our portfolio businesses will be driven by regulation and changing customer behaviour. Businesses that do not behave responsibly are likely to be at greater risk. In the medium term, we expect a number of our investee businesses will develop sustainable business opportunities. In the long term, we expect all of our investee businesses to achieve net zero emissions no later than 2050; we anticipate that this will be a key element of any successful business model by this point in time.

Sustainability (continued)

The identification of climate change opportunities and risks is being integrated into our evaluation of likely returns throughout the investment lifecycle. This is a rapidly developing area, so we continue to ensure that our investment teams keep abreast of evolving practice with appropriate training and resources to support their activities. We intend to use our stewardship activities to support the sustainable transition to a low carbon economy and, in the case of the investee companies in our Private Capital portfolio, we will use our ownership position to underpin this commitment.

Our investment strategy will remain focused on investing in quality businesses with a long-term approach; the choice of individual assets may be influenced by the climate-related risks and opportunities that we identify as we review both new and existing investments. Our core business is unlikely to change but our financial planning will adjust to address the choice of assets within the portfolio and the likely returns we expect to achieve.

We currently hold around 30 public equity stocks in our Quoted Equity pool, mainly in large businesses, around 60 private equity fund positions in our Funds pool and have significant holdings in four UK private businesses and one European private fund in our Private Capital pool. Each pool has a different set of issues to consider when evaluating the resilience of the individual business, or in the case of funds multiple businesses, to different climate-related scenarios. We are not yet in a position, due to our ongoing development of capabilities to collect information from a number of these businesses, to perform a suitably detailed analysis. However, we do recognise that climate change is likely to affect many of our investments through, for example, regulation, changes in consumer preference and stakeholder pressure. We anticipate that our knowledge and understanding of the impact of climate-related on the businesses within each pool will continue to improve and this will enable us to undertake a resilience assessment.

Our business operations

We expect technology to provide opportunities to further reduce our energy usage. We are looking for initiatives to operate our building more efficiently, to reduce the need for our staff to travel, to enable staff to work remotely and decrease commuting, and to manage waste by cutting consumption and improve recycling. We anticipate that the major risk will be the costs associated with a net zero transition.

During 2021 we moved our electricity supply to 100% renewable sources and will explore future opportunities to move away from the use of gas for heating. Measures to mitigate the impact of emissions associated with international air travel will also continue to be assessed. We have built our technology solutions to facilitate remote working and will continue to move to externally hosted applications to drive additional greenhouse gas ('GHG') reductions whilst improving operational resilience. We expect the efficiency of our technology to improve over time, further reducing our energy usage and associated emissions, allowing us to operate our business more efficiently, but not to the extent that there would be a change in strategy or a material impact on our financial planning.

We have considered the resilience of our business to different climate-related scenarios. Based on our desktop review, we believe our operational approach is resilient and will not be adversely impacted where global warming is limited to 2°c or lower. We plan to undertake further work to validate this initial assessment.

Risk management

In this TCFD pillar we provide information about how we identify, assesses and manage climate-related risks by describing both our current and future plans as to:

a. processes for identifying and assessing climate-related risks
b. processes for managing climate-related risks
c. how processes for identifying, assessing and managing climate-related risks are integrated into our overall risk management.

Overview

Caledonia operates a structured risk management process. Risks are formally identified and assessed through a risk dashboard, capturing the most significant risks impacting our investment portfolio and documenting the actions required to achieve an acceptable level of risk. The risk dashboard is reviewed by the Audit Committee at least biannually. The identification, assessment and management of climate-related risks and opportunities for our investments and our business operations has been embedded into this process. This is co-ordinated by the Risk Manager who has a regular dialogue with the investment teams to identify and document principal and emerging risks, along with the agreed plan of mitigating actions.

Our investments

The process of identifying and assessing the climate-related risks of investee companies and funds is gradually being developed. We rely on a mix of information from the companies, third-party data and analysis, and our own internal processes. We expect an increasing number of listed companies in our Quoted Equity pool to report under the TCFD framework which will facilitate a more granular assessment of exposure to climate-related risks. Reporting from the private businesses in our Private Capital portfolio where we hold significant shareholdings is also expected to develop under our stewardship in line with relevant regulation. However, we anticipate that investments in our Funds pool will take longer to provide data. We intend to increase our disclosure as the quality of reporting and data gathering from our investments improves.

When issues or risks are identified we plan to address them either through engagement activity or, in the case of majority-owned private businesses, through our board representation, with the objective of ensuring that appropriate mitigating action is planned and implemented. We expect to monitor risks through to mitigation. In extremis, we will have the option to divest if we do not believe that climate-related risks have been appropriately addressed by a company or fund.

Our business operations

Our business operations, as previously described, are relatively straightforward with a small number of employees based in a single central London head office. We have not undertaken a detailed review of climate-related risks that would impact our business operations but, based on a review of currently identified physical and transition risks, we do not believe that we are exposed to any material climate-related risks. We will continue to keep this area of risk under review.

Should we identify a material climate-related risk to our business operations, we would put in place a mitigation plan to either resolve the issue or devise an alternative solution to enable us to continue to operate.

Metrics and targets

In this TCFD reporting pillar we provide information about the metrics and targets currently used to assess and manage relevant climate-related risks and opportunities where such information is material, as well as our plans to further develop our capabilities to do so in future years. We have done this by:

a. disclosing the metrics we use, and may use in the future, to assess climate-related risks and opportunities in line with our strategy and risk management process

b. disclosing Scope 1, Scope 2 and, where appropriate, Scope 3 GHG emissions and the related risks

c. describing the targets we use to manage climate-related risks and opportunities and our performance against them.

Our investments

We have not yet defined specific metrics to apply across the investment portfolio to assess climate-related risks and opportunities. We are reviewing information available from the companies and funds in which we are invested and, in the case of public equities, from third-party data providers. Identifying such metrics will be a priority as our investment team implements processes to integrate climate-related issues into our investment appraisal and monitoring activities.

We recognise that there are potentially significant Scope 3 GHG emissions associated with our investment portfolio. We have yet to access this information for all elements of our portfolio as the majority of our private assets do not currently report this data. The data which is available is neither comprehensive nor consistent. We will work with all the businesses within the portfolio to facilitate data collection in line with appropriate global standards, to enable us to develop metrics and report these emissions (where appropriate) in the future.

We expect the businesses in which we invest to target net zero emissions by 2050. We recognise that the pace of planning and delivery of this commitment will vary across sectors and geographies with some expected to reach this target more swiftly. As we build knowledge and understanding of the plans of our portfolio businesses, we intend to set short and medium-term targets in line with our long-term target, alongside a separate framework for each investment pool. We plan to implement suitable monitoring and reporting to enable us to track progress.

Sustainability (continued)

We will assess the forward-looking alignment of our portfolio businesses by monitoring the number that make a commitment to achieving net zero emissions, the timing for delivery of this objective and those that underpin their commitment with science-based targets. This will enable us to track progress on a prospective basis.

Our business operations

The key metric used to monitor our progress towards reducing the environmental impact of our business operations is carbon emissions. Data has been prepared 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 opposite are from companies directly involved in managing our investment activity and included in our consolidated financial statements.

The level of our GHG emissions has been impacted by the exceptional circumstances arising from the Covid-19 pandemic since early 2020. The move to home working and restrictions on international travel resulted in a significant, but artificial, reduction in our overall emissions. We continue to believe that our business benefits from staff returning to some office-based working and from travel to assess and monitor our investments in the UK and overseas. Whilst GHG emissions are therefore projected to increase from current levels, we do expect to see a sustained reduction when compared to pre-pandemic levels.

We have established absolute greenhouse gas emission targets for future Scope 1 and Scope 2 emissions, aiming to achieve net zero emissions by 2030 through the elimination of gas used for heating, further energy efficiency initiatives particularly in areas such as lighting, cooling and IT equipment, and continuing to ensure that all electricity is procured from renewable sources. Our Scope 3 emissions are principally related to business travel which we will continue to disclose, with international air travel the major component. We are dependent on technological advances to address emissions from aviation. We do not currently plan to use carbon offsets.

Emissions and associated energy usage – Year ended 31 March

Scope	Source of GHG emissions	Tonnes CO_2e 2022	Tonnes CO_2e 2021	Quantity used 2022	Quantity used 2021	Unit
Scope 1 (direct emissions)	» Combustion of fuel and operation of facilities » Air conditioning refrigerant loss » Company car use	21	19	110	99	KWh(k)
Scope 2 Location based (indirect emissions)	» Electricity purchased for own use	45	47	214	199	KWh(k)
Scope 2 Market based (indirect emissions)	» Electricity purchased for own use		47	214	199	KWh(k)
Scope 3 (indirect emissions)	» Business travel	94	7	8	4	
Total – location based		160	73	332	302	KWh (k)
Total – market based		115	73	332	302	KWh (k)
KPI – location based	Total emissions per full time employee	2.6	1.2			
KPI – market based	Total emissions per full time employee	1.9	1.2			

Notes:
1. Comparative restated to report in kWh only and exclude kWh for Scope 3 emissions in line with current year.
2. The conversion factors used for 2022 have been updated to the latest UK Government GHG Factors for Company Reporting.
3. Caledonia consumes water, with all its waste water currently being returned to the sewer. The resultant CO^2 emission from its use of water is <1 tonne.
4. Caledonia has a mix of recycled and general waste; the related Scope 3 GHG emission data is not included in the table above and is assumed to be an immaterial emissions source.
5. Location-based method reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data). The market-based method reflects emissions from the 100% renewable sourced electricity that we have chosen to purchase from.
6. 100% of our reported emissions are in the UK, involving business travel primarily departing or arriving in the UK. Accordingly, this table does not include a column indicating the yearly UK proportion of global emissions.
7. The sources of GHG emissions shown in the table above are from the companies included in the consolidated financial statements. Under the SECR regime we are not required to report any emissions from companies that are not included in our consolidated financial statements.

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

Directors' report

Board of directors

1 **David Stewart**
Chairman
N R

2 **Will Wyatt**
Chief Executive
N

3 **Mathew Masters**
Chief Executive Officer Designate

4 **Tim Livett**
Chief Financial Officer

5 **Jamie Cayzer-Colvin**
Executive Director

6 **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 and Chairman of Hermes Investment Management and 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 a trustee of the Rank Foundation and Chairman of Real Estate Investors and Newmarket Racecourses.

Will brings to the board corporate finance and investment expertise, broad senior management experience and team leadership skills, which have enabled him to provide effective leadership of Caledonia's management team in executing the board's strategy. These skills will be of continued value to the board as he moves to a non-executive role following this year's AGM.

3 Mathew Masters
Chief Executive Officer Designate

Mathew joined Caledonia in 2006 with a broad role across the investment portfolio. He became Head of the Capital portfolio in 2010, before taking on increased responsibility for the Income strategy in 2019 when he was promoted to Head of Quoted Equity. Appointed as Chief Executive Officer Designate in April 2022, he succeeds Will Wyatt as Chief Executive Officer in July.

Mathew specialised in corporate finance before joining Caledonia, helping small and mid-sized companies access private equity finance. He has served on numerous private and public company boards. A qualified accountant, he brings to the board investment expertise, senior management, international business experience and leadership skills to enable him to execute the board's strategy.

4 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.

5 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 Caledonia Investments Charitable Foundation, the RHS Pension Scheme and Heritage of London Trust and a non-executive director of Polar Capital Holdings and Polar Capital Funds. He served as Chairman of The Henderson Smaller Companies Investment Trust until October 2021.

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.

6 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.

7 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

Committee membership key

A Audit G Governance N Nomination R Remuneration ■ Committee chair

7 **The Hon Charles Cayzer**
Non-Executive Director
N

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

9 **Anne Farlow**
Independent Non-Executive Director
A G N R

10 **Claire Fitzalan Howard**
Independent Non-Executive Director
G N R

11 **Lynn Fordham**
Independent Non-Executive Director
A G N

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

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.

8 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.

9 Anne Farlow
Independent Non-Executive Director

Appointed a non-executive director of Caledonia in 2022, Anne is a member of the Audit, Governance, Nomination and Remuneration Committees. She will become Chairman of the Remuneration Committee from 1 June 2022.

Anne is an experienced private equity professional and non-executive director. She was a director at Electra Partners in London and Hong Kong from 1992 to 2000, before joining Providence Equity Partners where she was a London-based director until 2005. She has worked with both established and early-stage companies during her private equity and investment career across a range of different sectors and jurisdictions. Based in Hong Kong since 2007, she is currently non-executive chair of Pershing Square Holdings and a non-executive director of Blue River Acquisition Corp.

Anne brings to the board extensive private equity and investment experience in Europe, North America and Asia, enabling her to provide constructive challenge across a broad range of the company's investments.

10 Claire Fitzalan Howard
Independent Non-Executive Director

Appointed a non-executive director of Caledonia in July 2019, Claire is a member of the Governance, 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 held 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.

11 Lynn Fordham
Independent Non-Executive Director

Appointed a non-executive director of Caledonia in 2022, Lynn is a member of the Audit, Governance and Nomination Committees. She will become Chairman of the Audit Committee on 27 July 2022.

Lynn, a chartered accountant, was most recently Managing Partner of private investment firm Larchpoint Capital LLP, a position she held from 2017 to 2021. Prior to joining Larchpoint, Lynn was CEO of SVG Capital for eight years having previously served as CFO. Before that she held senior finance, risk and strategy positions at Barratt Developments, BAA, Boots, ED&F Man, BAT and Mobil Oil. She also served as a non-executive director of Fuller, Smith & Turner for seven years until 2018, chairing its Audit Committee. Until recently she was a Supervisory Board Member of Varo Energy BV and is currently Chair of RMA-The Royal Marines Charity and a non-executive director of Dominos Pizza Group and Enfinium.

Lynn brings to the board wide-ranging listed company, private equity and finance experience across a range of sectors, the latter being of particular importance to her future role as Chairman of the Audit Committee.

12 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 will step down from the board at the end of May. She spent the first 20 years of her career at KPMG in London and Tokyo, rising to the position of Partner, Financial Services. In 2001, she moved to Unilever, where she was Senior Vice President, Finance and Information for Asia, based in Singapore, before returning to the UK as Finance Director for Unilever's global non-food business. In 2009, she joined CDC Group as Chief Operating Officer, a position she held until 2012. Since then, she has focused on non-executive appointments and is currently non-executive Chairman of Greencoat UK Wind and Cordiant Digital Infrastructure and a non-executive director of QinetiQ Group, Clearbank and Aviva.

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 two meetings were called at short notice. Attendance of the directors was as follows:

Director	Meetings attended	Meetings eligible to attend
D C Stewart	10	10
W P Wyatt[1]	9	10
T J Livett	10	10
J M B Cayzer-Colvin	10	10
S J Bridges	10	10
Hon C W Cayzer[2]	9	10
G B Davison[3]	9	10
M A Farlow[4]	1	1
L R Fordham[5]	2	2
C L Fitzalan Howard	10	10
S C R Jemmett-Page[6]	9	10

1. Mr Wyatt recused himself from one meeting at which his succession was discussed.
2. The Hon C W Cayzer was unable to attend one meeting, which was called at short notice when he had a pre-existing commitment.
3. Mr Davison recused himself from one meeting due to a potential conflict of interest in respect of the matter to be discussed.
4. Ms Farlow was appointed as a director on 28 March 2022.
5. Ms Fordham was appointed as a director on 1 January 2022.
6. Mrs Jemmett-Page was unable to attend one board meeting, which was called at short notice when she had a pre-existing commitment.

Statement of compliance

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

A copy of the Code is available on the website of the Financial Reporting Council at www.frc.org.uk.

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 results, 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 for 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 62 and 63.

Following the appointment of Mr Masters as Chief Executive Officer Designate on 1 April 2022, the board currently comprises twelve directors. Excluding the Chairman, four of the directors are executive and seven 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.

