



Caledonia Investments plc

Final results for the year ended 31 March 2011

Highlights

- 6.4% increase in diluted NAV per share over the year vs 5.4% increase in the FTSE All-Share index
- 5.9% increase in diluted NAV per share over five years (5.3% outperformance vs FTSE All-Share index)
- 171.5% share price total return over ten years (113.5% outperformance vs FTSE All-Share Total Return index)
- Increased exposure to Asia
- £107m invested and £180m realised; net liquidity increased to £101m (2010 - £8m)
- 5.1% increase in annual dividend to 37.1p

	<i>31 Mar 2011</i>	<i>Year change</i>
Net asset value	£1,259m	6.5%
NAV per share	2165p	6.4%
Annual dividend per share	37.1p	5.1%
Share price	1725p	6.2%
<i>Total shareholder returns</i>	<i>5 year</i>	<i>10 year</i>
Share price	-4.4%	171.5%
FTSE All-Share index	20.0%	58.0%
Comparative performance	-24.4%	113.5%

“Our philosophy of taking significant stakes in well run companies continues to deliver long term outperformance. With over £100m of cash available we will be able to take advantage of good investment opportunities, though economic conditions particularly in the US and UK remain fragile.” **Will Wyatt, Chief Executive**

25 May 2011

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Chairman's statement

Results

Against a background of market volatility over the past year, Caledonia's net asset value per share increased by 6.4% compared with the FTSE All-Share increase of 5.4%, an outperformance of 1.0%.

Over the longer term, Caledonia's net asset value per share has significantly outperformed this index both over the last five years and since Caledonia became an investment trust in April 2003.

However, on a total return basis including dividends, our net asset value per share has underperformed over the last five years. This underperformance has been more marked in the case of our share price total return over the last five years, with a significant widening of the share price discount to net asset value, although we have strongly outperformed over ten years.

While we cannot directly control the share price and discount, sustained superior long term net asset value growth and a progressive dividend will be key influencing factors. In providing further details of Caledonia's performance in his report, Will Wyatt gives strong emphasis to those objectives.

Dividend

The board has recommended a 5.3% increase in the final dividend to 26.0p per share, which will be payable on 11 August 2011. The total dividend for the year will therefore amount to 37.1p per share, an increase of 5.1% over the previous year. This represents the 44th successive year of annual dividend increases. It is the board's intention to raise the dividend to a higher base level in due course, when income from the portfolio allows, and to continue its progressive dividend policy.

Investment strategy

The Chief Executive's half-year and full-year reports set out in some detail the recommendations he and his management team have made to the board for building on Caledonia's past success and achieving strong performance in the future. The board has agreed both the overall strategy and the strategy proposed for the component parts of the investment portfolio.

The Caledonia investment philosophy is tried and tested and will continue to be followed. However, within that model the board fully endorses, for instance, the moves towards managing Caledonia's investments as pools of capital with enhanced accountability for relevant members of the investment team and towards the inclusion of a pool to yield higher income as well as growth. In furtherance of these moves, the management team has been strengthened in recent months by the recruitment of two senior executives.

Board

The board has seen a number of changes since the sad death of Peter Buckley in December 2008, when I took over as Chairman. A year later, Stephen King joined the board as Finance Director, in succession to Jonathan Cartwright, and last July Will Wyatt succeeded Tim Ingram as Chief Executive. Charles Gregson joined the board as an additional independent non-executive director in September 2009.

Over the last two and a half years, Caledonia has therefore seen changes in the Chairman, Chief Executive and Finance Director. In view of this, the board sees the need for some continuity and stability, but is also conscious of the length of tenure of certain non-executive directors and thus intends to undertake a process of gradual board refreshment.

In the meantime, David Thompson will take over from Charles Allen-Jones, the Senior Independent Director, as Chairman of the Audit Committee. Charles has served as a non-executive director for over nine years and Mark Davies will soon have done so. However, each of them contributes a wealth of knowledge and experience to the board's deliberations in a manner which, in the board's view, enables them to continue to be regarded as independent, notwithstanding this milestone.

AIFM Directive

I mentioned in my report last year that Caledonia was making concerted efforts to persuade EU policy makers to exclude investment trusts from the scope of the Alternative Investment Fund Managers Directive. The principal purpose of the Directive was to impose greater transparency and accountability on private equity and hedge funds following the financial crisis. However it encompassed investment trusts within its definition of an alternative investment fund, but without any recognition of the differences in their nature and characteristics. The Directive was approved by the European Parliament in November 2010 and, while regrettably the adopted version did not exclude investment trusts, it did incorporate significant amendments to the original text drafted by the European Commission. These should enable self-managed investment trusts to continue in their current form without substantial changes to their governance structures, though there will inevitably be some additional cost.

However, the European Commission is now to draft implementation measures which will then have to be incorporated by Member States into national law, probably in 2013. As always, the devil will be in the detail. We shall therefore continue to monitor closely and, where necessary, try to influence the progress of the Directive through its remaining stages in order to seek the best possible outcome for Caledonia and other self-managed investment trusts.

Staff

I would like to thank the members of our management team for the expertise and diligence they have brought to bear on Caledonia's affairs, and all of our staff for the dedicated and professional way in which they have worked throughout the year.

Outlook

In most of the developed world, low economic growth seems likely to persist for some time to come, including in the UK. The main drivers of the world economy will continue to be elsewhere, notably China and India, though policy moves to control inflation in those countries may well be a limiting factor. Whilst the outlook for Western stock markets is bound to be affected by sluggish domestic growth, it will also be influenced by the major exposure of companies based in developed countries to higher growth economies.

With the strategies described above in place and ably led by the Chief Executive and his strengthened management team, Caledonia will be in a good position to take advantage of the investment opportunities ahead, as well as benefitting from the strengths in its existing portfolio.