The board will recommend the election of Mr Wyatt as a non-independent non-executive director at this year's AGM. Following the resignation of Mrs Jemmett-Page before the expiry of her third term in office in 2024, the board has asked Mr Bridges, an independent non-executive director, to extend his tenure beyond this year's AGM. This will enable a search for a new independent non-executive director to be completed without unnecessary time pressure and give Ms Farlow, Ms Fordham and Mr Masters the opportunity to fully settle into their new roles on the board and to benefit from Mr Bridges' experience before further changes are made. The board recognises that service over nine years is one of the circumstances set out in the Code that is considered likely to, or could appear to, impair independence. However, following a careful assessment, including feedback obtained as part of the recent board evaluation process, the board has concluded that Mr Bridges remains strongly independent in character and judgement. It therefore believes that a short time bound extension of his tenure until no later than the company's AGM in 2023 is appropriate. This will also enable the board to continue to satisfy the expectation in the Code that at least half of the board's members, excluding the Chairman, are considered independent. The board consulted Caledonia's largest shareholders and major investor representative bodies regarding this arrangement.

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 68 to 90.

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 good practice, engages an independent third party facilitator to assist in this process every three years. For the year ended 31 March 2022, the evaluation of the board as a whole and of its committees was undertaken internally, led by the Chairman, and was conducted by inviting individual board members to complete questionnaires regarding the operation and effectiveness of the board and its committees, the analysis from which was collated by the Company Secretary. The Chairman discussed this analysis separately with each director.

The evaluation of the performance of the Chairman was led by the Senior Independent Director and involved individual discussions with the other members of the board, before being discussed in a meeting of the non-executive directors. The Chairman considered the performance of the non-executive directors. The performance of the executive directors was reviewed by the Chairman and the non-executive directors.

The results of the 2022 evaluation process were considered by the board. The conclusion was that the board continued to function well in an atmosphere of open and constructive debate with a good breadth of skills, experience and viewpoints, although it was agreed that:

» further work to fully embed the company's investment approach to environmental, social and governance matters was needed, building on the momentum already achieved

» continued focus on succession planning activities was necessary, including the successful delivery of the search for a new independent non-executive director following the resignation of Mrs Jemmett-Page

» the refreshed strategy, following the appointment of Mr Masters as Chief Executive Officer Designate, should be concluded early into his tenure.

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 for the board as a whole, as follows:

- The Disclosure and Delegation 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. It also considers potential disclosure matters as required. The Disclosure and Delegation Committee meets when required and typically comprises any two directors.
- The Executive Committee meets when required and is responsible for matters relating to the day to day management of the company's business, other than where delegated to other committees. It is chaired by the Chief Executive and other members comprise the executive directors, the heads of the pools of capital and the Company Secretary.
- The Investment Management Committee ordinarily meets fortnightly. 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 Head of Financial Planning & Analysis.
- 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 BDO LLP.

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 page 14.

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 25 May 2022, being the latest practicable date prior to the publication of this annual report, the Cayzer family concert party ('Cayzer Concert Party') held 48.9% 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 25 May 2022, 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

25 May 2022

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.

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)	3	3
S J Bridges	3	3
Hon C W Cayzer	3	3
G B Davison	3	3
M A Farlow[1]	-	-
L R Fordham[1]	-	-
C L Fitzalan Howard	3	3
S C R Jemmett-Page[2]	2	3
W P Wyatt[3]	1	3

1. No meetings took place in the period following the appointment of Ms Farlow and Ms Fordham as members of the Committee on 28 March and 1 January 2022 respectively.
2. Mrs Jemmett-Page was unable to attend one committee meeting, which was convened at short notice, due to a pre-existing commitment.
3. Mr Wyatt recused himself from two committee meetings at which his own succession was discussed.

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 candidates to fill board vacancies as and when they arise, using external search consultants where necessary, making recommendations to the board in relation thereto and keeping under review the leadership needs of the company, both executive and non-executive.

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

Diversity and inclusion

Caledonia's policy is to appoint candidates to roles based on merit and against objective criteria. The Nomination Committee seeks to ensure that directors bring a diverse mix of skills, experience, perspectives, opinions and knowledge to the board, which facilitate discussion and debate and enable the successful delivery of strategy. It is committed to increasing diversity and inclusion over time.

Whilst Caledonia has not adopted any measurable diversity and inclusion objectives to date, external search consultants are required to put forward diverse candidates for new positions. The Nomination Committee also remains focused on achieving the board composition targets set by the FTSE Women Leaders Review and the Parker Review.

Detailed gender diversity analysis in respect of the board and Caledonia more broadly is provided on page 50.

Work of the Nomination Committee

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

» consideration of a detailed skills, experience and diversity matrix which sought to identify recruitment priorities based on identified gaps and industry expectations and good practice

» facilitating a more diverse list of potential candidates during the search for two non-executive directors by setting clear objectives for the external search consultants and ensuring a clear articulation of the company's ongoing commitment to improving diversity in role specifications

» consideration of the contributions and effectiveness of the non-executive directors seeking re-election at the 2021 annual general meeting, prior to giving recommendations to the board and shareholders for their re-elections

» the renewal of Mr Davison's and Mrs Jemmett-Page's letters of appointment, extending their terms of office to 2024

» the appointment of Mrs Fitzalan Howard as a member of the Governance Committee

- the implementation of the company's medium and long-term executive succession plan, which seeks to promote internal talent and led to the selection of Mr Masters as Mr Wyatt's successor as Chief Executive
- the appointment of Mr Wyatt as a non-independent non-executive director following his retirement as Chief Executive
- two new non-executive director searches, which concluded with the appointment of Ms Fordham and Ms Farlow
- the appointment of Ms Fordham as a member of the Audit, Governance and Nomination Committees and as chairman elect of the Audit Committee ahead of Mr Bridges stepping down from the role
- the appointment of Ms Farlow as a member of the Audit, Governance, Nomination and Remuneration Committees.

Since the year end, the Nomination Committee considered the extension of Stuart Bridges' tenure as an independent non-executive director, beyond nine years for an additional period of up to twelve months following the decision of Mrs Jemmett-Page to step down ahead of the end of her third term of office in 2024. This extension was deemed to be important to:

- enable the search for a suitable replacement for Mrs Jemmett-Page to be conducted without unnecessary time pressure and, importantly, ensure that at least half the board remains independent
- give an appropriate period of time for Ms Fordham, Ms Farlow and Mr Masters to become fully embedded on the board and to benefit from Mr Bridges' experience before further changes are made.

The Nomination Committee and board recognises that service over nine years is one of the circumstances set out in the UK Corporate Governance Code that is considered likely to, or could appear to, impair independence. However, following a careful assessment, including feedback obtained as part of the 2022 board evaluation process, the board concluded that Mr Bridges remains strongly independent in character and judgement. A short time bound extension of his tenure until no later than the company's annual general meeting in 2023 was therefore recommended by the Nomination Committee. The extension of Mr Bridges' tenure will mean that the representation of women on the board will fall to 27 per cent, slightly below the expected one-third, for a time. Caledonia's largest shareholders and investor representatives were consulted.

External consultants

The Committee engaged Odgers, Nurole and Lutyens Advisory in connection with the two non-executive director searches conducted during the year. The appointments of Ms Fordham and Ms Farlow were completed by Odgers and Lutyens respectively. Odgers has advised the company regarding previous senior appointments. None of the firms had had any other connection.

David Stewart
Chairman of the Nomination Committee

25 May 2022

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)	3	3
G B Davison	3	3
M A Farlow[1]	1	1
L R Fordham[2]	1	1
S C R Jemmett-Page	3	3

1. Ms Farlow was appointed as a member on 28 March 2022.
2. Ms Fordham was appointed as a member on 1 January 2022.

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

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 and sector experience, met three times in the year ended 31 March 2022, in May and November 2021 and in March 2022. After the year end, it met in May 2022 in respect of matters relating to the 2022 annual report and financial statements.

Lynn Fordham and Anne Farlow were appointed as members of the Audit Committee on 1 January 2022 and 28 March 2022 respectively. Lynn Fordham will succeed Stuart Bridges as chair of the Committee on 27 July 2022.

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, BDO LLP ('BDO') also attended all meetings. KPMG LLP ('KPMG'), the company's former external auditor, attended the May 2021 meeting. Members of the Audit Committee held a separate discussion with KPMG's audit partner at the end of this meeting without management present. Following BDO's appointment as independent auditor in July 2022, the Committee also held a separate discussion with BDO's audit partner at the end of each meeting without management participation. 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 2021 was the 2021 annual report and financial statements and the 2022 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 2021 the Audit Committee considered management's planned approach to meeting the requirements of the European Single Electronic Format.

The March 2022 meeting considered BDO's audit plan and strategy for the 2022 annual report and considered the accounting treatment of deferred tax.

During its May 2022 meeting, the Audit Committee reviewed the form and content of the 2022 annual report and financial statements, including reporting in respect of the Task Force on Climate-related Financial Disclosures. 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 and, as requested by the board, compliance with the annual report's 'fair, balanced and understandable' provisions of the UK Corporate Governance Code. The Audit Committee recommended approval of the 2022 annual report to the board.

The significant issue the Audit Committee considered in relation to the 2022 financial statements was the valuation of unlisted investments. The key inputs into the valuation of Private Capital businesses were considered, including the broad range of factors impacting market multiples utilised in the valuation process. Private equity fund valuations were also debated, with particular focus on the potential impact of current inflationary pressures and the conflict in Ukraine, both of which have contributed to increased volatility in public markets, on valuations reported by third party private equity fund managers on, or before, 31 December 2021. This resulted in the Committee seeking additional supporting information from management on the composition of assets within the Funds pool, with particular focus on the processes used to assess the reasonableness of fund manager valuations and the methodologies applied. In addition, following feedback from the Committee, the company's March NAV and portfolio update announcement was enhanced to give greater prominence to the dates of fund manager valuations.

Unlisted valuations

The Audit Committee recognises that unlisted investments are a significant component of the company's assets and that their valuation is subject to considerable judgement and uncertainty. The Chairman of the Audit Committee, together with BDO's audit partner, attended the Valuation Committee meetings and reported to the Audit Committee on the quality of the review, adherence to the company's valuation policy and consistency of valuation methodologies over time. Lynn Fordham, who will succeed Stuart Bridges as Committee chair, also attended the Valuation Committee meeting at which unlisted investments as at 31 March 2022 were considered to ensure an orderly transition.

Going concern and viability

The directors are required to make a statement in the annual report as to going concern and 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 going concern and viability statements. This report was based on the group's base case of forecast liquidity over three years to May 2025, developed from the corporate financial plan. The base case was subject to two stress tests. The first stress test included four scenarios: a 10% reduction in the value of the US dollar against Sterling; a 20% reduction in investment income; a 25% reduction in the level of distributions from fund investments; and a 25% fall in the anticipated value of realisations in the Private Capital portfolio. A combination of all four of these scenarios was also applied. The second stress test built on the combination of all the scenarios from the first stress test and applied the early settlement of all outstanding fund commitments. The three-year period was chosen as it provided a reasonable degree of certainty, based on the company's expected activities.

Taking into account the assessment of the group's stress testing results, the Audit Committee agreed to recommend the going concern and viability statements 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 46.

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 95, should be signed accordingly.

Internal control and risk management

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.

During the year the Audit Committee reviewed the Investment and Operational Risk Dashboards prepared by management identifying the principal business risks impacting the company, together with the mitigating controls in operation and actions identified for continuous improvement.

The Audit Committee considered the effectiveness of the company's internal control environment and the structure in place to resolve identified weaknesses. BDO's internal control observations arising from its interim review, together with management's responses, were also assessed. The Audit Committee reviewed reports on internal controls, including an appraisal of accounting processes associated with the company's general ledger and bank reconciliations and a report from management regarding an attempted supplier fraud. The approach to governance and the control environment of investee companies within the Private Capital pool was also subject to review.

A comprehensive update on cyber security, disaster recovery and information technology matters was also provided to the Committee which included improvements made during the year and the planned roadmap for further developments during the next twelve months.

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, with each business operating its own risk management processes. The company closely monitors its control environment and those of its private company investments. The Audit Committee recommended to the board that an internal audit function was not required.

Audit Committee report (continued)

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 external auditor's staff

» the appropriateness of the planned audit methodology as applied to Caledonia's business activity

» the level of challenge and professional scepticism displayed, together with the quality of reporting to the Audit Committee.

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

» review and approval of the scope of the planned audit and delivery against plan

» the identification of control improvements

» the monitoring of the independence of the external auditor.

At the November 2021 meeting, the Audit Committee discussed the Financial Reporting Council's ('FRC') Audit Quality Inspection and Supervision Report of BDO, published in July 2021, and sought assurances from the audit partner regarding BDO's response to the findings.

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 and its successor BDO, 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 2019. Certain non-audit services are prohibited. 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 2022, the total fees for non-audit services were £148,000 (24.9% of the total audit fees), the majority of which related to BDO's independent review of the company's half-year report. The balance was incurred by Seven Investment Management in connection with regulatory reporting requirements and a covenant compliance report. These services were closely related to the work performed by BDO during the audit or required by law or regulation. Further analysis is provided in note 2 to the financial statements on page 113.

Auditor

BDO was appointed auditor in 2021, replacing KPMG following the conclusion of a comprehensive tender process. The lead audit partner is required to rotate every five years and other key audit engagement partners every seven years. No contractual obligations restrict the Audit Committee's choice of external auditor.

BDO's transition planning activities were reviewed in detail by the Audit Committee in the year ended 31 March 2021. To facilitate an orderly transition, BDO shadowed KPMG during its audit of the company's 2021 annual report and financial statements. BDO completed a comprehensive knowledge gathering exercise, providing regular updates to the Committee.

Resolutions to re-appoint BDO 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 27 July 2022.

Private meetings

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

Statement of compliance

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

Stuart Bridges
Chairman of the Audit Committee

25 May 2022

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
M A Farlow[1]	-	-
C L Fitzalan Howard[2]	1	1
L R Fordham[3]	-	-
S C R Jemmett-Page	2	2

1. Ms Farlow was appointed as a member on 28 March 2022.
2. Mrs Fitzalan Howard was appointed as a member on 21 July 2021.
3. Ms Fordham was appointed as a member on 1 January 2022.

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

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 included:

» the review and approval of the Corporate governance and Governance Committee reports for the year ended 31 March 2021

» 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 67, 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

» its membership and terms of reference.

Guy Davison
Chairman of the Governance Committee

25 May 2022

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
M A Farlow[1]	-	-
C L Fitzalan Howard	3	3
D C Stewart	3	3

1. Ms Farlow was appointed as a member on 28 March 2022.

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 2022.

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 76 to 82 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 remains cognisant of debate within the investor community around executive pay and regularly monitors good practice.

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. Regular reporting to the board also provides us with wide-ranging staff analysis including attrition rates, promotion decisions and training and development. We continue to review gender pay gap analysis to ensure Caledonia maintains equal pay for work of equal value.

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 88 and 89.

Changes to the board during the year

As announced in November 2021, Will Wyatt retires as Caledonia's Chief Executive at the annual general meeting on which date his employment will cease. He will be succeeded by Mathew Masters, who joined the board as Chief Executive Officer Designate on 1 April 2022. The board has invited Will to serve as a non-independent non-executive director of the company, subject to his re-election as a director by shareholders.

Will Wyatt's service agreement provides for a twelve month notice period. The Committee has agreed with Will that he will not receive a payment in lieu of any unserved notice period, have no entitlement to a pro-rated bonus to reflect his employment during the 2023 financial year or receive a further performance share plan award. The Committee has determined that he will be a 'good leaver' under the performance share scheme and deferred bonus plan rules on his retirement, meaning that he will be entitled to retain his unvested long term incentive awards subject to applicable performance conditions, albeit reduced to reflect the proportion of such performance periods that he is in employment. Due to Will's 'good leaver' status under the company's share plans, his bonus for the 2022 financial year will be paid in cash with no compulsory deferral. Full details of the arrangements for Will's retirement are set out in this year's Annual report on directors' remuneration.

The Committee has approved a base salary of £450,000 for Mathew Masters. Mat, who has an existing service contract dated 15 May 2008, will also receive a maximum bonus opportunity of 100% of salary (of which any amount in excess of 50% of salary will be compulsorily deferred for three years under the company's deferred bonus plan), an annual award of 150% of basic salary under the company's performance share scheme and, consistent with all Caledonia's staff, a pension entitlement of 15% of salary.

The terms of both Will's retirement and Mat's promotion are in accordance with the company's remuneration policy.

Remuneration for the year ended 31 March 2022

The annual report on directors' remuneration set out on pages 83 to 90 describes in detail how our remuneration policy has been applied for the year ended 31 March 2022. 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 27.9% outperforming the increase in the Retail Prices Index ('RPI'), taken for bonus purposes as the higher of actual RPI over the bonus year (being 9%) or 3.0%. This triggered the maximum bonus in respect of company performance. The Funds pool achieved a total return over the year of 32.1% 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 100% of basic salary. Half of the bonuses paid to Tim Livett and Jamie Cayzer-Colvin will be deferred into shares for a period of three years.

Performance share scheme awards

The performance share scheme awards granted in 2017 (measured over five years) and the first one-third of the awards granted in 2019 (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 10.7% for the 2017 awards and 13.9% for the 2019 awards, giving full vesting. The Funds pool's annualised total return (relevant for 60% of Jamie Cayzer-Colvin's awards) for the five and three year periods was 17.6% and 21.9%, meaning that this portion of his 2017 and 2019 awards also vested in full. Further details of the vesting scales for these awards can be found on page 87. The Remuneration Committee considers that these performance outcomes are appropriate.

The remaining two-thirds of the 2019 performance share scheme awards will be tested in March 2024.

Remuneration for the year ending 31 March 2023

Looking ahead to the 2023 financial year, Tim Livett's and Jamie Cayzer-Colvin's basic salaries have been increased with effect from 1 April 2022 by 5%, broadly in line with inflation, which was the same as the standard increase given to all of the company's staff. Will Wyatt, who will step down as Chief Executive at the company's annual general meeting in July, has not received a pay increase. The Chairman's and the non-executive directors' fees have been unchanged since 2017 and 2014 respectively. The Chairman's fee with effect from 1 April 2022 has been increased by 10%, with the basic non-executive directors' fee increased by 12.8%. These increases remain below the compounded inflationary increase applied to staff salaries since they were last reviewed and remain below relevant benchmark data. Increases have also been made to the fees paid to the chairs and members of the Audit and Remuneration Committees due to the notable increase in time commitment required by service on these committees since the fees were last reviewed.

We plan to make performance share plan awards to Mathew Masters, Tim Livett and Jamie Cayzer-Colvin following the release of our 2022 full year results, in line with our normal grant cycle. These awards will be subject to the same performance measures used for the 2021 award grants, which are summarised in the notes to the remuneration policy table on page 87. Compulsory deferred bonus awards for Mat, Tim and Jamie for the 2022 bonus received in excess of 50% of base salary will also be made at the same time.

Remuneration Committee membership

Anne Farlow, an independent non-executive, joined the Remuneration Committee in March 2022. Anne will succeed me as Chairman when I step down from the board at the end of May, ably supported by David Stewart and Claire Fitzalan Howard, who have served as members of the Committee since March 2015 and July 2019 respectively.

Shonaid Jemmett-Page
Chairman of the Remuneration Committee

25 May 2022

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's staff and are consistent with Caledonia's purpose, values and strategy.

Directors' remuneration report (continued)
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 2022 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 2022 financial year were: W P Wyatt: £540,000; T J Livett: £390,250; J M B Cayzer-Colvin: £349,000.
Opportunity and recovery or withholding provisions	Salary increases are normally awarded by reference to any increase in the cost of living, but may take into account other factors such as external market positioning, change in the scope of the individual's responsibilities or level of experience, development in the role and levels of pay elsewhere in the company. Year-on-year increases in basic salaries will not exceed inflation by more than 5%, other than in exceptional circumstances or where there is a change in role or responsibilities. No recovery or withholding provisions.
Performance measurement framework	Not applicable.

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 £600,000. In addition, special fees are paid for the chairmanship and membership of the Audit and Remuneration Committees and also for the role of Senior Independent Non-Executive Director and Chairman of the Governance Committee. The fees of the Chairman and the non-executive directors on implementation of the policy for the 2022 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
M S D Masters[1]	15 May 2008	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

1. Mr Masters was appointed as a director and Chief Executive Officer Designate on 1 April 2022.

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.

Directors' remuneration report (continued)
Remuneration policy

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.

Directors' remuneration report

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 2022 and describes how Caledonia's remuneration policy will be implemented for the 2023 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 2022 and a comparison with the previous financial year.

	W P Wyatt		T J Livett		J M B Cayzer-Colvin	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Fixed remuneration and benefits						
Salary	540	540	390	384	349	344
Taxable benefits[1]	22	23	7	7	24	22
Pension related benefits	71	71	51	51	46	45
Total fixed remuneration	633	634	449	442	419	411
Variable remuneration						
Short term incentives[2]	540	459	390	346	349	309
Long term incentives[3]	1,120	803	247	–	684	526
Total variable remuneration	1,660	1,262	638	346	1,033	835
Total	2,294	1,896	1,087	788	1,452	1,246

Due to rounding, individual rows do not necessarily add up to the total.

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:

	W P Wyatt		T J Livett		J M B Cayzer-Colvin	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Compulsorily deferred	–[a]	189	195	154	175	137
Cash	540	270	195	192	175	172
Total[b]	540	459	390	346	350	309

a. Mr Wyatt's 2022 bonus will not be subject to compulsory deferral as any award made to him would vest and be exercisable on his retirement on 27 July 2022 in any event.
b. Due to rounding, individual rows do not necessarily add up to the total.

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 2022 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 well 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 succession planning, 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 27.9% over the year against an increase in RPI (for bonus purposes) of 9%, giving a 100% payment for company performance.

The Funds pool's return over the year was 32.1% on a constant currency basis (38.3% 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% of salary for attainment of pool objectives. It further decided that Mr Cayzer-Colvin's team leadership and broader 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 succession planning, development of approach to responsible investment, shareholder engagement, development and execution of the board's strategy, the ongoing development of systems and controls (including those with respect to information technology), reporting improvements, 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	50	50	50	50	25	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	100	100	100	100	100	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 2017 under the performance share scheme and one-third of the awards granted under that scheme in 2019. All such awards were nil-cost options.

The 2017 and 2019 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 2017 performance share scheme awards measured over the five years to 31 March 2022, Caledonia's annualised NAVTR over the period was 10.7%, resulting in 100% vesting. For Mr Cayzer-Colvin's award measured by reference to his pool's performance, the Funds pool delivered an annualised total return of 17.6% over the period, resulting in 100% vesting.

For the 2019 performance share scheme awards measured over the three years to 31 March 2022, Caledonia's annualised NAVTR over the period was 13.9%, resulting in 100% vesting. For Mr Cayzer-Colvin's award measured by reference to his pool's performance, the Funds pool delivered an annualised total return of 21.9% over the period, resulting in 100% vesting.

The awards granted in 2017, following performance testing, will vest on 21 July 2022. The awards granted in 2019, also following performance testing, will vest on 30 May 2022. The values, as reflected in the 2022 long term incentives column above, are calculated using the three-month average share price to 31 March 2022 of 3654p, 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	1,014,570	105,897	1,120,467
T J Livett	235,427	11,900	247,327
J M B Cayzer-Colvin	619,718	64,410	684,128

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 2017 and 2019, based on the three-month average share price to 31 March 2022, was £220,075 for Mr Wyatt, £47,936 for Mr Livett and £134,358 for Mr Cayzer-Colvin. No discretion was exercised by the Remuneration Committee in respect of share price appreciation.

The 2021 figures shown in the long-term incentives and total columns above 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 £734,753 for Mr Wyatt and £481,717 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[c] £
W P Wyatt	732,724[a]	70,061	802,784
J M B Cayzer-Colvin	480,523[b]	45,816	526,339

a. 15,665 shares granted in 2016 vested on 26 May 2021. The mid closing price was 3018p per share. 8,585 shares granted in 2018 vested on 30 May 2021. The mid closing price on 28 May 2021, being the last dealing date before vesting, was 3028p.
b. 10,197 shares granted in 2016 vested on 26 May 2021. The mid closing price on this date was 3018p per share. 5,706 shares granted in 2018 vested on 30 May 2021. The mid closing price on 28 May 2021, being the last dealing date before vesting, was 3028p.
c. Due to rounding, individual columns do not necessarily add up to the total column.

Chairman and non-executive directors

Fees and other remuneration paid to the Chairman and the non-executive directors during the year ended 31 March 2022 and the previous year were as follows:

	Fees		Taxable expenses[4]		Total[6]	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
D C Stewart	150	150	–	–	150	150
S J Bridges	46	46	–	–	46	46
Hon C W Cayzer[1]	45	45	–	–	45	45
G B Davison	47	47	–	–[5]	47	48
M A Farlow[2]	–	–	–	–	–	–
C L Fitzalan Howard	42	42	–	–	42	42
L R Fordham[3]	11	–	–	–	11	–
S C R Jemmett-Page	47	47	–	–	47	47

1. The Hon C W Cayzer receives an additional fee of £5,000 per annum in respect of his services as a trustee of the Caledonia Pension Scheme.
2. Ms Farlow was appointed as a director on 28 March 2022. No fee was payable in March.
3. Ms Fordham was appointed as a director on 1 January 2022.
4. 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.
5. Mr Davison incurred a taxable expense during the year in connection with travel to a meeting with a total cost, including tax, of £225.
6. Due to rounding, amounts stated 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	
	2022 £	2021 £	2022 £	2021 £	2022 £	2021 £
W P Wyatt	–	–	71,178	71,178	71,178	71,178
T J Livett	–	–	51,439	50,668	51,439	50,668
J M B Cayzer-Colvin	–	–	46,002	45,303	46,002	45,303

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 performance share scheme and 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 number[1]	Receivable if minimum performance achieved %[2]	End of performance period
W P Wyatt								
Performance Share Scheme	Nil-cost option	150% of salary	04.06.21	810	3102.5p	26,108	10	31.03.26
Deferred Bonus Plan	Compulsory award, nil-cost option	% of bonus in excess of 50% of salary	04.06.21	189	3102.5p	6,092	100	31.03.24
Total scheme interests awarded				999		32,200		
T J Livett								
Performance Share Scheme	Nil-cost option	150% of salary	04.06.21	585	3102.5p	18,868	10	31.03.26
Deferred Bonus Plan	Compulsory award, nil-cost option	% of bonus in excess of 50% of salary	04.06.21	154	3102.5p	4,956	100	31.03.24
Total scheme interests awarded				739		23,824		
J M B Cayzer-Colvin								
Performance Share Scheme	Nil-cost option	150% of salary	04.06.21	523	3102.5p	16,873	10	31.03.26
Deferred Bonus Plan	Compulsory award, nil-cost option	% of bonus in excess of 50% of salary	04.06.21	137	3102.5p	4,431	100	31.03.24
Total scheme interests awarded				660		21,304		

1. The number of shares comprised in the awards under the performance share scheme and the deferred bonus plan was determined by reference to the company's share price at the time that the awards were made.
2. The performance targets for awards under the performance share scheme are set out under the statement of directors' share scheme interests on page 87. Compulsory awards under the deferred bonus plan are subject to a continued service condition only.

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 2022 £'000	Fees 2021 £'000
T J Livett	Non-executive director, Premier Marinas Holdings	37.5	37.5
J M B Cayzer-Colvin[1]	Non-executive Chairman, The Henderson Smaller Companies Investment Trust	19.3	35.0

1. Mr Cayzer-Colvin retired from this position on 1 October 2021.

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 2016 and 2018 performance share scheme awards over 5,987 and 1,367 shares respectively on 3 June 2021. Both awards were subject to performance testing as at 31 March 2021 and vested in May 2021, at a total pre-tax value of £252,062, including £23,352 in respect of dividend equivalents.

Mr King's pro-rated entitlement to a performance share scheme award made in 2017 was subject to performance testing as at 31 March 2022. 4,418 shares will vest on 21 July 2022.

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

Payments for loss of office (audited)

William Wyatt will retire as Chief Executive at the Company's annual general meeting on 27 July 2022 on which date his employment will cease. The board has invited him to serve as a non-independent non-executive director subject to re-election by shareholders.

Mr Wyatt is employed under a service agreement dated 2 June 2005 which provides for a twelve month notice period. The Committee has agreed with him that he will not receive a payment in lieu of any unserved notice period, have no entitlement to a pro-rated bonus to reflect his employment during the 2023 financial year or receive a performance share plan award for the 2023 financial year.

Mr Wyatt's award under the deferred bonus plan, being compulsorily granted in 2021 over 6,092 shares, will vest in full on his retirement date. Share awards under the performance share scheme outstanding on 27 July 2022 will continue and be capable of vesting on the scheduled vesting dates, subject to their applicable performance conditions, but will be reduced to reflect the proportion of such performance period that Mr Wyatt was in employment. The two-year holding period will continue to apply to the portion of performance share scheme awards granted in 2020 and 2021 that are subject to three year performance. Mr Wyatt's bonus for the 2022 financial year will be paid in cash with no compulsory deferral as any award made to him under the terms of the deferred bonus plan would vest and be exercisable on his retirement on 27 July 2022 in any event.

Any amounts received by Mr Wyatt in respect of future exercises of deferred bonus plan and performance share scheme awards, will be disclosed in the Annual report on directors' remuneration for the year in which the exercise occurs.

In line with Caledonia's post-cessation shareholding requirements, Mr Wyatt will continue to hold the minimum guideline shareholding for two years.

There were no other payments made for loss of office during the year.

Statement of directors' shareholdings and scheme interests (audited)

Statement of directors' minimum shareholding guidelines

Executive directors' minimum shareholding guidelines are set out on page 82. Both Mr Wyatt and Mr Cayzer-Colvin have attained the minimum guideline shareholding as at 31 March 2022. Mr Livett, who joined the company in 2019, has begun to meet the guidelines. The values of the relevant shareholdings of each executive director as at 31 March 2022, calculated by reference to Caledonia's closing share price on that date of 3540p, 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	41.9	3883
T J Livett	0.6	36
J M B Cayzer-Colvin	9.3	1785

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 2022 were as follows:

	Beneficial		Non-beneficial	
	2022 number	2021 number	2022 number	2021 number
D C Stewart	4,072	4,072	–	–
W P Wyatt[1]	1,163,152	1,149,317	91,467	80,038
T J Livett	–	–	–	–
J M B Cayzer-Colvin[1]	250,024	374,913	203,384	150,273
S J Bridges	5,309	5,309	–	–
Hon C W Cayzer[1]	41,092	41,092	15,500	15,500
G B Davison	8,100	8,100	–	–
M A Farlow[2]	–	n/a	–	n/a
L R Fordham[3]	–	n/a	–	n/a
C L Fitzalan Howard	2,000	2,000	–	–
S C R Jemmett-Page	1,000	1,000	–	–

1. Mr Wyatt's beneficial interests included 1,009,898 shares (2021: 1,009,898 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 (2021: 1,000 shares). His non-beneficial interests included 14,500 shares (2021: 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 (2021: 5,200 shares) in which Mr Wyatt and Mr Cayzer-Colvin had non-beneficial interests.
2. Ms Farlow was appointed as a director on 28 March 2022.
3. Ms Fordham was appointed as a director on 1 January 2022.

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 2022 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 21.07.17 (nil-cost)	2837p	–	18,488	–	18,488
	Granted 30.05.18 (nil-cost)	2705p	19,963	–	–	19,963
	Granted 30.05.19 (nil-cost)	2910p	18,557	9,278	–	27,835
	Granted 04.08.20 (nil-cost)	2640p	30,682	–	–	30,682
	Granted 04.06.21 (nil-cost)	3102.5p	26,108	–	–	26,108
	Performance share scheme total		95,310	27,766	–	123,076
	Deferred bonus plan – compulsory awards[4]					
	Granted 30.05.19 (nil-cost)	2910p	–	–	7,560	7,560
	Granted 04.06.21 (nil-cost)	3102.5p	–	6,092	–	6,092
	Deferred bonus plan total		–	6,092	7,560	13,652
	Total share scheme interests		95,310	33,858	7,560	136,728

During the year, Mr Wyatt exercised performance share scheme awards over a total of 24,250 shares at a pre-tax gain of £826,925 plus an additional sum of £70,061 in respect of dividend equivalents.