James Loudon
Chairman

Chief Executive's report

Performance summary

Caledonia's net asset value ('NAV') per share grew from 2034p to 2165p over the year to 31 March 2011. This represented an increase of 6.4% and a welcome return to outperformance against the FTSE All-Share index, albeit by a modest 1.0%. Our five year record also remains positive, with an outperformance of 5.3%. However, we should not ignore the deterioration in our total return performance in the medium term, both on an NAV per share total return ('NAV TR') and share price total return ('TSR') basis. Our NAV TR has underperformed the FTSE All-Share Total Return index by 5.0% over the past five years and our TSR has underperformed by 24.4% over this same period reflecting, to a large extent, the significant widening of the discount from a small premium in 2006 to its year end level of 20.3%. Over the longer term, on all measures, we have delivered strong outperformance, but in particular our TSR exceeded our benchmark by 113.5% over a ten year period.

Review of strategy

As I mentioned in the half-year report, I took the opportunity on my appointment as Chief Executive to conduct a review of our strategy. My review confirmed that much at Caledonia is fit for purpose, but also that we need to address certain issues and this work is underway. The review concluded that we had too many investments which were too small, we were not using our management resource efficiently and that we could enhance our investment process. I have recommended to the board a series of proposals specifically aimed at improving, over time, our overall returns, including the introduction of a specific allocation to income producing assets. The structure of this year's annual report reflects these strategic initiatives and they are described in more detail below. In summary, they involve the re-orientation of our portfolio into pools of capital, each reflecting an investment theme with clearer management responsibilities and objectives. We have strengthened our management team to introduce specific skills to manage these pools of capital and have refreshed our investment and divestment criteria which will in due course result in a core portfolio of 40 to 50 investments.

Main themes from the review

Caledonia's aims are:

- to provide an increasing store of wealth for shareholders
- to provide an increasing annual income for shareholders.

Caledonia's core investment philosophy is:

- to invest in listed and unlisted companies and funds
- to invest in the UK and overseas
- to back high quality management teams
- to take significant minority positions with board representation if possible
- to take a long term supportive approach
- to invest in a value orientated style
- to maintain a concentrated portfolio.

We will also maintain an income portfolio, as described below.

Caledonia will avoid:

- start up or very early stage companies
- highly leveraged companies
- companies whose business we do not understand.

We will continue to measure ourselves against the FTSE All-Share capital and total return indices.

Key areas that required attention

- The way in which our management resource was deployed, whilst seeking to keep our total expense ratio to about 1%.
- The number of investments in our portfolio (68) was too large and too many were sub-scale so unlikely to make a significant impact. In the future, we will aim to keep the minimum size of new investments above £10m.
- Caledonia's portfolio yield of 1.9% and dividend yield of about 2% were too low compared with the FTSE All-Share at 3%. Our portfolio yield therefore needs to increase.
- Our investment and divestment process needed refining.

To address these issues, we implemented the following changes:

Pools of capital

The investment portfolio has been reorganised into six distinct pools of capital, details of which are described in the investment review section below. These pools, which will form the basis of our reporting from now on, are:

Pool	Investment manager	Current portfolio	Possible allocation in 3-5 years
Quoted	Mat Masters	34%	20-30%
Unquoted	Duncan Johnson	22%	20-30%
Asia	John May	13%	15-20%
Property	Charles Cayzer	8%	5-10%
Funds	Jamie Cayzer-Colvin	16%	10-15%
Income and Growth	Stephen Mitchell	1%	15-20%
Cash/(debt)		6%	10-(10)%

Each pool is headed by an investment executive who has clear objectives and an agreed strategy. However, most of our existing investments continue to be managed by the executive responsible for its origination. The transition to the new pool format will take some time to complete. We will NOT manage the portfolio by strict allocation to each pool, though the board will review on a regular basis the absolute amounts with regard to upper limits. The probable shape of the portfolio in the future is shown above though, of course, events will continue to play a large part in our decisions.

Geography

Caledonia's style of investment, in taking significant minority positions, often allied to a board seat, works effectively in the UK and, to a certain extent, Europe, but is more difficult to execute further afield due to differences in culture, distance and communication. We will however continue to invest directly in India. Caledonia will tend to use indirect means, such as funds or holding companies, to invest in other regions.

Dividend and the income portfolio

Caledonia is one of only a handful of companies in the UK that has increased its dividend every year for more than four decades. Over time, our strong capital growth has meant that our current dividend yield at around 2% is now too low and lags the market significantly. We have decided therefore to invest in a portfolio of large capitalisation global companies that offer a significant yield whilst retaining good medium term growth prospects. We believe that income will be an increasing part of overall return in what is likely, in the medium term, to be a challenging investment environment. Despite the considerable level of distributable reserves on our balance sheet, we would not consider it prudent to pay an uncovered dividend. Whilst it remains the board's intention to raise the dividend to a higher base level and to continue its progressive nature, we will only do so when income from the portfolio allows.

I am confident that these initiatives will form a sound basis for Caledonia to improve its returns in the future.

Investment activity

In the year to 31 March 2011, we invested £106.7m and realised £180.1m. We made five new investments (excluding Income and Growth pool investments), seven follow-on investments and seven full disposals during the year. On the pool basis by which we now categorise and manage our portfolio, Quoted, Unquoted and Funds have been the main drivers of our performance over the past year, with Property producing a disappointing fall in value.