		Share price at date of award	Unvested with performance conditions[1]	Unvested without performance conditions[2]	Vested but un-exercised[3]	Total
T J Livett	*Performance share scheme awards*					
	Granted 30.05.19 (nil-cost)	2910p	12,887	6,443	–	19,330
	Granted 04.08.20 (nil-cost)	2640p	21,841	–	–	21,841
	Granted 04.06.21 (nil-cost)	3102.5p	18,868	–	–	18,868
	Performance share scheme total		53,596	6,443	–	60,039
	Deferred bonus plan – compulsory awards[4]					
	Granted 04.06.21 (nil-cost)	3102.5p	–	4,956	–	4,956
	Deferred bonus plan total		–	4,956	–	4,956
	Total share scheme interests		53,596	11,399	–	64,995
J M B Cayzer-Colvin	*Performance share scheme awards*					–
	Granted 21.07.17 (nil-cost)	2837p	–	11,200	–	11,200
	Granted 30.05.18 (nil-cost)	2705p	12,088	–	–	12,088
	Granted 30.05.19 (nil-cost)	2910p	11,520	5,760	–	17,280
	Granted 04.08.20 (nil-cost)	2640p	19,528	–	–	19,528
	Granted 04.06.21 (nil-cost)	3102.5p	16,873	–	–	16,873
	Performance share scheme total		60,009	16,960	–	76,969
	Deferred bonus plan – compulsory awards[4]					
	Granted 30.05.19 (nil-cost)	2910p	–	–	5,619	5,619
	Granted 04.06.21 (nil-cost)	3102.5p	–	4,431	–	4,431
	Deferred bonus plan total		–	4,431	5,619	10,050
	Total share scheme interests		60,009	21,391	5,619	87,019

During the year, Mr Cayzer-Colvin exercised performance share scheme awards over a total of 15,903 shares at a pre-tax gain of £542,292 plus an additional sum of £45,816 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 30 May 2018, 30 May 2019, 4 August 2020 and 4 June 2021, 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 21 July 2017, shown as vested but unexercised, were performance tested against their relevant target as at 31 March 2022 and achieved a vesting level of 100% 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 2019, 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 100% 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

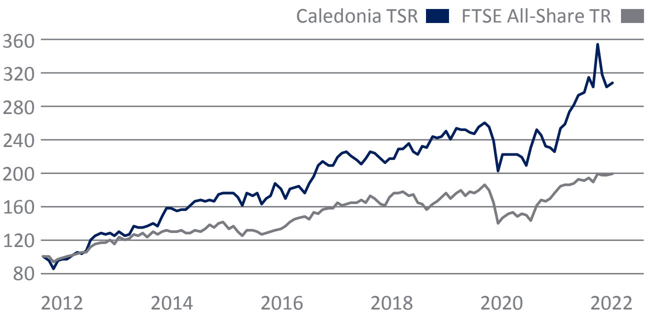
2. **Performance share scheme**
   Nil-cost options that vest following the three or five year performance testing become immediately exercisable on the third or fifth anniversary of grant, as applicable.
3. **Vested but unexercised**
   Shares vested but unexercised represent those awards that are immediately 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.

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 2022. 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 2022, prepared on the same basis as in the single total figure in the table on page 83, 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 %
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	–	20.9
2021	W P Wyatt	1,896[1]	85.0	87.9
2022	W P Wyatt	2,294	100.0	100.0

1. Restated from last year's single total figure table to reflect the company's share price on the vesting date of the 2016 and 2018 performance share scheme awards.

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 2022 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 1.5% from 1 April 2021 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 2022 financial year. The increase in respect of Ms Fordham's fees reflect service during her first year since appointment. Further details can be found on page 84. 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 each awarded bonuses of 100%, based on company performance and individual objectives, compared with bonuses of 85%, 90% and 90% respectively 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.

	2022			2021		
	Basic salary/ fees %	Taxable benefits/ expenses %	Short-term incentives %	Basic salary/ fees %	Taxable benefits/ expenses %	Short-term incentives %
Executive directors						
W P Wyatt	–	(4.1)	17.7	–	12.9	100
T J Livett	1.5	22.8	12.8	2.5	23.6	100
J M B Cayzer-Colvin	1.5	8.9	12.8	2.5	6.2	100
Chairman and non-executive directors						
D C Stewart	–	–	n/a	–	–	n/a
S J Bridges	–	–	n/a	–	–	n/a
Hon C W Cayzer	–	–	n/a	6.6	–	n/a
G B Davison	–	(100)	n/a	3.5	100	n/a
M A Farlow	–	–	n/a	n/a	n/a	n/a
L R Fordham	100	–	n/a	n/a	n/a	n/a
C L Fitzalan Howard	–	–	n/a	43.8	–	n/a
S C R Jemmett-Page	–	–	n/a	2.2	–	n/a
Staff per capita (excluding directors)						
	4.0	7.5	22.9	7.4	5.2	157.5

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

With fewer 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 83, against the lower quartile, median and upper quartile total remuneration of the company's employees as at 31 March 2022. This disclosure will build up over time to cover a rolling ten year period.

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

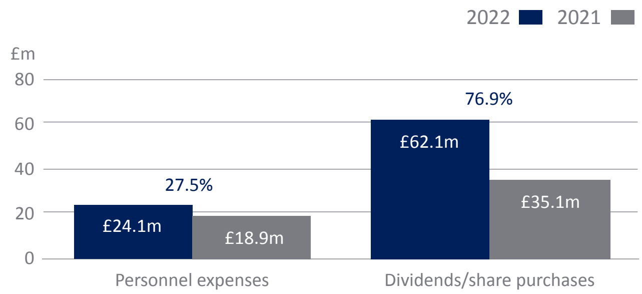
In order to provide further context, the table includes ratios based on basic salary only to demonstrate over time that the underlying pay structures do not show a divergent trend between the Chief Executive's pay and that of employees generally and also that employees are paid fairly.

		Pay ratios				Remuneration values			
Year	Methodology	P25 (lower quartile)	P50 (median)	P75 (upper quartile)	Basis	Chief Executive	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2019	*Option A*	32:1	13:1	5:1	Total remuneration (£'000)	1,864	58	140	403
	Salary only	13:1	6:1	4:1	Salary only (£'000)	540	42	88	150
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
2022	*Option A*	42.1	19.1	6.1	Total remuneration (£'000)	2,294	54	122	392
	Salary only	12.1	7.1	4.1	Salary only (£'000)	540	45	76	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.



Statement of implementation of remuneration policy in the 2023 financial year

The company expects to operate the remuneration policy as described on pages 76 to 82 without any changes in the financial year ending 31 March 2023.

Basic salaries of executive directors

In respect of the 2023 financial year, the Remuneration Committee has awarded an inflation-based increase in basic salary of 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 2023 financial year are as follows:

	Salary for year to 31 March	
	2023 £	2022 £
W P Wyatt[1]	540,000	540,000
M S D Masters[2]	450,000	n/a
T J Livett	410,000	390,250
J M B Cayzer-Colvin	366,500	349,000

1. Mr Wyatt retires as Chief Executive on 27 July 2022.
2. Mr Masters was appointed as a director and Chief Executive Officer Designate on 1 April 2022.

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

Chairman's and non-executive directors' fees

The Chairman's and the non-executive directors' fees, which have been unchanged since 2017 and 2014 respectively, have been increased with effect from 1 April 2022. The Chairman's fee has been increased by 10% and the basic non-executive directors' fee had been increased by 12.8%. These increases remain below the compounded inflationary increase applied to staff salaries since they were last reviewed and remain below relevant benchmark data. Increases have also been made to the fees paid to the chairs and members of the Audit and Remuneration Committees due to the notable increase in time commitment required by service on these committees since the fees were last reviewed.

The fees are as follows:

	Fees for year to 31 March 2023 £	2022 £
Chairman	165,000	150,000
Non-executive director basic fee	45,000	39,900
Chairman of the Audit Committee	10,000	5,600
Member of the Audit Committee	2,500	2,300
Chairman of the Remuneration Committee	8,000	4,900
Member of the Remuneration Committee	2,000	1,600
Senior Independent Director/Chairman of the Governance Committee	6,000	5,100

No additional fees are paid for membership of the Governance and Nomination Committees.

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 2023 financial year.

Approach

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

Consideration by the directors of matters relating to directors' remuneration

The current members of the Remuneration Committee are Shonaid Jemmett-Page (Chairman), Anne Farlow, Claire Fitzalan Howard and David Stewart.

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, 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 21 July 2021, the votes lodged for the resolution relating to directors' remuneration were as follows.

	Number	%
To approve the 2021 Directors' remuneration report (other than the directors' remuneration policy)		
Votes in favour	35,602,646	99.8
Votes against	65,040	0.2
Total votes cast	35,667,686	
Votes withheld	113,434	

The votes lodged for the most recently approved remuneration policy, being at the annual general meeting held on 29 July 2020 were as follows:

	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 25 May 2022 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 55 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 has historically aimed for the annual dividend to be fully covered by net revenue for the relevant financial year in a period of normal trading. However, in light of the growing scale of the private equity funds portfolio and potentially a lower target yield from Private Capital investee businesses, the board is evaluating whether to move away from a fully covered annual dividend, with appropriate risk mitigation controls, in future periods. The company has available distributable reserves of £2,208m, broadly equivalent to 63 years' payment of the current annual dividend and following the deduction of the recommended special dividend, which may be used to smooth a net revenue shortfall in any particular year.

2022 dividend distributions

An interim dividend of 17.5p per share (2021: 17p) was paid on 6 January 2022 and the board has recommended a final dividend of 47.3p per share (2021: 45.9p), giving total annual dividends for the year of 64.8p per share (2021: 62.9p).

In addition, the directors have recommended a special dividend of 175p per share (2021: nil).

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 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 2022, 54,663,662 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 2022, 3,000 shares were held by a group company. As stated above, all voting rights are suspended on these shares.

During the year, the company purchased 710,072 of its ordinary shares at a total cost of £24.0m. These shares had a nominal value of £35,504, represented 1.28% of the issued ordinary share capital as at 31 March 2021 and were immediately cancelled. These shares were purchased to take advantage of the wide discount of the company's share price to its net asset value. No further purchases of ordinary shares have been made since the year end and accordingly the company's issued share capital as at 25 May 2022, being the latest practicable date prior to signature of these accounts, was 54,663,662 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 2022, 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	19,292,364	35.03%[a]

a. Percentage holding based on total voting rights at 6 August 2021.

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 2022, the trust held 452,645 ordinary shares, representing 0.83% of the total issued voting share capital.

Other governance matters (continued)

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 21 July 2021, 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 21 October 2022 or, if earlier, the conclusion of the next annual general meeting.

At the annual general meeting held on 21 July 2021, 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 21 October 2022 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 21 October 2022 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 third annual general meeting of the company will be held at Cayzer House, 30 Buckingham Gate, London SW1E 6NN on Wednesday, 27 July 2022 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 62 and 63. All of the directors served throughout the year other than Ms L R Fordham and Ms M A Farlow who were appointed on 1 January and 28 March 2022 respectively. Mr M S D Masters was appointed following the year end on 1 April 2022.

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.

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.

Information included in the Strategic Report

In accordance with the requirements of section 414C (11) of the Companies Act 2006, the following information required to be included in the Directors' report has been included in the Strategic report: information on exposure to liquidity risk page 44; likely future developments in the business pages 5 and 9 and greenhouse gas emissions page 59.

Post balance sheet events

There were no post balance sheet events.

The reports on pages 62 to 95 comprise the Directors' report of the company. The Directors' report was approved by the board on 25 May 2022 and signed on its behalf by:

Richard Webster
Company Secretary

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

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

Listing Rule	Required information	Location
9.8.4 R (12)	Details of any arrangement under which a shareholder has waived or agreed to waive any dividends.	Other governance matters – page 91. 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 64. 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 and financial statements in accordance with UK adopted international accounting standards and 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 UK adopted international accounting standards. 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 and prudent

» state whether they have been prepared in accordance with UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements

» prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business

» prepare a directors' report, a strategic report and directors' remuneration report which comply with the requirements of the Companies Act 2006 (the 'Act').

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 comply with the Act. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the annual report financial statements, taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders to assess the group's performance, business model and strategy.

Website publication

The directors are responsible for ensuring the annual report and financial statements are made available on a website.

Financial statements are published on the company's website in accordance with legislation in the UK governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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 62 and 63 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 59 and Directors' report contained on pages 62 to 95 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
Chief Executive

25 May 2022

Tim Livett
Chief Financial Officer

25 May 2022

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

Financial statements

Other information

Independent auditor’s report

to the members of Caledonia Investments plc

Statutory Auditor
BDO LLP
25 May 2022

Opinion on the financial statements

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 2022 and of the Group’s profit for the year then ended;

» the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;

» the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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.

We have audited the financial statements of Caledonia Investments Plc (the ‘Parent Company’) and its consolidated subsidiaries (the ‘Group’) for the year ended 31 March 2022 which comprise the Group statement of comprehensive income, the Group and Company Statement of financial position, the Group and Company Statement of changes in equity, the Group and Company Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the board of directors and subsequently by the shareholders at the AGM on 21 July 2021 to audit the financial statements for the year ending 31 March 2022 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is one year, covering the year ending 31 March 2022. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors’ assessment of the Group and the Parent Company’s ability to continue to adopt the going concern basis of accounting included:

» Obtaining the Directors’ assessment of the going concern status and long term viability of the Company;

» Checking the accuracy of the underlying models used in the Directors’ assessment;

» Evaluating management’s method of assessing going concern in light of market volatility and the present uncertainties, such as the impact of the ongoing conflict in Ukraine;

» Challenging management’s assumptions and judgements made with regards to stress-testing forecasts; and

» Assessing the appropriateness of disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	100% of Group profit before tax 100% of Group revenue 100% of Group total assets
Key audit matters	**2022** Valuation of unquoted private capital investments Valuation of fund investments Valuation and ownership of listed investments Revenue recognition
Materiality	*Group financial statements as a whole* £41.5m based on 1.5% of Net Assets

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

All components of the Group were identified as significant. The Group consisted of the following components:

» Caledonia Investments plc

» Caledonia Group Services Ltd

» Caledonia Treasury Ltd

» Buckingham Gate Ltd

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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Overview

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation of unquoted private capital investments *Significant accounting policies (Investments) and Note 8* The unquoted private capital investments total £781.7m (2021: £826.8), representing 32.5% (2021: 37.9%) of the total value of investments at Fair Value through Profit and Loss.	We consider that the valuation of the private capital investments is one of the audit areas subject to a significant risk of material misstatement. The main risk factor in the investment valuations, relates to the lack of observable inputs on the basis that these investments are 'Level 3', as well as the level of estimation uncertainty involved in valuing these investments. We therefore consider this area to be a key audit matter.	We have responded to this matter by testing the valuation of 99% of the portfolio of unquoted private capital investments. We performed the following procedures: » Considered the appropriateness of the valuation methodology under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines; » Discussed valuations with management and understood management's assumptions included in the valuations and assessed whether the assumptions applied were appropriate in terms of the context of the group as well as market conditions; » Challenged and corroborated the inputs to the valuation with reference to management information provided by investee companies, market data and our own understanding and assessed the impact of the estimation uncertainty concerning these assumptions; » Assessed changes in valuation inputs which drove the movements in valuations between 31 March 2021 and 31 March 2022; » Considered the economic environment in which the investment operates to identify factors that impacted the investment valuation, particularly in relation to the current economic circumstances and the ongoing crisis in Ukraine and any related sanctions; » Consulted with our internal valuation experts on the appropriateness of methodology, assumptions and inputs; and » Gained comfort on ownership through direct confirmation, available third party documentation such as share purchase agreements, share certificates, annual accounts and companies house documentation, where relevant. **Key observations:** Based on our procedures performed we did not identify any material exceptions with regards to valuation of unquoted private capital investments. We deem the assumptions and judgements applied by management in the valuation of unquoted private capital investments to be reasonable.