	Value 2010 £m	Invest- ments £m	Disposals £m	Net gains and other £m	Value 2011 £m	Total return %
Quoted	444.2	19.6	(55.3)	18.5	427.0	7.1
Unquoted	264.1	2.6	(26.6)	41.1	281.2	19.6
Asia	125.0	40.5	(8.3)	1.8	159.0	2.4
Property	106.7	8.3	(1.3)	(8.4)	105.3	(6.7)
Funds	244.6	23.6	(88.6)	19.0	198.6	10.2
Income and Growth	-	12.1	-	-	12.1	0.8
	1,184.6	106.7	(180.1)	72.0	1,183.2	8.4
Cash	8.3	(98.6)	181.2	10.3	101.2	
Other	(11.3)	(8.1)	(1.1)	(5.2)	(25.7)	
Net assets	1,181.6	-	-	77.1	1,258.7	6.1

In a concentrated and long term portfolio such as ours, the main drivers of performance are the larger investments. To highlight the concentrated nature of the portfolio, we hold two investments that exceed £100m in value, three between £50m and £100m and 14 that are worth between £20m and £50m, together comprising 75.7% of the portfolio. As might be expected, most of the larger ones have been held for some time, though of the 19 mentioned above, 12 were investments made in the past eight years, including four within the past five years, the investments being sourced and made by the existing management team. On an individual investment basis, the table below highlights the principal contributors (measured by absolute value) to our performance during the year.

Investment	Value at 31 Mar		Income in year £m	Total return £m
	2010 £m	2011 £m		
Close Brothers	152.1	165.9	7.7	21.5
British Empire Securities	121.9	103.3	2.0	15.8
Amber Group	15.4	11.5	8.3	14.1
Cobepa	72.9	85.1	1.5	13.4
Bristow Group	60.7	72.0	-	11.2
A.G.Barr	32.3	42.0	0.8	10.5

There are further details on the portfolio and each of the pools in the investment review section below.

Discount

Our discount has ranged between 13% and 23% during the course of the year. With the Cayzer family concert party owning just over 46% of our issued share capital, we only have limited capacity to undertake share buy-backs. We acknowledge that buy-backs are immediately NAV per share enhancing and will use them when there is exceptional value on offer for shareholders, though we question their longer term effect as a discount control mechanism. We believe that it is performance of the portfolio that attracts new investors to our register. This creates demand for our shares which will reduce the discount and I am confident that the strategic initiatives discussed in detail in this report will help to enhance our performance record.

Outlook

Caledonia retains a strong, ungeared balance sheet with over £100m of cash. We will continue the process of rebalancing the portfolio, exiting the smaller investments and looking in particular for new opportunities for the Unquoted and Asia pools. There is still value to be found in certain equity markets and we would anticipate adding significantly to the Income and Growth pool throughout the year. In the UK, the FTSE 250 looks expensive by historical standards but, should there be a major correction in markets, we might use our facilities to build stakes in a number of UK quoted businesses that we follow closely. We have put significant effort into stimulating deal flow which should lead to a good list of opportunities, though we note the very high prices currently being paid in unquoted markets by those needing to get funds deployed. This has never been our way and we will seek value in sound, well managed companies. We will continue to look for new opportunities in Asia with the aim of increasing further our exposure to this fast growing region.

We are confident that our shareholders will benefit in the long run, despite a difficult economic climate. I would like to thank our staff for their contribution over the past year and welcome to our team the new joiners whose impact is already being felt.

Will Wyatt
Chief Executive

Investment review

After the collapse of markets in 2008 and early 2009, conditions have generally improved over the year. Real global GDP growth in 2010 was driven by high growth in India, China and other significant developing economies, together with recovery in some industrialised countries, including Germany, Japan and the US. This offset the sluggish performance of the UK, France and smaller European countries.

Equity markets ended the year at moderately higher levels than at the start. For example, the FTSE All-Share index started the year at 2910 and ended at 3068. However, there was a considerable amount of volatility during the year and the FTSE All-Share had a high and low of 3158 and 2486 respectively.

Portfolio movements

At the beginning of the year, the value of our investment portfolio was £1,184.6m. This reduced marginally to £1,183.2m (including derivatives) at the year end after substantial net realisations, the proceeds of which were largely held in cash of £101.2m. The components of this movement are shown in the following table:

	£m
Opening investment portfolio	1,184.6
Investments	106.7
Realisations	(180.1)
Gains/losses and other	72.0
Closing investment portfolio	1,183.2

During the year, we began a process of realigning our portfolio across the new pools of capital. This has necessitated a period of higher than usual liquidity as we make the transition. In the process, we have reduced our investments in funds, and sold our holding in Rathbone Brothers. Most of the proceeds from these realisations were retained in cash at the year end, pending redeployment, principally through the Income and Growth pool.

Investments

Total investments during the year were £106.7m (2010 - £116.1m), summarised as follows:

Name	Pool	Cost £m
<i>New investment</i>		
DP Home Finance	Asia	20.6
De La Rue	Quoted	10.0
Gateway to India	Asia	9.8
Perlus Microcap	Funds	8.5
Other new investments		13.0
		61.9
<i>Follow-on investment</i>		
Avanti Communications	Quoted	8.7
Edinmore Investments	Property	6.9
Capital Today China	Asia	6.2
Other follow-on investments		23.0
		44.8
		106.7

Other new investments included £12.1m invested in a number of global large cap securities through the Income and Growth pool.

An additional £14.3m invested in the Amber Group, to facilitate reorganisation before disposal of its industrial cleaning products division, has been netted against the proceeds from realisation.

Realisations

Proceeds from realisations during the year totalled £180.1m (2010 - £83.9m), summarised as follows:

Name	Pool	Proceeds £m	Realised gain/(loss) £m
British Empire Securities	Funds	32.5	28.8
Rathbone Brothers	Quoted	29.9	18.4
Eddington Capital funds	Funds	29.2	(3.1)
Penta Geronimo	Unquoted	14.1	6.4
Polar Capital funds	Funds	13.6	1.1
De La Rue	Quoted	11.3	1.3
Avanti Communications	Quoted	11.2	-
Amber Group	Unquoted	9.6	8.2
Other realisations		28.7	0.8
		180.1	61.9

Other realisations comprised a number of disposals with proceeds or realised gains or losses of less than £5.0m each.