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation of fund investments *Significant accounting policies (Investments) and Note 8* The unquoted fund investments total £794.4m (2021: £637.1), representing 33.0% (2021: 29.2%) of the total value of investments at Fair Value through Profit and Loss.	There is a level of estimation uncertainty involved in the underlying general partner valuations and as such, there is a significant risk over the valuation of investments. There is a risk of ‘stale pricing’ due to the availability of NAV statements, which is heightened due to the impact of economic conditions since December 2021 as well as the ongoing crisis in Ukraine. We therefore consider this area to be a key audit matter.	We performed the following procedures: » Considered the appropriateness of the overall valuation methodologies followed by underlying GP fund managers in line with the International Private Equity and Venture Capital Valuation (“IPEV”) Guidelines; » Agreed fund valuations to the most recent NAV statements received; » Tested cash roll forwards on a sample basis; » Agreed a sample of GP statements to audited accounts for the coterminous period to check for accuracy; » Understood and considered whether any adjustments made to GP valuations above our materiality threshold were appropriate; » Considered the economic environment in which the investee operates to identify factors that could impact the investment valuation, particularly in respect of the impact on ‘stale pricing’ caused by changes in economic conditions and the ongoing crisis in Ukraine and related sanctions since 31 December 2021; » Inspected whether final NAV statements received over the course of the review period up to the date of approving the financial statements had a material impact on the valuations of fund investments; and » Gained comfort over ownership by agreeing a sample of funds ownership to external confirmation. **Key observations:** Based on our procedures performed, we consider the judgements applied by management to be appropriate. We consider the valuation of fund investments to be reflective of fair value as at year end.
Valuation and ownership of listed investments *Significant accounting policies (Investments) and Note 8* The listed investments total £830.1m (2021: £716.1m), representing 34.5% (2021: 32.8%) of the total value of investments at Fair Value through Profit and Loss.	We consider the valuation and ownership of listed investments to be an audit area subject to a significant risk of material misstatement as the listed investments represent one of the most significant balances in the financial statements and underpin the principal activity of the entity. We therefore consider this area to be a key audit matter.	We have responded to this matter by testing the valuation and ownership of 100% of the portfolio of investments. We performed the following procedures: » Confirmed that bid price has been used by agreeing to externally quoted prices; » Checked that there were no contra indicators, such as liquidity considerations, to suggest bid price was not the most appropriate indication of fair value by considering the realisation period for individual holdings; and » Agreed ownership of investments to the period-end statement received directly from the custodian. **Key observations:** We confirmed that bid prices were appropriate indications of fair value. We determined that the Group had appropriate title over all listed investments.
Revenue Recognition *Note 1*	Revenue comprises investment income and interest receivable on the portfolio of investments held, including private capital, fund of funds distributions and quoted investments as well as cash and property income. Investment income is one of the key drivers of total returns to investors and is often a key factor in demonstrating the performance of the portfolio. Judgement is also required in the allocation of income to revenue or capital. We determined that revenue recognition is an audit area subject to a significant risk of material misstatement and have considered this to be a key audit matter.	We have responded to this matter by performing the following procedures: For the private capital portfolio: » We formed an independent expectation of income on the basis of the holding and third party evidence and agreed a sample of revenue through to supporting documentation. For the fund of funds portfolio distributions: » For existence of revenue, we agreed a sample of income to distributions on GP statements. We also confirmed completeness of revenue by inspecting distributions made on the GP’s statements in the valuations work as well as reviewing significant variances from the previous year that could indicate missing revenue in the current year. For the listed portfolio: » We utilised data analytics to test 100% of the portfolio. We derived an independent expectation of income based on the investment holding and distributions obtained from independent sources. We also inspected dividend yields and challenged if these have been appropriately accounted for as income or capital **Key observations:** Based on our procedures performed we determined that revenue was recognised appropriately. We also concluded that revenue from listed investments were appropriately split between revenue and capital.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

Key audit matter	Group financial statements 2022	Parent company financial statements 2022
Materiality	£41.5m	£39.4m
Basis for determining materiality	1.5% of Net Assets	1.5% of Net Assets (Limited to 95% of Group materiality)
Rationale for the benchmark applied	As an investment trust, the net asset value is the key measure of performance.	
Performance materiality	£27.0m	£25.6m
Basis for determining performance materiality	65% of Materiality based on our risk assessment and consideration of the control environment. We also considered the aggregation effect of planned nature of testing and the overall size complexity of the entity, as well as the fact that this is our first year as auditors.	

Specific materiality

We also determined that for items impacting revenue return, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items of £1.4m, based on 5% of the revenue return before tax. We further applied a performance materiality level of 65% of specific materiality being £0.9m to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Component materiality

We set materiality for each component of the Group based on a percentage of between 1% and 95% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £0.3m to £39.4m. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £1m. A specific reporting threshold was set for items impacting revenue return, being £35k. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	» The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and » The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate
Other Code provisions	» Directors' statement on fair, balanced and understandable; » Board's confirmation that it has carried out a robust assessment of the emerging and principal risks; » The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and » The section describing the work of the audit committee.

Independent auditor's report (continued)

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: » the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and » the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of Directors

As explained more fully in the Statement of directors' responsibilities in respect of the annual report and the financial statements, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the 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 the Directors 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 for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We gained an understanding of the legal and regulatory framework applicable to the Group and industry in which the Group operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the SORP and UK adopted IFRS. We also considered the Company's qualification as an Investment Trust under UK tax legislation.

We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the fraud risk areas to be management override of controls, valuation and ownership of investments, revenue recognition and the valuation of the defined benefit pension scheme.

Our tests included, but were not limited to:

» agreement of the financial statement disclosures to underlying supporting documentation;

» obtaining an understanding of the control environment in monitoring compliance with laws and regulations;

» enquiries of management and those charged with governance of any known, reported or indications of fraud or non-compliance with laws and regulations occurring within the Group and its operations;

- testing the appropriateness of a sample of the journal entries in the general ledger by agreeing to supporting documentation and adjustments made in the preparation of the financial statements, reviewing and assessing the accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that are outside the normal course of the business for the Group and those that appear to be unusual;
- challenging management on judgemental areas in relation to the recognition of defined benefit pension scheme assets;
- review of minutes of board meetings throughout the period for any indications of possible fraud; and
- the procedures set out in the Key Audit Matters section above.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditors responsibilities. This description forms part of our auditor's report.

Use of our report

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

Peter Smith
(Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

25 May 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Group statement of comprehensive income

for the year ended 31 March 2022

	Note	2022 Revenue £m	2022 Capital £m	2022 Total £m	2021 Revenue £m	2021 Capital £m	2021 Total £m
Revenue							
Investment income	1	51.0	4.8	55.8	44.6	–	44.6
Other income	1	0.6	–	0.6	0.1	0.8	0.9
Net gains on fair value investments	8	–	567.1	567.1	–	437.0	437.0
Net gains on fair value property	9,10	–	3.6	3.6	–	3.2	3.2
Total revenue		51.6	575.5	627.1	44.7	441.0	485.7
Management expenses	2	(21.0)	(11.8)	(32.8)	(18.9)	(7.6)	(26.5)
Profit before finance costs		30.6	563.7	594.3	25.8	433.4	459.2
Treasury interest receivable	3	0.1	–	0.1	0.1	–	0.1
Finance costs	4	(2.3)	–	(2.3)	(2.7)	–	(2.7)
Exchange movements		(0.1)	–	(0.1)	(0.8)	–	(0.8)
Profit before tax		28.3	563.7	592.0	22.4	433.4	455.8
Taxation	5	11.0	8.2	19.2	7.4	2.8	10.2
Profit for the year		39.3	571.9	611.2	29.8	436.2	466.0
Other comprehensive income items never to be reclassified to profit or loss							
Re-measurements of defined benefit pension schemes	25	–	(1.4)	(1.4)	–	2.3	2.3
Tax on other comprehensive income	5	–	1.5	1.5	–	(0.7)	(0.7)
Total comprehensive income		39.3	572.0	611.3	29.8	437.8	467.6
Basic earnings per share	7	72.1p	1049.3p	1121.4p	54.3p	795.0p	849.3p
Diluted earnings per share	7	70.8p	1030.7p	1101.5p	53.6p	784.2p	837.8p

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

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

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

The accounting policies and notes on pages 108 to 131 are an integral part of these financial statements.

Statement of financial position
at 31 March 2022

	Note	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Non-current assets					
Investments held at fair value through profit or loss	8	2,385.4	2,194.0	2,394.6	2,198.9
Investments in subsidiaries held at cost	8	–	–	0.9	0.9
Investment property	9	16.0	13.3	–	–
Property, plant and equipment	10	29.2	29.0	–	–
Deferred tax assets	11	24.2	8.4	18.1	6.1
Other receivables	12	–	–	37.3	35.7
Employee benefits	25	2.3	4.0	–	–
Non-current assets		2,457.1	2,248.7	2,450.9	2,241.6
Current assets					
Trade and other receivables	12	7.5	3.4	3.8	2.0
Current tax assets	5	8.9	7.3	9.8	7.3
Cash and cash equivalents	13	341.1	14.2	341.0	14.5
Current assets		357.5	24.9	354.6	23.8
Total assets		2,814.6	2,273.6	2,805.5	2,265.4
Current liabilities					
Trade and other payables	14	(22.4)	(26.4)	(35.6)	(34.9)
Employee benefits	25	(3.6)	(2.6)	–	–
Current tax liabilities		(0.1)	–	(0.1)	–
Current liabilities		(26.1)	(29.0)	(35.7)	(34.9)
Non-current liabilities					
Interest bearing loans and borrowings	15	–	(15.0)	–	(15.0)
Employee benefits	25	(4.7)	(2.9)	–	–
Deferred tax liabilities	11	(1.1)	(1.4)	–	–
Non-current liabilities		(5.8)	(19.3)	–	(15.0)
Total liabilities		(31.9)	(48.3)	(35.7)	(49.9)
Net assets		2,782.7	2,225.3	2,769.8	2,215.5
Equity					
Share capital	16	3.1	3.2	3.1	3.2
Share premium		1.3	1.3	1.3	1.3
Capital redemption reserve		1.4	1.3	1.4	1.3
Capital reserve		2,527.0	1,979.1	2,526.0	1,979.8
Retained earnings		263.2	254.3	251.3	243.8
Own shares		(13.3)	(13.9)	(13.3)	(13.9)
Total equity		2,782.7	2,225.3	2,769.8	2,215.5
Undiluted net asset value	17	5133p	4055p		
Diluted net asset value	17	5041p	4000p		

The Company profit for the year ended 31 March 2022 was £608.2m (2021: £464.5m)

The financial statements on pages 104 to 131 were approved by the board and authorised for issue on 25 May 2022 and were signed on its behalf by:

Will Wyatt
Chief Executive

Tim Livett
Chief Financial Officer

The accounting policies and notes on pages 108 to 131 are an integral part of these financial statements.

Statement of changes in equity

for the year ended 31 March 2022

	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 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
Total comprehensive income							
Profit for the year	–	–	–	571.9	39.3	–	611.2
Other comprehensive income	–	–	–	0.1	–	–	0.1
Total comprehensive income	–	–	–	572.0	39.3	–	611.3
Transactions with owners of the company							
Contributions by and distributions to owners							
Share-based payments	–	–	–	–	8.2	–	8.2
Transfer of shares to employees	–	–	–	–	(4.0)	4.0	–
Own shares purchased and cancelled	(0.1)	–	0.1	(24.1)	–	–	(24.1)
Own shares purchased	–	–	–	–	–	(3.4)	(3.4)
Dividends paid	–	–	–	–	(34.6)	–	(34.6)
Total transactions with owners	(0.1)	–	0.1	(24.1)	(30.4)	0.6	(53.9)
Balance at 31 March 2022	3.1	1.3	1.4	2,527.0	263.2	(13.3)	2,782.7
Company							
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
Profit and total comprehensive income	–	–	–	570.3	37.9	–	608.2
Transactions with owners of the company							
Contributions by and distributions to owners							
Share-based payments	–	–	–	–	8.2	–	8.2
Transfer of shares to employees	–	–	–	–	(4.0)	4.0	–
Own shares purchased and cancelled	(0.1)	–	0.1	(24.1)	–	–	(24.1)
Own shares purchased	–	–	–	–	–	(3.4)	(3.4)
Dividends paid	–	–	–	–	(34.6)	–	(34.6)
Total transactions with owners	(0.1)	–	0.1	(24.1)	(30.4)	0.6	(53.9)
Balance at 31 March 2022	3.1	1.3	1.4	2,526.0	251.3	(13.3)	2,769.8

The accounting policies and notes on pages 108 to 131 are an integral part of these financial statements.

Statement of cash flows
for the year ended 31 March 2022

	Note	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Operating activities					
Dividends received		52.9	42.3	52.9	42.3
Interest received		1.7	2.3	1.7	2.3
Cash received from customers		0.5	0.1	–	–
Cash paid to suppliers and employees		(20.4)	(17.8)	(21.0)	(14.4)
Taxes received		0.1	0.1	0.1	0.1
Taxes paid		(0.1)	(0.1)	(0.1)	(0.1)
Group tax relief received		1.4	0.9	1.4	0.7
Group tax relief paid		–	–	–	(0.2)
Net cash flow from operating activities		36.1	27.8	35.0	30.7
Investing activities					
Purchases of investments		(226.9)	(240.2)	(226.9)	(240.2)
Proceeds from disposal of investments		602.2	142.7	602.2	142.2
Purchases of property, plant and equipment		(0.4)	(3.5)	–	–
Net cash flow from/(used in) investing activities		374.9	(101.0)	375.3	(98.0)
Financing activities					
Interest paid		(2.6)	(3.1)	(2.3)	(2.9)
Dividends paid to owners of the company		(34.6)	(33.7)	(34.6)	(33.7)
Proceeds from bank borrowings		–	65.0	–	65.0
Repayment of bank borrowings		(15.0)	(50.0)	(15.0)	(50.0)
Loan payments to subsidiaries		(4.4)	(4.1)	(4.4)	(7.8)
Purchases of own shares		(27.5)	(1.4)	(27.5)	(1.4)
Net cash flow used in financing activities		(84.1)	(27.3)	(83.8)	(30.8)
Net increase/(decrease) in cash and cash equivalents		326.9	(100.5)	326.5	(98.1)
Cash and cash equivalents at year start		14.2	114.7	14.5	112.6
Cash and cash equivalents at year end	13	341.1	14.2	341.0	14.5

The accounting policies and notes on pages 108 to 131 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 25 May 2022.

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:

Fair values of private equity financial instruments

For directly owned private investments (Private Capital investments), totalling £781.7m (2021 - £826.8m) 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 23.

For private equity fund investments (unlisted Funds Pool investments), totalling £788.1m (2021: £627.5m) 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.

This delay in manager NAV receipts creates a risk of changes or events occurring between the NAV and reporting dates which could impact valuations. The increased level of volatility in public equity markets during the first calendar quarter of 2022, principally reflecting concerns about increasing rates of inflation, rising interest rates and the conflict in Ukraine, led to a review of this pricing risk. Our review determined the public market movements between 31 December 2021 and 31 March 2022 for relevant indices were in line with historic precedent, the impact of inflation was not deemed material for underlying holdings within the funds pool, and there was no material exposure to the conflict in Ukraine. We also reviewed the underlying valuation methodologies adopted by our fund managers and were satisfied that the techniques utilised were appropriate.

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 judgment 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

As at 31 March 2022 the group holds £1,171m of liquid assets and has access to £250m of undrawn committed banking facilities, £112.5m of which expires in July 2022 (renewal discussions for a further three-year term are well advanced) and £137.5m of which expires in May 2025. The Directors therefore believe the group will be able to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements.