Gains and losses

The return on our portfolio over the year was 8.4%, compared with the FTSE All-Share Total Return of 8.7%, comprising both gains and losses on investments and derivatives, including a £10.0m investment provision, and income received. The following table summarises the principal contributors to this performance:

Name	Gain/(loss) £m	Income £m	Total £m	Return %
Close Brothers	13.8	7.7	21.5	14.5
British Empire Securities	13.8	2.0	15.8	15.1
Amber Group	5.8	8.3	14.1	220.4
Cobepa	11.9	1.5	13.4	18.6
Bristow Group	11.2	-	11.2	18.4
A.G.Barr	9.7	0.8	10.5	32.9
Serica Energy	(13.5)	-	(13.5)	(61.8)
Ermitage	(17.1)	0.2	(16.9)	(252.4)
Other investments	26.1	12.7	38.8	
	61.7	33.2	94.9	8.4

Other investments comprised investments with a total return of less than £10.0m.

Portfolio analysis

Pools

During the year, the company re-categorised its investments into pools of capital, reflecting its principal areas of interest. The following table shows the distribution of net assets between the pools, including an equivalent analysis of net assets at last year end.

	2011	2010
Quoted	34%	37%
Unquoted	22%	22%
Asia	13%	11%
Property	8%	9%
Funds	16%	21%
Income and Growth	1%	-
Cash and other	6%	-

The reduction in the Quoted and Funds pools and increasing cash over the year reflected the process of realigning the pool allocations. The cash will principally be invested through the Income and Growth pool. Further analysis and results during the year, based on the pool structure, are described below.

Geography

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

	2011	2010
United Kingdom	58%	64%
Continental Europe	15%	16%
North America	7%	7%
Asia	14%	13%
Cash and other	6%	-

At the year end, UK investments accounted for 58% of net assets, principally held in listed companies, a reduction from 64% at the last year end, reflecting the realisation of a number of UK investments to provide liquidity to invest in global equities through the Income and Growth pool.

Asset class

The following table shows the distribution of net assets by asset class. Listed securities represented 57% of net assets at the year end and unlisted investments (companies and funds) in total accounted for 37%.

	2011	2010
Listed companies	57%	64%
Unlisted companies	27%	24%
Private equity funds	9%	8%
Hedge funds	1%	4%
Cash and other	6%	-

The reduction in listed companies reflected the substantial realisation of principally listed securities, including British Empire Securities and Rathbone Brothers, in the year.

Currency

The following table analyses net assets by currency exposure, based on the currency in which securities are denominated or traded, net of any currency hedges.

	2011	2010
Pound sterling	79%	77%
US dollar	11%	8%
Indian rupee	7%	7%
Euro	2%	7%
Other currencies	1%	1%

Pound sterling represented 79% of the exposure at the year end, a rise from 77% at the end of last year. This differs from the geographic distribution and shows a rise rather than a fall reflecting both the inclusion of uninvested cash and a £75.1m forward contract taken out during the year to provide a currency hedge against the euro denominated investment in Cobepa. In addition, the currency distribution differs from the geographical distribution as a number of investments in Asia are denominated in US dollars and pound sterling.

Portfolio summary

Holdings over 1% of net assets at 31 March 2011 were as follows:

Name	Note	Pool	Geography	Business	Value £m	NAV %
Close Brothers	1,2	Quoted	UK	Financial services	165.9	13.2
British Empire Securities	1,2	Funds	UK	Investment trust	103.3	8.2
Cobepa	1,5	Unquoted	Belgium	Investment company	85.1	6.8
Bristow Group	1,2	Quoted	US	Helicopter services	72.0	5.7
Avanti Communications	1,2	Quoted	UK	Satellite communications	55.9	4.4
A.G.Barr	2	Quoted	UK	Soft drinks	42.0	3.3
Oval	1	Unquoted	UK	Insurance broking	41.6	3.3
London & Stamford	1,2	Property	UK	Property investment	39.4	3.1
Satellite Information Services	1	Unquoted	UK	Broadcasting services	38.5	3.1
Dewan Housing Finance	1,2	Asia	India	Housing finance	37.6	3.0
Melrose Resources	1,2	Quoted	UK	Oil and gas producer	29.5	2.3
Alok Industries	2	Asia	India	Textiles	28.8	2.3
Sterling Industries	1	Unquoted	UK	Engineering	25.4	2.0
Quintain Estates	1,2	Property	UK	Property services	24.4	1.9
Nova Springboard	3	Funds	UK	Private equity fund	24.2	1.9
Celerant Consulting	1	Unquoted	UK	Management consultancy	23.9	1.9
DP Home Finance	1	Asia	India	Housing finance	21.0	1.7
Capital Today China		Asia	China	Private equity fund	20.7	1.7
The Sloane Club	1	Unquoted	UK	Residential club	20.2	1.6
TGE Marine	1	Unquoted	Germany	LNG engineering	18.7	1.5
Novae Group	1,2	Quoted	UK	Insurance services	17.0	1.4
Polar Capital	1,2	Quoted	UK	Fund manager	14.5	1.1
Pragma		Funds	France	Investment funds	13.4	1.1
Other investments					220.2	17.5
Investment portfolio					1,183.2	94.0
Cash and other net liabilities					75.5	6.0
Net assets					1,258.7	100.0

1. Board representation.
2. Equity securities listed on UK or overseas stock exchanges.
3. Also a management company shareholding and board representation.
4. Geography is based on the country of listing, country of domicile for unlisted investments and underlying regional analysis for funds.
5. Includes forward currency derivative to hedge euro movements, valued at -£0.8m.

Quoted investments pool

Pool performance (year to 31 Mar 2011)	+7.1%
% NAV at 31 Mar 2011 (2010)	34% (37%)

The Quoted pool contains significant investments in UK and foreign quoted companies in which Caledonia holds a greater than 3% stake, excluding quoted companies principally operating in the Asian region, property sector, investment companies or large cap companies contained in the Income and Growth pool. These are generally UK headquartered companies with whom we can establish and develop good long term relationships.

The pool started the year with a portfolio valued at £444.2m and ended the year with a value of £427.0m, principally resulting from net realisations of £35.7m and revaluation gains of £18.5m.

The principal activity in the pool was the sale of our holding in Rathbone Brothers, a wealth management business, for £29.9m. We received repayment of our £11.2m loan to Avanti Communications, a satellite business, and reinvested £5.0m of these proceeds in a share placing to help Avanti finance the expansion of its satellite fleet. We also added to our holding in Avanti with market purchases of £3.7m towards the end of the year.

The portfolio provided a positive return of 7.1% over the year which comprised an increase in valuation of £18.5m and income of £11.5m. Close Brothers, a banking, asset management and securities group, increased in value by £13.8m (9.1%), which is in line with the continued good performance of its banking business, and paid £7.7m of dividends to us. Bristow Group, the US quoted helicopter services group, increased in value by £11.2m (18.4%), with both improved earnings and market rating being tempered by a weakening of the pound against the dollar. A.G.Barr, the soft drinks manufacturer, increased in value by £9.7m (30.0%), with both its earnings improving and the market rewarding its consistent performance with a higher rating over the year. A.G.Barr paid us £0.8m of dividends during the year. Serica Energy, the oil and gas exploration and production company, declined in value by £13.5m (61.8%), as the business failed to find significant, commercial oil or gas reserves from an extensive drilling campaign during the year.

We continue to look for interesting and robust businesses run by good management teams in which to invest over the longer term, with an appropriate degree of caution given both uncertain economic times and the high valuations in the smaller cap markets.

Top investments

Name	Note	Geography	First invest	Equity held %	Income recognised in the year Revenue £m	Capital £m	Residual cost £m	Value £m	Pool %
Close Brothers <i>Financial services</i>	1	UK	1987	13.5	7.7	13.8	43.1	165.9	38.9
Bristow Group <i>Helicopter services</i>	1	US	1991	6.6	-	11.2	36.8	72.0	16.9
Avanti Communications <i>Satellite communications</i>	1	UK	2005	14.6	1.1	2.4	34.4	55.9	13.1
A.G.Barr <i>Soft drinks</i>		UK	1979	8.8	0.8	9.7	1.2	42.0	9.8
Melrose Resources <i>Oil and gas producer</i>	1	UK	2003	10.3	0.4	(5.6)	28.1	29.5	6.9
Novae Group <i>Insurance services</i>	1	UK	2003	7.2	0.2	4.1	17.1	17.0	4.0
Polar Capital <i>Fund manager</i>	1	UK	2001	14.1	0.2	5.5	0.7	14.5	3.4

1. Board representation.

Unquoted investments pool

Pool performance (year to 31 Mar 2011)	+19.6%
% NAV at 31 Mar 2011 (2010)	22% (22%)

The Unquoted pool contains investments in UK and foreign unquoted companies, excluding unquoted companies principally operating in Asia or the property sector.

The Unquoted pool had a good year, increasing in value by 19.6%, compared with a 8.7% increase in the FTSE All-Share Total Return index. This performance was driven principally by increases in earnings, as the recovery seen earlier in the larger quoted markets fed through to these companies. The unquoted pool was valued at £264.1m at the start of the year and £281.2m at the end, after net realisations of £24.0m.

We received £14.1m from Penta Geronimo on the sale of Geronimo Inns to Youngs, a 27.7% IRR on our investment. Geronimo Inns was started 15 years ago and Caledonia co-invested with Penta Capital in 2006 to provide growth capital to the business.

The specialist industrial cleaning products division of Amber Group, a wholly-owned subsidiary, was sold to Berner Group, a private Germany-based international logistics company, for which Caledonia received a net £9.6m in sale proceeds and capital dividends.

The Unquoted portfolio increased in value over the year by £41.1m. The principal contributors were Cobepa, the Belgium private investment company, Sterling Industries, the UK based, wholly-owned, industrial engineering business, Satellite Information Services, the UK broadcasting services business, Celerant Group, the UK based management consultancy business, Amber Group, the UK based, wholly-owned specialty chemicals business, and Penta Geronimo, the UK pubs group. These increases were partially offset by a decline in the value of, and investment provision against, Ermitage, the majority-owned, Jersey based funds of hedge funds manager.

Top investments

Name	Note	Geography	First invest	Equity held %	Income recognised in the year Revenue £m	Capital £m	Residual cost £m	Value £m	Pool %
Cobepa <i>Investment company</i>	1	Belgium	2004	10.2	1.5	11.9	34.9	85.1	30.3
Oval <i>Insurance broking</i>	1	UK	2003	23.5	1.2	(2.6)	41.3	41.6	14.8
Satellite Information Services <i>Broadcasting services</i>	1	UK	2005	22.5	-	8.0	16.7	38.5	13.7
Sterling Industries <i>Engineering</i>	1	UK	1989	100	-	9.8	5.3	25.4	9.0
Celerant Group <i>Management consultancy</i>	1	UK	2006	47.3	-	7.3	10.3	23.9	8.5
The Sloane Club <i>Residential club</i>	1	UK	1991	100	0.6	3.2	-	20.2	7.2
TGE Marine <i>LNG engineering</i>	1	Germany	2006	49.9	2.1	(4.0)	9.0	18.7	6.7

1. Board representation.

Asia investments pool

Pool performance (year to 31 Mar 2011)	+2.4%
% NAV at 31 Mar 2011 (2010)	13% (11%)

The Asia pool contains investments based in, or selected through their focus on trading or investing in, the Asia region. These investments are typically locally listed or unlisted companies and funds investing in the Asia region.

Caledonia has been assessing investment opportunities in Asia since 2004, attracted by the underlying demographic profiles, high growth rates and prospects of economies in the region. At 31 March 2011, the value of our Asia pool was £159.0m, invested principally in India, China and Vietnam.