The group has conducted a going concern assessment which considered future cash flows, the availability of liquid assets and debt facilities, banking covenant requirements (see note 15) and consideration of the risks arising from the Covid-19 pandemic, war in Ukraine and the inflationary environment over at least 12 months from the date of approval of these financial statements. In making this assessment a number of stress scenarios were developed, factoring in (a) adverse foreign exchange movements, (b) reduction in investment income, (c) reduction in distributions received from private equity funds and drawdown of all existing private equity fund commitments, (d) a delay and reduction in disposals of directly owned private equity investments, and (e) the cumulative impact of the above.

Under these scenarios the group would have a range of mitigating actions available to it, including sales of liquid assets, and usage of banking facilities, which would provide sufficient funds to meet all of its liabilities as they fall due and still hold significant liquid assets over the assessment period. As a result of this assessment the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis. For further details on assessment of going concern and viability please refer to page 46.

Basis of accounting

These Group and parent company financial statements were prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. 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 October 2019 is consistent with the requirements of UK adopted international accounting standards, 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 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. Amendments to IFRS adopted in the year have not had a material impact on the group.

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.

Having considered the following, the board has concluded that the company meets the definition of an investment entity.

An investment entity is one which:

» obtains funds from investors for the purpose of providing them with investment management services

» invests funds solely for returns from capital appreciation and/or investment income, and

» measures and evaluates the performance of substantially all of its investments on a fair value basis.

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.

The following subsidiaries are deemed service entities and are consolidated in the group financial statements:

» Caledonia Group Services Ltd

» Caledonia Treasury Ltd

» Buckingham Gate Ltd

Other associated entities and subsidiaries are disclosed in notes 27 and 28 to the financial statements and are not consolidated in the group financial statements, being held at fair value through profit or loss.

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.

Significant accounting policies (continued)

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

Expenses

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

Leases

Lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis.

Benefits provided as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Lessee

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 40 to 41.

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.

Service subsidiaries are either designated as held at fair value through profit or loss or held at amortised cost in the company financial statements.

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.

Significant accounting policies (continued)

The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation. Any gain or loss arising from a change in fair value is recognised in profit or loss. Rental income is recognised on a straight-line basis over the lease term.

Property, plant and equipment

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

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

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

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

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

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

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

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

Impairment of assets

At each reporting date, the group reviews the carrying amounts of its tangible 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.

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.

Payables

Payables, are stated based on the amounts which are considered to be payable in respect of goods or services received up to the balance sheet date. Financial liabilities are recognised at amortised cost in accordance with IFRS 9.

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

	2022 £m	2021 £m
Income statement revenue column		
Income from pool investments		
Dividends from UK listed companies	11.2	10.8
Dividends from overseas listed companies	7.2	6.3
Dividends from unlisted companies	25.4	20.8
Distributions from limited partnerships	5.6	0.7
Interest on loan facilities	1.6	2.0
	51.0	40.6
Income from non-pool investments		
Dividends from unlisted companies	–	4.0
	51.0	44.6
Income statement capital column		
Dividends from UK listed companies	4.8	–
	55.8	44.6

Other income

	2022 £m	2021 £m
Income statement revenue column		
Property income	0.6	0.1
Income statement capital column		
US limited partnerships tax refunds	–	0.8
	0.6	0.9

2. Expenses

Management expenses

	2022 £m	2021 £m
Income statement revenue column		
Personnel expenses	12.7	11.6
Depreciation	1.2	1.1
Auditor's remuneration	0.3	0.3
Other administrative expenses	7.6	7.2
Directors' fees and disbursements recharged	(0.7)	(1.0)
Management fees and recharges	(0.1)	(0.3)
	21.0	18.9
Income statement capital column		
Personnel expenses	11.4	7.3
Transaction costs	0.4	0.3
	11.8	7.6
	32.8	26.5

Further information

Auditor's remuneration

Fees payable to BDO LLP (2021: KPMG LLP) in respect of services to Caledonia Investments plc were as follows:

	2022 £m	2021 £m
Audit services		
Annual report	0.2	0.3
Other services		
Other assurance	0.1	–
	0.3	0.3

Fees payable to BDO LLP (2021: KPMG LLP) in respect of services to Caledonia Investments plc non-consolidated subsidiaries were as follows:

	2022 £m	2021 £m
Audit services		
Annual report	0.3	0.4
Other services		
Other assurance, due diligence and tax compliance	0.1	–
	0.4	0.4

Personnel expenses

	2022 £m	2021 £m
Income statement revenue column		
Wages and salaries	10.4	9.0
Compulsory social security contributions	1.5	1.6
Contributions to defined contribution plans	0.7	1.0
Defined benefit pension plans expense (note 25)	0.1	–
	12.7	11.6
Income statement capital column		
Share-based payments (note 24)	9.0	6.3
National Insurance on share awards	2.4	1.0
	11.4	7.3
	24.1	18.9

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

	2022 No	2021 No
Average number of employees	60	61

Total directors' remuneration expensed for the year was £3.9m (2021: £3.2m), as follows:

	Group 2022 £m	Group 2021 £m
Short-term employee benefits	2.5	2.5
Gains on exercise of share awards	1.4	0.7
	3.9	3.2

Notes to the financial statements (continued)

3. Treasury interest receivable

	2022 £m	2021 £m
Interest on bank deposits and liquidity funds	0.1	0.1

4. Finance costs

	2022 £m	2021 £m
Interest on bank loans and overdrafts	2.3	2.7

5. Taxation

Recognised in profit for the year

	2022 £m	2021 £m
Current tax income		
Current year	3.0	3.3
Adjustments for prior years	1.6	0.2
	4.6	3.5
Deferred tax income		
Origination and reversal of temporary differences	17.1	17.1
Adjustments for prior years	(2.5)	–
	14.6	6.7
Total tax income	19.2	10.2

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

	2022 £m	2021 £m
Profit before tax	592.0	455.8
Tax expense at the domestic rate of 19%	(112.5)	(86.6)
Non-deductible expenses	(0.5)	0.5
Losses arising in the year not recognised	–	(0.1)
Recognition of losses previously not recognised	14.4	5.4
Non-taxable gains on investments[1]	109.5	83.0
Non-taxable dividend income	8.3	8.0
Other temporary differences	0.9	0.2
Adjustments for prior years	(0.9)	(0.2)
Tax income	19.2	10.2

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

	2022 £m	2021 £m
Deferred tax income/(expense)		
On re-measurements of defined benefit pension schemes	0.5	(0.7)
On share options and awards	1.0	–
	1.5	(0.7)

Current tax assets

Current tax assets of £8.8m in the group and £9.7m in the company represented tax loss relief surrender for settlement (2021: £7.3m in both the group and company).

6. Dividends

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

	2022		2021	
	p/share	£m	p/share	£m
Final dividend for the year ended 31 March 2021 (2020)	45.9	25.1	44.5	24.4
Interim dividend for the year ended 31 March 2022 (2021)	17.5	9.5	17.0	9.3
	63.4	34.6	61.5	33.7

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 2022	47.3	25.6
Proposed special dividend for the year ended 31 March 2022	175.0	94.9
	222.3	120.5

The proposed final and special dividends for the year ended 31 March 2022 were not included as liabilities in these financial statements. These dividends, if approved by shareholders at the annual general meeting to be held on 27 July 2022, will be payable on 4 August 2022 to holders of shares on the register on 1 July 2022. The ex-dividend date will be 30 June 2022. The deadline for elections under the dividend reinvestment plan offered by Link Group will be the close of business on 14 July 2022.

For the purposes of section 1158 of the Corporation Tax Act 2010 and associated regulations, the dividends payable for the year ended 31 March 2022 are the interim and final dividends for that year, amounting to £130.0m (2021: £34.4m).

7. Earnings per share

Basic and diluted earnings per share

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

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

	2022 £m	2021 £m
Revenue	39.3	29.8
Capital	571.9	436.2
Total	611.2	466.0

The weighted average number of shares was as follows:

	2022 000's	2021 000's
Issued shares at the year start	55,374	55,374
Effect of shares cancelled	(404)	–
Effect of shares held by the employee share trust	(468)	(507)
Basic weighted average number of shares in the year	54,502	54,867
Effect of performance shares, share options and deferred bonus awards	987	754
Diluted weighted average number of shares in the year	55,489	55,621

8. Investments

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Investments held at fair value through profit or loss				
Investments listed on a recognised stock exchange	830.1	719.4	830.1	719.4
Unlisted investments	1,555.3	1,474.6	1,564.5	1,479.5
	2,385.4	2,194.0	2,394.6	2,198.9
Investments held at cost				
Service subsidiaries	–	–	0.9	0.9
	2,385.4	2,194.0	2,395.5	2,199.8

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 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
Purchases at cost	72.5	145.1	9.3	226.9
Disposal proceeds	(39.5)	(550.3)	(13.6)	(603.4)
Gains/losses on investments	77.7	489.4	–	567.1
Accrued income	–	0.8	–	0.8
Balance at 31 March 2022	830.1	1,525.3	30.0	2,385.4
Company				
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
Purchases at cost	72.5	145.1	9.3	226.9
Disposal proceeds	(39.5)	(550.3)	(13.6)	(603.4)
Gains/losses on investments	77.7	493.7	–	571.4
Accrued income	–	0.8	–	0.8
Balance at 31 March 2022	830.1	1,535.4	30.0	2,395.5

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 -£20.7m (2021: £14.0m investments) of non-pool provisions.

9. Investment property

	Freehold property £m
Cost	
Balance at 31 March 2020	16.2
Acquisitions	3.2
Balance at 31 March 2021	19.4
Acquisitions	0.3
Balance at 31 March 2022	19.7
Revaluation	
Balance at 31 March 2020	(7.5)
Revaluation in the year	1.4
Balance at 31 March 2021	(6.1)
Revaluation in the year	2.4
Balance at 31 March 2022	(3.7)
Carrying amounts	
At 31 March 2020	8.7
At 31 March 2021	13.3
At 31 March 2022	16.0

At 31 March 2022, the group held one property classified as investment property, comprising that part of its head office building occupied by a third party tenant.

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 was let to a third party tenant during the year, it was valued on the basis of the terms of the lease and current rent payable.

In the prior year, as the property was still 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 was 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 as these rental negotiations were 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	16.0	Residual development value	Cost retention	£0.2m
			Rent per sq ft pa	£38.00–£85.00 (£73.78)
			Rent-free period	0.5 yrs
			Capitalisation rate	4.5%
			Purchaser's costs	6.8%

An increase in the cost retention of 10% would result in a decrease in the asset valuation of £nil and a decrease of 10% would result in an increase in the asset valuation of £nil. 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 £1.0m. Conversely, an increase in the estimated rent by 5% would result in an increase in the asset valuation of £0.8m and a decrease of 5% would result in a decrease in the asset valuation of £0.8m. 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:

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.

10. Property, plant and equipment

Group

	Property £m	Office equipment £m	Total £m
Cost			
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
Acquisitions	–	0.2	0.2
Balance at 31 March 2022	32.4	4.5	36.9
Depreciation			
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)
Depreciation charge	(0.6)	(0.6)	(1.2)
Eliminate depreciation	0.6	–	0.6
Balance at 31 March 2022	–	(2.6)	(2.6)
Revaluation			
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)
Revaluation in the year	1.2	–	1.2
Eliminate depreciation	(0.6)	–	(0.6)
Balance at 31 March 2022	(5.1)	–	(5.1)
Carrying amounts			
At 31 March 2020	25.4	2.6	28.0
At 31 March 2021	26.7	2.3	29.0
At 31 March 2022	27.3	1.9	29.2

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

Property was revalued at 31 March 2022 by an independent valuer. Had the property been carried under the cost model, the carrying amount would have been £25.7m (2021: £26.3m).

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	27.3	Rental yield	Rent per sq ft pa	£38.50–£82.50 (£71.94)
			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 £1.3m. 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	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.

11. Deferred tax

Deferred tax assets and liabilities were attributable to the following:

Group	Assets £m	Liabilities £m	Net £m
2022			
Employee benefits	5.9	(0.8)	5.1
Tax losses	18.1	–	18.1
Other timing differences	0.2	(0.3)	(0.1)
	24.2	(1.1)	23.1
2021			
Employee benefits	2.3	(1.4)	0.9
Tax losses	6.1	–	6.1
	8.4	(1.4)	7.0

Company	Assets £m
2022	
Tax losses	18.1
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
2022				
Employee benefits	0.9	2.7	1.5	5.1
Tax losses	6.1	12.0	–	18.1
Other timing differences	–	(0.1)	–	(0.1)
	7.0	14.6	1.5	23.1
2021				
Employee benefits	1.0	0.6	(0.7)	0.9
Tax losses	–	6.1	–	6.1
	1.0	6.7	(0.7)	7.0

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 25% (2021: 19%).

Group and company

Unrecognised deferred tax assets

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

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Tax losses	3.7	7.9	3.7	7.6

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 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Non-current assets				
Other receivables	–	–	37.3	35.7
Other receivables includes loans to group companies expected to be recovered after 12 months				
Current assets				
Trade receivables	3.6	1.7	3.1	1.3
Non-trade receivables and prepayments	3.9	1.7	0.7	0.7
	7.5	3.4	3.8	2.0

We estimate expected credit losses on the Group and Company receivables to be under £0.1m (2021: less than £0.1m). Our ECL assessment included a review of recoverability of the Trade receivables which comprise quoted investment income and private capital sales balances to confirm amounts were received within one month of the reporting date.

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 £m
2022	3.6	3.5	0.1	–	–
2021	1.7	0.1	0.5	0.9	0.2

13. Net cash and cash equivalents

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Bank balances	10.8	0.5	11.1	1.2
Short-term deposits	330.3	13.7	329.9	13.3
Cash and cash equivalents	341.1	14.2	341.0	14.5

14. Trade and other payables

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Trade payables	0.7	0.1	11.8	4.4
Non-trade payables and accrued expenses	1.4	1.7	13.4	7.1
Other payables	20.3	24.6	10.4	23.4
	22.4	26.4	35.6	34.9

Other payables included short-term borrowing from subsidiaries.

15. Interest-bearing loans and borrowings

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Non-current liabilities				
Unsecured bank loans	–	15.0	–	15.0

As at 31 March 2022 the group had undrawn committed facilities totalling £250m (2021: £235m), comprising £112.5m from ING Group expiring in July 2022 (renewal discussions for a further three-year term are well advanced) 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 assess 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 2022, Caledonia plc had remaining borrowing capacity under the covenants of £521m (2021: £336m), considerably in excess of undrawn facilities. Compliance with covenants is tested monthly.

During the year the group and company utilised £15m (2021: £65m) 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 2020 and 2021	2.8	0.4	1.3	4.5
Shares cancelled	(0.1)	–	–	(0.1)
Balance at 31 March 2022	2.7	0.4	1.3	4.4

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

	Ordinary shares		Deferred ordinary shares	
	2022 000's	2021 000's	2022 000's	2021 000's
Balance at the year start	55,374	55,374	8,000	8,000
Shares purchased and cancelled	(710)	–	–	–
Balance at the year end	54,664	55,374	8,000	8,000

The company had outstanding performance share scheme and deferred bonus awards (note 24).

As at 31 March 2022, the issued share capital of the company comprised 54,663,662 ordinary shares (2021: 55,373,734) and 8,000,000 deferred ordinary shares (2021: 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 in issue at the year end less ordinary shares held by The Caledonia Investments plc Employee Share Trust. The group's diluted net asset value assumes the calling of performance share and deferred bonus awards.

	2022			2021		
	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	2,782.7	54,211	5133	2,225.3	54,882	4055
Share awards	–	987	(92)	–	754	(55)
Diluted	2,782.7	55,198	5041	2,225.3	55,636	4000

1. Number of shares in issue at the year end is stated after the deduction of 452,645 (2021: 491,716) 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.

	2022 p	2021 p
Diluted NAV at year start	4000	3236
Diluted NAV at year end	5041	4000
Dividends payable in the year	63	62
Reinvestment adjustment[2]	12	11
	5116	4073
NAVTR over the year	27.9%	25.9%

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	
	2022 £m	2021 £m	2022 £m	2021 £m
Quoted Equity	100.7	174.0	830.1	716.1
Private Capital	322.0	150.0	781.7	826.8
Funds	230.4	165.9	794.4	637.1
Investment portfolio	653.1	489.9	2,406.2	2,180.0
Other investments[1]	(26.0)	(4.2)	(20.7)	14.0
Total revenue/investments	627.1	485.7	2,385.5	2,194.0
Cash and cash equivalents	0.1	0.1	341.1	14.2
Other items	(35.2)	(30.0)	88.0	65.4
Reportable total	592.0	455.8	2,814.6	2,273.6

1. Other investments included -£20.7m (2021: £14.0m investments) of non-pool provisions.

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
2022				
Revenue	198.2	373.5	55.4	627.1
Non-current assets	45.2	–	–	45.2
2021				
Revenue	102.3	230.1	153.3	485.7
Non-current assets	42.3	–	–	42.3

19. Related parties

Identity of related parties

The group and company had related party relationships with its subsidiaries (note 28) and associates (note 27) and with its key management personnel, being its directors.

Transactions with key management personnel

Certain directors of the company and their immediate relatives had significant influence in The Cayzer Trust Company Ltd, which held 35.3% of the voting shares of the company as at 31 March 2022 (2021: 34.8%).

During the year, the group invoiced and received £0.1m (2021: £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 74.

The key management personnel compensation was as follows:

	Group	
	2022 £m	2021 £m
Short-term employee benefits	2.8	2.5
Equity compensation benefits	2.1	2.0
	4.9	4.5

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:

	2022		2021	
	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	18.4	–	21.9	–
Interest receivable	1.5	–	1.6	–
Capital distributions receivable	4.4	–	–	–
Management fees payable	(33.0)	(13.0)	(26.6)	(6.6)
Taxation received	1.3	–	0.7	–
Taxation paid	–	–	(0.1)	–
Financial position items				
Equity subscribed	1.9	–	98.0	–
Investment loans	(60.0)	77.1	17.9	137.1
Capital contributions	9.2	–	–	–
Loans receivable	–	35.5	3.8	35.5
Loans payable	4.5	(20.3)	4.0	(24.8)

Associates

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

	2022		2021	
	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	4.0	–	0.7	–

1. Transactions with subsidiary.

20. Operating leases

Leases as lessor

The group leases out its investment property under operating leases (note 9). The future minimum lease receipts under non-cancellable leases were as follows:

	2022 £m	2021 £m
Less than one year	0.5	0.1
Between one and five years	2.7	–
	3.2	0.1

During the year ended 31 March 2022, £0.6m (2021: £0.1m) was recognised as income in the statement of comprehensive income in respect of operating leases.

21. 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	
	2022 £m	2021 £m	2022 £m	2021 £m
Investments				
Contracted but not called	331.1	285.9	331.1	290.4
Conditionally contracted	–	75.6	4.5	75.6
	331.1	361.5	335.6	366.0

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 46.

22. 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.

23. 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 ten year periods. Investments are made in a range of instruments, including listed and unlisted equities, debt and investment funds, in a range of sectors and regions.

Price risk

Price risk may affect the value of listed and unlisted investments as a result of changes in market prices (other than arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market. 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	
	2022 £m	2021 £m	2022 £m	2021 £m
Investments held at fair value through profit or loss	2,355.4	2,159.0	2,364.6	2,164.6

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	
	2022 £m	2021 £m	2022 £m	2021 £m
Increase in prices	235.5	215.9	236.5	216.6
Decrease in prices	(235.5)	(215.9)	(236.5)	(216.6)

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	
	2022 £m	2021 £m	2022 £m	2021 £m
Investments in debt instruments	–	4.3	–	4.3
Cash and cash equivalents	0.6	0.6	0.6	0.6
	0.6	4.9	0.6	4.9

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	
	2022 £m	2021 £m	2022 £m	2021 £m
Sterling depreciates (weakens)	0.9	0.4	0.9	0.4
Sterling appreciates (strengthens)	(0.8)	(0.4)	(0.8)	(0.4)

The exposure to foreign currency has increased in the year due to an increase in foreign denominated cash and cash equivalents more than offsetting the reduction in foreign denominated debt investments.

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. In the prior year, 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 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Fixed rate				
Interest-bearing loans to non-consolidated subsidiaries	–	4.4	–	4.4
Floating rate				
Investments in debt instruments	30.0	30.0	30.0	30.0
Cash and cash equivalents	341.1	14.2	341.0	14.5

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 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Decrease in interest rates	(1.5)	–	(1.5)	–
Increase in interest rates	1.5	–	1.5	–

The group's sensitivity to interest rates has increased over the year due to an increase in 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 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Investments in debt instruments	30.0	34.4	30.0	34.4
Operating and other receivables	7.5	3.4	41.1	37.7
Cash and cash equivalents	341.1	14.2	341.0	14.5
	378.6	52.0	412.1	86.6

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 2022 £m	Group 2021 £m
AAAm[1]	330.3	13.7
A+ A-[1]	10.8	0.5
	341.1	14.2

1. The group holds £330.3m (2021: £13.7m) in Low Volatility Net Asset Value money market funds which all hold a AAAm rating from Standard & Poors and £10.8m (2021: £0.5m) 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 £30.0m (2021: £34.4m). 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 instrument 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 £330.3m and £329.9m respectively (2021: group £13.7m and company £13.3m).

At the year end, the group and company had £50m invested in the Aberdeen Liquidity Fund (Lux) GBP, £48m invested in LGIM Liquidity Fund GBP, £40m in each of the Institutional Sterling Liquidity fund from Blackrock, the Sterling Liquidity fund from Aviva Investors, the ILF GBP liquidity fund from Insight, the JP Morgan GBP liquidity fund and £36.9m invested in Sterling liquid reserves fund from Goldman Sachs. In addition the company and group had £35m and £35.4m invested respectively in the HSBC Global Liquidity Funds plc Sterling Liquidity Fund.

At the prior 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.

All transactions in listed securities are settled on contract terms using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet their obligations. Listed security trades are settled through HSBC Global Custody.

Fair value

Most of the financial instruments are carried at fair value in the Statement of financial position. Usually, the fair value of the financial instruments can be reliably determined within a reasonable range of estimates. For certain other financial instruments, specifically operating and other receivables and payables, the carrying amounts approximate fair value due to the immediate or short term nature of these financial instruments.

Liquidity risk

Liquidity risk arises as a result of the possibility that the group and company may not be able to meet its obligations as they fall due.

The corporate treasury function provides services to the company and group, coordinating access to domestic financial markets for both borrowing and depositing. Group companies access local financial markets when this is more favourable, in liaison with the corporate treasury function. Executive management monitors the group's liquidity on a weekly basis, including the level of undrawn committed bank facilities.

Bank facilities were undrawn at 31 March 2022 (2021: drawn by £15m).

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 (2021: £250m).

The group's total capital at 31 March 2022 was £2,782.7m (2021: £2,240.3m) and comprised equity share capital and reserves of £2,782.7m (2021: £2,225.3m) and no borrowings (2021: £15m). The group was ungeared at the year end (2021: drawn borrowings of £15m) and had £250m (2021: £235m) 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	
	2022 £m	2021 £m	2022 £m	2021 £m
Investments held at fair value				
Level 1	830.1	719.4	830.1	719.4
Level 2	6.2	6.3	6.2	6.3
Level 3	1,549.1	1,468.3	1,558.3	1,473.2
	2,385.4	2,194.0	2,394.6	2,198.9

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	
	2022 £m	2021 £m	2022 £m	2021 £m
Balance at the year start	1,468.3	1,077.8	1,473.2	1,079.2
Purchases[1]	154.4	208.4	154.4	208.4
Disposal proceeds	(561.2)	(84.3)	(561.2)	(84.3)
Gains and losses on investments sold in the year	247.6	(65.5)	247.6	(31.0)
Gains and losses on investments held at the year end[1]	239.2	339.5	243.5	308.5
Accrued income	0.8	(7.6)	0.8	(7.6)
Balance at the year end	1,549.1	1,468.3	1,558.3	1,473.2

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 2022 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. 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.

At 31 March 2022

Description / valuation method	Fair value £m	Unobservable input	Weighted average input	Input sensitivity +/-	Change in valuation +/- £m
Internally developed					
Private companies					
Large, earnings	313.8	EBITDA multiple	13.5x	10.0%	28.2
Medium, earnings	117.8	EBITDA multiple	8.5x	10.0-15.0%	10.4
Small, earnings	23.3	EBITDA multiple	4.6x	15.0%	1.6
Large, Leisure, tangible assets	135.7	Tangible assets multiple	1.14x	10.0%	15.4
Net assets / manager valuation	191.1	Multiple	1	0.1x	19.1
	781.7				74.7
Non-pool companies	(20.7)				
Total internal	761.0				
Externally developed					
Private equity fund					
Net asset value	788.1	Manager NAV	1	5%	39.4
	1,549.1				114.4

The table below sets out information about significant unobservable inputs used at the prior year end, 31 March 2021 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

At 31 March 2021

Description / valuation method	Fair value £m	Unobservable input	Weighted average input	Input sensitivity +/-	Change in valuation +/- £m
Internally developed					
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)

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 (2021: 4x to 14x), weighted average 12.6x (2021: 12.7x). 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.

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.

At 31 March 2022, the investments were classified as follows:

Investment	Category	EV Range £m	Valuation technique	Valuation £m
Seven Investment	Large, internally developed	>150m	Earnings	173.7
Cobehold	Utilise external valuation	N/A	Net assets	159.2
Stonehage Fleming	Large, internally developed	>150m	Earnings	140.1
Liberation Group	Large, internally developed, Leisure	>150m	Tangible fixed assets	135.7
Cooke Optics	Medium, internally developed	50-100m	Earnings	117.8
Bioagilytix	Utilise external valuation	N/A	Cost	31.9
Other investments	Smaller	<50m		23.3
				781.7

At 31 March 2021, the investments were classified as follows:

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	Earnings	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 2022.

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

Large, internally developed
Seven Investment Management 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 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.

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.

Management 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 (the manager) which reflects the net asset value of the group as at 31 December 2021, Cobehold's year end.

Other investments
Other investments comprise businesses with an enterprise value of less than £50m whose valuations are derived internally on an earnings multiple basis.

Non-pool companies
Non-pool companies comprise principally cash or group company receivables or payables 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. The below table analyses the fund valuations with reference to manager NAV dates used at 31 March 2022.

Manager NAV date	£m
30 September 2021	70.7
31 December 2021	567.5
31 March 2022	156.2
	794.4

This delay in manager NAV receipts creates a risk of changes or events occurring between the NAV and reporting dates which could impact valuations. The increased level of volatility in public equity markets during the first calendar quarter of 2022, principally reflecting concerns about increasing rates of inflation, rising interest rates and the conflict in Ukraine, led to a review of this pricing risk. Our review determined the public market movements between 31 December 2021 and 31 March 2022 for relevant indices were in line with historic precedent, the impact of inflation was not deemed material for underlying holdings within the funds pool, and there was no material exposure to the conflict in Ukraine. We also reviewed the underlying valuation methodologies adopted by our fund managers and were satisfied that the techniques utilised were appropriate.

24. 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 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			
27.11.14	Award grant to senior staff	Note 1	2,075
26.06.15	Award grant to senior staff	Note 3	1,418
26.05.16	Award grant to senior staff	Note 3	9,694
21.07.17	Award grant to senior staff	Note 3	127,901
30.05.18	Award grant to senior staff	Note 3	145,533
31.05.19	Award grant to senior staff	Note 3	211,873
04.08.20	Award grant to senior staff	Note 3	257,708
04.06.21	Award grant to senior staff	Note 3	193,716
			949,918
Deferred bonus awards to senior staff			
31.05.19	Compulsory award	Note 2	31,927
04.08.20	Compulsory award	Note 2	5,229
04.06.21	Compulsory award	Note 2	44,662
			81,818

1. 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.
2. Three years of service.
3. Three/five years of service with vesting on a graduated basis from 10% to 100% for annualised NAV total return of 3% to 10% and (for investment executives) annualised pool total returns in a range of 4% to 15%, in each case measured over three years for one-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.

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

	2022 p	2021 p
Weighted average share price	3346	2620

Employee expenses were as follows:

Years ended 31 March	2022 £m	2021 £m
Performance share awards granted in 2016	–	0.1
Performance share awards granted in 2017	–	0.7
Performance share awards granted in 2018	1.6	0.8
Performance share awards granted in 2019	1.5	1.5
Performance share awards granted in 2020	2.4	1.3
Performance share awards granted in 2021	1.6	1.3
Performance share awards granted in 2022	1.1	–
Deferred bonus awards for 2017	–	0.2
Deferred bonus awards for 2019	0.4	0.4
Deferred bonus awards for 2021	0.4	–
	9.0	6.3

25. Employee benefits

Group

	2022 £m	2021 £m
Non-current assets		
Defined benefit pension asset	2.3	4.0
Current liabilities		
Profit sharing bonus	(3.6)	(2.6)
Non-current liabilities		
Defined benefit pension obligations	–	(0.3)
National Insurance on performance shares and deferred bonus awards	(3.3)	(1.5)
Dividends payable on performance shares and deferred bonus awards	(1.4)	(1.1)
	(4.7)	(2.9)
Total employee liabilities	(8.3)	(5.5)

Defined benefit pension obligations

The group operates three plans in the UK that provide pension benefits for employees and makes contributions to three (2021: two) of the plans. 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. Three (2021: two) of the schemes were in surplus on an IAS 19 basis. One scheme surplus was recognised in full as the company considers there is an unconditional right to a refund under IFRIC 14, one scheme surplus was capped at the economic benefit of reduced future contributions and one scheme surplus was unrecognised. 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.

	2022 £m	2021 £m
Present value of funded obligations	(68.4)	(72.4)
Fair value of plan assets	78.9	76.1
Present value of net assets	10.5	3.7
Change in irrecoverable surplus	(8.2)	–
	2.3	3.7

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

	2022 £m	2021 £m
Balance at the year start	72.4	67.9
Service cost	0.1	0.1
Interest cost	1.4	1.5
Actuarial loss/(gain) from changes:		
- in demographic assumptions	0.7	–
- in financial assumptions	(3.3)	6.6
- experience loss/(gain)	0.1	(0.6)
Actual benefit payments	(3.0)	(3.1)
Balance at the year end	68.4	72.4

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

	2022 £m	2021 £m
Balance at the year start	76.1	69.2
Interest income	1.4	1.6
Return on plan assets less interest income	4.3	8.3
Employer contributions	0.1	0.1
Actual benefit payments	(3.0)	(3.1)
Balance at the year end	78.9	76.1

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

	2022 £m	2021 £m
Service cost	0.1	0.1
Interest on obligations	1.4	1.5
Interest on plan assets	(1.4)	(1.6)
	0.1	–

Amounts recognised in other comprehensive income were as follows:

	2022 £m	2021 £m
Actuarial gains/(losses) arising from financial assumptions	3.3	(6.6)
Actuarial losses arising from demographic assumptions	(0.7)	–
Actuarial (losses)/gains from experience adjustments	(0.1)	0.6
Return on plan assets less interest income	4.3	8.3
Increase in irrecoverable surplus	(8.2)	–
Re-measurement (losses)/gains in the year	(1.4)	2.3

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

	2022 £m	2021 £m
Equities	38.3	40.0
Bonds	25.5	25.3
Cash	15.1	10.8
	78.9	76.1

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:

	2022 %	2021 %
Discount rate at the year end	2.6	1.9
Future salary increases	4.9	4.4
Future pension increases	3.9	3.4
RPI price inflation	3.9	3.4

Mortality rates are assumed to follow the Self-Administered Pension Schemes 'Series 3' very light/light tables (for males/females respectively) applicable to each member's year of birth, with future improvements in longevity in line with CMI 2020 core projections model from 2013. 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 27.7 years (2021: 27.0 years) for males and 28.6 years (2021: 27.5 years) for females who are currently 62 years of age.

Expected contributions to group post-employment benefit plans for the year ending 31 March 2023 were £0.1m (2022: £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 2021 and 2020. A summary of the recent funding obligations and weighted average duration of the defined benefit obligations was as follows:

	Obligations at 31 Mar 2021 £m	Weighted average duration at 31 Mar 2022 years
Amber Industrial Holdings Pension Scheme	13.0	14
Caledonia Pension Scheme	31.7	15

	At 30 Sep 2019 £m	At 31 Mar 2022 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.