Generally, the Indian and Chinese economies have been well managed - they did not suffer the same degree of collapse as the Western developed economies in 2008 and 2009 and are less heavily indebted. Progress is constrained in India by inadequate infrastructure and the inflation rate is uncomfortably high, but the country enjoys the benefits of democracy, rule of law and a widespread use of the English language. China seems to power ahead whilst facing different challenges arising from its centrally planned economy and political system. Longer term prospects for both look attractive compared with Europe and many other parts of the world. Vietnam's economy continued to suffer into 2011, with significant current account deficits, inflation and devaluations all contributing to a loss of both international and domestic investor confidence.

Three new investments were made in Asia during the year. We invested £20.6m to acquire a 13.9% holding in Deutsche Postbank Home Finance, the fourth largest private sector housing finance provider in India. This was to support the expansion of Dewan Housing Finance in which we hold a stake of 9.6%, and which is the third largest private sector housing finance provider in India. Dewan Housing Finance and its promoter group bought the rest of Deutsche Postbank Home Finance. We have a board seat and it is likely that the businesses will merge in due course. We provided £9.8m of seed finance to establish a track record for Gateway to India, a fund managed through Mauritius by India Investment Partners (in which we held a 40% stake), which we expect in due course to be converted into an open-ended fund available to outside investors. It invests principally in Indian listed large and mid-cap equities. We also committed \$20m to the second growth capital fund established by the Capital Today team, which has been making very encouraging progress in its strategy of investing in consumer facing private companies in China. We reduced our stake in Alok Industries, a major Indian integrated textile producer, from 12.3% to 11.8%. Our exposure to Vietnam continues, but we sold two of our Vietnamese investments, reducing our portfolio exposure to £6.9m.

The principal contributors to the increase in value of the Asia pool was £7.3m from Dewan Housing Finance and £6.8m from our cornerstone investments in the Capital Today China growth funds, where the valuation of our stake in its first fund rose strongly, principally through the success of its investment in Jing Dong, a leading online retailer of IT and digital products.

Top investments

Name	Note	Geography	First invest	Equity held %	Income recognised in the year		Residual cost £m	Value £m	Pool %
					Revenue £m	Capital £m			
Dewan Housing Finance <i>Housing finance</i>	1,2	India	2005	9.6	0.4	7.3	11.5	37.6	23.6
Alok Industries <i>Textiles</i>	2	India	2004	11.8	0.3	(0.9)	31.2	28.8	18.1
DP Home Finance <i>Housing finance</i>	1	India	2011	13.9	-	0.4	20.6	21.0	13.2
Capital Today China <i>Private equity fund</i>		China	2006		-	6.8	10.3	20.7	13.0

1. Board representation.
2. Listed.

Property investments pool

Pool performance (year to 31 Mar 2011)	-6.7%
% NAV at 31 Mar 2011 (2010)	8% (9%)

The Property pool contains investments holding or trading in property, typically UK listed and unlisted property companies and funds investing in property assets.

Our Property pool has had a disappointing year, falling in value by £8.4m. The underperformance has principally arisen from a £7.1m decline in the value of our investment in Quintain Estates, the UK listed property investment, management and development company, with major projects at Wembley and the Greenwich Peninsular, as a result of both a slow pace of development and continued debt burden.

In October 2010, London & Stamford underwent significant structural change. The management company was bought in for new shares which, although NAV dilutive, will show benefits to both revenues and expenses. This, combined with becoming a more tax efficient real estate investment trust, should help improve profitability. Although not yet fully invested, London & Stamford is paying a steadily increasing dividend.

During the year, we invested a further £6.9m in Edinmore Investments, a wholly-owned subsidiary, to purchase commercial properties in the north of England with a high yield and good growth prospects.

Top investments

Name	Note	Geography	First invest	Equity held %	Income recognised in the year		Residual cost £m	Value £m	Pool %
					Revenue £m	Capital £m			
London & Stamford <i>Property investment</i>	1,2	UK	2007	5.8	0.9	2.0	32.1	39.4	37.4
Quintain Estates <i>Property services</i>	1,2	UK	1994	10.6	-	(7.1)	62.4	24.4	23.1

1. Board representation.
2. Listed.

Funds investments pool

Pool performance (year to 31 Mar 2011)	+10.2%
% NAV at 31 Mar 2011 (2010)	16% (21%)

The Funds pool contains investments in collective investment vehicles, other than in Asia, including listed and unlisted investment companies, private equity and hedge funds. Our objective in using fund structures is to access exceptional managers and to seek exposure to geographies where we may have limited experience, such as North America.

During the year, we realised £32.5m from the sale of part of our holding in British Empire Securities, the UK listed investment trust, taking advantage of the opportunity to reduce our holding in a strong market and at an attractively narrow discount to net asset value. This company has been a strong long term performer in our portfolio and remains a core investment. We realised £29.2m on the redemption of most of our investment in the Eddington Capital fund of hedge funds, which was closed due to the lack of critical mass in assets under management. We realised £13.6m on the redemption of two Polar Capital funds, as they came out of their seed periods.

We invested \$13.0m (£8.5m) of a \$20.0m commitment in Perlus Microcap, a fund managed by Perlus Investment Management and investing in global (principally US) publicly-traded micro-cap companies.

During 2010, Greenhill Capital Partners raised their third fund and we committed \$20m at its first close. Since 2000, we have invested \$27m in their first two funds, which so far have provided a net IRR of 35% and a net return on investment of some 2.0x.

The Funds pool performance of 10.2% derived mainly from a £13.8m increase in the value of British Empire Securities.