	2022 £m	2021 £m
Reduction in the discount rate of 0.25%	2.3	2.7
Increase in inflation of 0.25%	1.6	1.8
Increase in life expectancy of one year	3.5	3.8

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.

26. Post balance sheet events

There were no post balance sheet events.

27. 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	36.1	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:

	2022 £m	2021 £m
Assets	251.3	226.0
Liabilities	(139.5)	(124.0)
Equity	111.8	102.0
Revenues	261.0	333.7
Profit	13.1	3.5

28. Subsidiaries

Company	Class	Holding %	Key to Registered office	Company	Class	Holding %	Key to Registered office
Caledonia Investments							
Amber 2010 Ltd	Ordinary	100.0[1]	7	Caledonia US Investments Ltd	Ordinary	100.0[1]	7
Buckingham Gate Ltd[2]	Ordinary	100.0[1]	7	Caledonia Venus Holdings Ltd (in liquidation)	A Ordinary	100.0[1]	9
Caledonia CCIL Distribution Ltd	Ordinary	100.0[1]	7	Crewkerne Investments Ltd	A Ordinary B Ordinary	50.5 100.0	7
Caledonia Financial Ltd	Ordinary	100.0[1]	7	Easybox Self-Storage Ltd	Ordinary	100.0[1]	7
Caledonia Group Services Ltd[2]	Ordinary	100.0[1]	7	Edinmore Investments Ltd	Ordinary	100.0[1]	7
Caledonia Ireland ICAV (in liquidation)	Ordinary	100.0[1]	8	Sterling Crewkerne Ltd	Ordinary	100.0[1]	7
Caledonia Land & Property Ltd	Ordinary	100.0[1]	7	Sterling Industries Ltd	Ordinary	100.0[1]	7
Caledonia Treasury Ltd[2]	Ordinary	100.0[1]	7	The Union-Castle Mail Steamship Co Ltd	Ordinary A Ordinary	100.0[1] 100.0[1]	7
Bloom Engineering							
Bloom Combustion (India) Private Ltd[3]	Ordinary	100.0	10	Bloom Engineering (Europa) GmbH[3]	Ordinary	100.0	13
Bloom Combustion Products (Shanghai) Co Ltd[3]	Ordinary	100.0	11	Bloom Engineering Co Inc[3]	Common	100.0	14
Bloom Engineering (China) LLC[3]	Member	100.0	12	Bloom Engineering Holdings Inc.	Common	97.4[1]	15
Cooke Optics							
Chaplin Bidco Ltd[4]	Ordinary	100.0	16	Cooke Optics Group Ltd[4]	Ordinary	100.0	16
Chaplin Midco Ltd[4]	Ordinary	100.0	16	Cooke Optics Holdings Ltd[4]	Ordinary	100.0	16
Chaplin Topco Ltd	A Ordinary B Ordinary C Ordinary	100.0[1] 75.3[1] 98.6[1]	16	Cooke Optics Ltd[4]	Ordinary	100.0	16
Cooke Americas Ltd[4]	Ordinary	100.0	17	Cooke Optics TV Ltd[4]	Ordinary	100.0	16
Cooke (Shanghai) Optics Technology Co Ltd[4]	Ordinary A	100.0	18				
Liberation Group							
A.E. Smith & Son Ltd[5]	Ordinary	100.0	19	La Rocque Inn (Jersey) Ltd[5]	Ordinary	100.0	19
A.S.B.M. Ltd[5]	Ordinary	100.0	19	Lapwing (Trading) Ltd[5]	Ordinary	100.0	19
A.S.B.O. Ltd[5]	Ordinary	100.0	19	Le Hocq Hotel Ltd[5]	Ordinary	100.0	19
A.S.B.T. Ltd[5]	Ordinary	100.0	19	Les Garcons Ltd[5]	Ordinary	100.0	20
Aurora Hotel Ltd[5]	Ordinary	100.0	19	Longueville Distributors Ltd[5]	Ordinary	100.0	19
Bath Street Wine Cellar Ltd[5]	Ordinary	100.0	19	M Still Catering Ltd[5]	Ordinary	100.0	21
Brasserie du Centre Ltd[5]	Ordinary	100.0	19	Marais Hall Ltd[5]	Ordinary	100.0	22
Bucktrout & Company Ltd[5]	Deferred Ordinary Preference	100.0	20	Mary Ann Products (Jersey) Ltd[5]	Ordinary	100.0	19
Butcombe Brewery Ltd[5]	Ordinary	100.0	21	Mitre Hotel (Jersey) Ltd[5]	Ordinary	100.0	19
Butcombe Brewing Company Ltd[5]	Ordinary	100.0	21	Nightbridge Ltd[5]	Ordinary	100.0	19
Caesarea Hotel (Jersey) Ltd[5]	Ordinary	100.0	19	Old Court House Hotel (St Aubin) 1972 Ltd[5]	Ordinary	100.0	19
Café de Paris (Jersey) Ltd[5]	Ordinary	100.0	19	Parade Hotel (Jersey) Ltd[5]	Ordinary	100.0	19
Caledonia TLG Bidco Ltd[5]	Ordinary	100.0	21	Peirson (1971) Ltd[5]	Ordinary	100.0	19
Caledonia TLG Ltd	Ordinary A Ordinary B Ordinary C Preference	100.0[1] 31.6[1] 75.4[1] 100.0[1]	19	Puffin NewCo Ltd[5]	Ordinary	100.0	19
Caledonia TLG Midco Ltd[5]	Ordinary	100.0	19	Red Lion Ltd[5]	Ordinary	100.0	19
Captains Holdings Ltd[5]	Ordinary	100.0	20	Robin Hood (Jersey) Ltd[5]	Ordinary	100.0	19
Channel Wines & Spirits (Jersey) Ltd[5]	Ordinary	100.0	19	S.L. Ltd[5]	Ordinary	100.0	19
Citann Ltd[5]	Ordinary	100.0	19	Ship Holdings Ltd[5]	Ordinary	100.0	20
Cosy Corner (Jersey) Ltd[5]	Ordinary	100.0	19	Square Ltd[5]	Ordinary	100.0	19
Craig Street Brewing Company Ltd[5]	Ordinary	100.0	19	St John's Hotel Ltd[5]	Ordinary	100.0	19

Company	Class	Holding %	Key to Registered office
Divette Holdings Ltd[5]	Ordinary	100.0	20
Don Inn (Jersey) Ltd[5]	Ordinary	100.0	19
Evenstar Ltd[5]	Ordinary	100.0	19
Exeter Hotel (Jersey) Ltd[5]	Ordinary	100.0	19
Farmers Inn Ltd[5]	Ordinary	100.0	19
Five Oaks Hotel Ltd[5]	Ordinary	100.0	19
Foresters Arms (Jersey) Ltd[5]	Ordinary	100.0	19
Gimbels (Jersey) Ltd[5]	Ordinary	100.0	19
Glo'ster Vaults Ltd[5]	Ordinary	100.0	19
Great Union Hotel (Holdings) Ltd[5]	Ordinary	100.0	19
Great Western Hotel Ltd[5]	Ordinary	100.0	19
Guernsey Leisure Company Ltd[5]	Ordinary	100.0	20
Guppy's Holdings Ltd[5]	Ordinary	100.0	20
Guppy's of Guernsey Ltd[5]	Ordinary	100.0	20
Hautville Ltd[5]	Ordinary	100.0	20
Horse & Hound (Jersey) Ltd[5]	Ordinary	100.0	19
John Tregear Ltd[5]	Ordinary	100.0	19
La Cave des Vins Ltd[5]	Ordinary	100.0	19
La Rocque Enterprises Ltd[5]	Ordinary	100.0	19
Stag Hotel (Jersey) Ltd[5]	Ordinary	100.0	19
Sussex Hotel Ltd[5]	Ordinary	100.0	19
The Guernsey Brewery Co (1920) Ltd[5]	Ordinary Preference	100.0	20
The Independent Brewing Company Ltd[5]	Ordinary	100.0	19
The Liberation Group Ltd[5]	Ordinary	100.0	21
The Liberation Group UK Ltd[5]	Ordinary	100.0	21
The Liberation Pub Company (Guernsey) Ltd[5]	Ordinary	100.0	20
The Liberation Pub Company (Jersey) Ltd[5]	Ordinary	100.0	19
The Post Horn Ltd[5]	Ordinary	100.0	19
The Royal Oak Inn Trading Ltd[5]	Ordinary	100.0	21
Trafalgar Hotel (Jersey) Ltd[5]	Ordinary	100.0	19
Union Inn (Jersey) Ltd[5]	Ordinary	100.0	19
Victor Hugo Ltd[5]	Ordinary	100.0	19
Victoria (Valley) Ltd[5]	Ordinary	100.0	19
Victoria Hotel (Jersey) Ltd[5]	Ordinary	100.0	19
Wellington Hotel Ltd[5]	Ordinary	100.0	19
Wests Cinemas Ltd[5]	Ordinary	100.0	19
White Hart Ltd[5]	Ordinary	100.0	20

Seven Investment Management

Company	Class	Holding %	Key to Registered office
7IM Holdings Ltd[6]	Ordinary Preference	100.0	23
7IM Investment and Retirement Solutions Ltd[6]	Ordinary	100.0	23
7IM Ltd[6]	Ordinary	100.0	23
7IM Trustees Ltd[6]	Ordinary	100.0	23
Caledonia Thames Acquisitions (Jersey) Ltd[6]	Ordinary	100.0	24
Caledonia Thames Group (Jersey) Ltd[6]	Ordinary	100.0	24
Caledonia Thames Holdings (Jersey) Ltd	Ordinary A1 Ordinary Preference	91.7[1] 28.8[1] 100.0[1]	24
Find a Wealth Manager Ltd[6]	Ordinary	100.0	25
Partners Wealth Management LLP[6]	Member	95.0	26
Seven Investment Management LLP[6]	Member	95.0	23

1. Directly held by the company.
2. Included in the consolidation.
3. Subsidiary of Bloom Engineering Holdings Inc.
4. Subsidiary of Chaplin Topco Ltd
5. Subsidiary of Caledonia TLG Ltd
6. Subsidiary of Caledonia Thames Holdings (Jersey) Ltd

Registered office addresses

7. Cayzer House, 30 Buckingham Gate, London SW1E 6NN
8. 13-18 City Quay, Dublin 2, Ireland
9. MAZARS LLP, 1st Floor Two Chamberlain Square, Birmingham, B3 3AX
10. 410 Yusuf Building, Veer Nariman Road, Fort, Mumbai 400001, India
11. 1383 Gu Gao Road, Pudong District, Shanghai 201209, China
12. PHS Corporate Services Inc, 1201 Market Street, Suite 1600, Wilmington, DE 19801, USA
13. Büttgenbachstraße 14, D-40549 Düsseldorf 11, Germany
14. 5460 Horning Road, Pittsburgh, PA 15236, USA
15. 1313N. Market Street, Suite 5100, Wilmington, Delaware 19801, New Castle County, USA
16. 1 Cooke Close, Thurmaston, Leicester LE4 8PT
17. 264 Morris Avenue, Mountain Lakes, NJ 07046, USA
18. Rooms 503/504, No 1 Building, No 908 Xiuwen Road, Minhang District, Shanghai, China
19. 19 Royal Square, St Helier, Jersey JE2 4WA
20. Hougue Jehannet, Vale, Guernsey GY3 5UF
21. Butcombe Brewery, Cox's Green, Wrington, Bristol BS40 5PA
22. Marais Hall, Marais Square, St Anne, Alderney GY9 3TS
23. 55 Bishopsgate, London EC2N 3AS
24. 44 Esplanade, St Helier, Jersey JE4 9WG
25. Alpha House, 100 Borough High Street, London SE1 1LB
26. 20 St Andrew Street, London EC4A 3AG

Company performance record

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

	Profit/ (loss) for the year £m	Diluted earnings per share p	Annual dividend p	Net assets £m	Diluted NAV per share p	Share price p	Rolling ten years annualised: Total shareholder return %	Rolling ten years annualised: FTSE All-Share Total Return %
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
2022	611.3	1101.5	64.8	2,783	5041	3540	11.9	7.2

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 and 2022 exclude the special dividend of 100.0p and 175.0p.

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 2022 £m	31 Mar 2021 £m
Share price (b)	3540p	2645p
NAV (a)	5041p	4000p
Discount ((a-b)/a) (expressed as a percentage)	29.8%	33.9%

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 2022 £m	31 Mar 2021 £m
Retained earnings	281.8	243.8
Distributable capital gains and losses	2,020.4	1,744.9
	2,302.2	1,988.7

Dividend cover

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

	31 Mar 2022 £m	31 Mar 2021 £m
Net revenue (b)	39.3	29.8
Dividend payable (a)	35.1	34.5
Dividend cover ((b)/a) (expressed as a percentage)	112%	86%

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 2022	31 Mar 2021	
Closing NAV per share (p)	5041p	4000p	a
Dividends paid out (p)	63p	62p	b
Effect of re-investing dividends (p)	12p	11p	c
Adjusted NAV per share (p)	5116p	4073p	d=a+b+c
Opening NAV per share (p)	4000p	3236p	e
NAV total return (%)	27.9%	25.9%	=(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 104 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 2022 £m	31 Mar 2021 £m
Management expenses (a)	21.0	18.9
Annualised average net assets (b)	2509.0	1934.6
Ongoing charges (a) / (b) (expressed as a percentage)	0.84%	0.98%

Annualised average net assets - 31 Mar 2022	£m
Apr-21	2227.5
May-21	2266.9
Jun-21	2370.4
Jul-21	2365.7
Aug-21	2458.0
Sep-21	2539.8
Oct-21	2544.6
Nov-21	2678.5
Dec-21	2669.7
Jan-22	2617.3
Feb-22	2586.6
Mar-22	2782.7
Average	2509.0

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

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)
0871 664 0300 or +44 371 644 0300 if calling from overseas

Share dealing service: (open 8.00am to 4.30pm)
0371 664 0445 or +44 371 664 0445 if calling from overseas

Dividend reinvestment plan: (open 9.00am to 5.30pm)
0371 664 0381 or +44 371 664 0381 if calling from overseas

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

Link also provide an online service, Signal Shares, 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/Special dividend ex-dividend date	30 June 2022
Final/Special dividend record date	1 July 2022
Annual General Meeting	27 July 2022
Final/Special dividend payment date	4 August 2022
Half-year results announcement	November 2022
Anticipated interim dividend payment date	January 2023
2023 Annual results announcement	May 2023
2023 Annual report publication	June 2023

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. 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]
Mathew S D Masters (Chief Executive Officer Designate)
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]
M Anne Farlow[1,2,3,4]
Claire L Fitzalan Howard[2,3,4]
Lynn R Fordham[1,2,4]
Shonaid C R Jemmett-Page[1,2,3,4]

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

Secretary

Richard Webster

Registered office

Cayzer House
30 Buckingham Gate
London SW1E 6NN

Registered number

Registered in England no 235481

The Association of Investment Companies

Auditor

BDO LLP
55 Baker Street
London W1U 7EU

Registrar

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

Brokers

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

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

Solicitors

Freshfields Bruckhaus Deringer LLP
100 Bishopsgate
London EC2P 2SR

Page intentionally blank

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.

CarbonNeutral® printing company

This report is printed on paper certified in accordance with the FSC® (Forest Stewardship Council®) and is recyclable and acid-free. Pureprint Ltd is FSC certified and ISO 14001 certified showing that it is committed to all round excellence and improving environmental performance is an important part of this strategy. Pureprint Ltd aims to reduce at source the effect its operations have on the environment and is committed to continual improvement, prevention of pollution and compliance with any legislation or industry standards.

MIX
Paper from responsible sources
FSC® C022913
www.fsc.org

Designed and produced by www.designmotive.co.uk

Caledonia Investments plc
Cayzer House
30 Buckingham Gate
London SW1E 6NN

tel +44 20 7802 8080
email enquiries@caledonia.com
web www.caledonia.com