Top investments

Name	Note	Geography	First invest	Equity held %	Income recognised in the year Revenue £m	Capital £m	Residual cost £m	Value £m	Pool %
British Empire Securities <i>Investment trust</i>	1,2	UK	1991	13.0	2.0	13.8	11.7	103.3	52.0
Nova Springboard <i>Private equity fund</i>	3	UK	2005		-	1.5	13.6	24.2	12.2
Pragma <i>Investment funds</i>		France	2006		-	0.5	11.8	13.4	6.7

1. Board representation.
2. Listed.
3. Also a management company shareholding and board representation.

Income and Growth investments pool

Pool performance (year to 31 Mar 2011)	n/a
% NAV at 31 Mar 2011 (2010)	1% (n/a)

The Income and Growth pool contains investments focussing on yield and capital appreciation from worldwide markets. These investments are typically large cap listed equities, represent smaller stakes than our significant minority investments and are therefore more liquid. Such investments are typically multinational in nature and will therefore also provide us with an increased look-through exposure to world markets. The Income and Growth pool will expect to comprise 35 to 45 investments.

The Income and Growth pool has been created with three purposes in mind. First, to create a globally diversified, but focussed, portfolio of dividend paying companies. Second, to achieve an income from the portfolio that is significant enough to make a positive contribution to the overall dividend income that Caledonia receives and to contribute towards its own distributions. The third aim is to achieve growth, both in the operating businesses invested in, and also the stream of dividends received, the latter of which correlates very highly with good investment returns. Companies with high returns on equity, that grow book value per share, are those that are likely to pass the screening process and be eligible for more fundamental assessment of the business prospects and the management team. Good corporate governance is very important to Caledonia - particularly for investments outside the UK.

The overall target gross yield of the pool is 4.5%, which is at the upper end of most global income and growth funds' achieved results.

Stock selection will be firmly value orientated and in line with Caledonia's disciplined investment process, looking for entry at a fair or better price and selecting names with very prudent balance sheet leverage and strong free cash flow characteristics. In terms of geography, the UK, US, Canada, Australia, northern Europe and Scandinavia are all natural areas for a conservative global income and growth fund to be investing. Some diversification into Asia, Brazil and China is also achievable, but India lacks good higher yielding companies.

In terms of the timing of establishment of the pool, the opportunity to move out of cash into stock markets which are trading at valuations around their long term averages looks a sensible proposition and the desired yields are obtainable. The investment process will be a gradual one, with thorough stock selection and company visits covering the geography of the investments as a key part of the process. Selecting stocks for income inevitably means that, to realise that income, holding periods need to be reasonably long and the margin of safety to do that is embedded within the process. A gradual start has been made, first in the UK and European markets since late March 2011, and we look forward to reporting in more detail at the half-year the progress on constructing a globally diversified portfolio of above average - and growing - dividend yielding companies.

Financial review

Net asset value increased over the year to £1,258.7m, from £1,181.6m. The contributions to this change were as follows:

	£m
Opening NAV	1,181.6
Revenue return	23.4
Capital return	60.7
Dividends	(6.4)
Other	(0.6)
Closing NAV	1,258.7

Company total return

The company generates returns through both revenue earnings, net of management expenses, and capital growth. For the year ended 31 March 2011, the total return was £84.1m (2010 - £311.7m), comprising earnings equivalent to 145.1p (2010 - 539.6p) per share, of which 40.4p (2010 - 41.1p) was derived from revenue and 104.7p (2010 - 498.5p) from capital growth.

Company revenue performance

Revenue earned from the company's investments increased by 0.6% to £33.2m (2010 - £33.0m) over the year. The income for the period included an £8.3m dividend from Amber Group, a £2.4m income distribution from Penta Geronimo on the repayment of loans from Geronimo Inns, and a £2.0m dividend from TGE Marine. Income in the previous year included a £3.2m dividend paid by Satellite Information Services, not repeated in 2011, dividends from a number of investments realised during the year, with the proceeds held in low yielding cash pending reinvestment, together with a number of dividends accelerated into 2010, in advance of last year's increase in the higher rate of income tax.

The yield on the company's portfolio increased over the year to 2.81%, which compares with 2.79% for last year. By comparison, the yield on the FTSE All-Share fell over the year by 6.3%, from 3.16% to 2.96%.

Company capital performance

The recovery in the markets and improved underlying earnings led to a 6.4% increase in NAV per share over the year. Net gains on investments and derivatives totalled £71.7m (2010 - £295.3m) and a £10.0m investment provision was established in relation to a guarantee for a subsidiary's bank loan. The principal gains were £13.8m from Close Brothers, £13.8m from British Empire Securities, £11.9m from Cobepa and £11.2m from Bristow Group. These were partially offset by a £13.5m loss in the value of Serica Energy.

The table below summarises the gains and losses on investments between the listed and unlisted portfolio:

	£m
Opening portfolio value	1,184.6
Listed investments	24.7
Unlisted investments	47.3
Net realisation	(73.4)
Closing portfolio value	1,183.2

Unlisted investments (companies and funds) contributed £47.3m to the valuation increase. The company maintains a prudent valuation approach to these investments. Unlisted property and fund investments are usually based on external valuations and internal valuations of other investments conducted in accordance with the IPEV Guidelines.

Company expenses

The total expense ratio ('TER') for the period was 0.81% (2010 - 1.14%), compared with an industry average of 1.40% (2010 - 1.40%). We calculate our TER on an industry standard basis, comprising published management expenses over the monthly average NAV, to aid comparability.

Overall, the company's expenses allocated to the revenue reserve were 21.1% lower than last year at £9.7m (2010 - £12.3m). This was due mainly to a £1.5m reduction in the share-based payment expense in 2011 compared with 2010, principally arising on the lapsing of the 2008 share option and deferred bonus matching share awards, together with other savings in staff-related costs.

Dividend

The company's policy is to maintain a progressive dividend. We recognise that a reliable source of growing dividends is an important part of shareholder return and are pleased to extend our record of growing annual dividends to 44 years.

We paid an interim dividend of 11.1p per share on 6 January 2011 and have proposed a final dividend of 26.0p per share, up 5.3% on last year. The total dividend for the year of 37.1p is an increase of 5.1% on the 35.3p last year (paid as interim and second interim dividends).

If approved by shareholders, the final dividend will be payable on 11 August 2011 to holders of shares on the register on 8 July 2011. The ex-dividend date will be 6 July 2011.

Consolidated results

The consolidated results differ from the company results in incorporating the group's share of the earnings and net assets of subsidiaries and joint ventures, as opposed to their investment returns and fair value. The consolidated diluted earnings per share were 118.7p (2010 - 517.0p).

Cash flows, liquidity and facilities

The company started the year with net cash of £8.3m and ended with £101.2m. During the year, liquidity has been increased in preparation for an orderly deployment into the new Income and Growth pool, in which investment commenced just before the year end and will continue over the course of the coming year.

The company has committed bank facilities of £100m in place at the year end and has strong covenant cover. It had no borrowings at 31 March 2011 or 2010 and did not draw on its facilities during the year.

Subsidiaries had borrowings totalling £79.0m at 31 March 2011 (2010 - £86.2m) to finance operations. Caledonia provided guarantees and letters of comfort in respect of £70.0m (2010 - £76.7m) of these borrowings.

Treasury management

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

During the year, the company took out a forward currency contract to sell €85.9m to hedge against the euro exposure of our investment in Cobepa.

Risk management

Caledonia has a risk management framework that provides a structured process for identifying, assessing and managing risks associated with the company's business objectives and strategy. The board has overall responsibility for setting the level of risk that the company is prepared to accept and this is regularly reviewed.

The principal risks and mitigating actions are set out below.

Risk	Mitigation
Strategic - design and implementation of the company's strategy and investment model.	The board reviews strategy periodically. Management monitors regularly the company's performance against agreed business objectives.
Investment - specific investment decisions and subsequent performance of an investment.	Investment proposals are supported by detailed reviews and due diligence reports. Investments are regularly reviewed by management and, in the case of the larger investments, the board and risk assessments conducted.
Treasury and funding - changes in market prices or rates, counterparty failure and lack of access to liquidity to enable the company to meet its obligations.	Weekly detailed cash forecasts and regular reviews of liquidity. The board reviews the treasury policy periodically and sets counterparty limits and maximum exposures.
Operational - the risk arising from potentially inadequate or failed controls, processes, people and systems, or from external factors. Operational risk is divided into a number of categories:	
Legal and regulatory - loss arising from failure to comply with laws, regulations and industry guidelines.	The Compliance Committee meets weekly to ensure the company's continued compliance with legal and regulatory requirements.
Process - loss resulting from inadequate or failed internal processes and systems.	Investment managers operate within parameters set by the board and the Approvals Committee. They have individual objectives and their performance is measured against these. Front and back office duties are carefully segregated.
People - loss arising from inappropriate behaviour or health and safety issues. This includes the failure to retain and motivate staff and to recruit properly skilled staff.	Policies are in place to ensure the company remunerates staff in line with market practice and to provide development opportunities and to encourage staff motivation and retention.
Business continuity - loss arising from the interruption or disruption of critical processes, including office exclusion, power failure, lack of IT services and environmental hazards.	A business continuity process and plan is in place, including provision of an off-site disaster recovery facility.

Corporate responsibility

Caledonia considers the impact of its business in the following areas:

Marketplace

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

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

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

Workplace

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

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 period, 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.

Community

Caledonia encourages employees to support local voluntary organisations and charitable causes and provides matched sponsorship to their fundraising activities. This and other charitable donations made at the company's own initiation in the year amounted to £60,800.

The company also supports the work of the Royal Horticultural Society and contributions to the RHS's campaigns to promote gardening through sponsorship of the RHS Chelsea Flower Show Charity Gala Preview amounted to £103,200 in the year.

Environment

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

- encouragement of the use of electronic communications to save paper, printing consumables and energy
- usage of video-conferencing and telephone conference calls rather than travelling to meetings
- recycling of office waste, used paper and other consumables.

Company statement of comprehensive income for the year ended 31 March 2011

	2011			2010		
	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m
<i>Revenue</i>						
Investment and other income	33.2	-	33.2	33.0	-	33.0
Gains and losses on fair value investments	-	72.5	72.5	-	302.8	302.8
Gains and losses on derivatives	-	(0.8)	(0.8)	-	(7.5)	(7.5)
Total revenue	33.2	71.7	104.9	33.0	295.3	328.3
Management expenses	(9.7)	(0.5)	(10.2)	(12.3)	(0.5)	(12.8)
Performance fees	-	-	-	(0.3)	-	(0.3)
Investment provisions	-	(10.0)	(10.0)	-	(5.4)	(5.4)
Profit before finance costs	23.5	61.2	84.7	20.4	289.4	309.8
Treasury interest receivable	0.7	-	0.7	0.5	-	0.5
Finance costs	(0.4)	-	(0.4)	(0.4)	-	(0.4)
Exchange movements	0.5	-	0.5	(0.3)	-	(0.3)
Profit before tax	24.3	61.2	85.5	20.2	289.4	309.6
Taxation	(0.9)	(0.5)	(1.4)	3.6	(0.8)	2.8
Profit for the year	23.4	60.7	84.1	23.8	288.6	312.4
<i>Other comprehensive income</i>						
Actuarial losses on defined benefit pension schemes	-	-	-	(1.0)	-	(1.0)
Tax on other comprehensive income	-	-	-	0.3	-	0.3
Total comprehensive income	23.4	60.7	84.1	23.1	288.6	311.7
Basic earnings per share	40.5p	105.0p	145.5p	41.2p	499.8p	541.0p
Diluted earnings per share	40.4p	104.7p	145.1p	41.1p	498.5p	539.6p

The total column of the above statement represents the company's statement of comprehensive income, prepared in accordance with IFRSs as adopted the European Union.

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

Group statement of comprehensive income for the year ended 31 March 2011

	2011 £m	2010 £m
<i>Revenue</i>		
Investment and other income	24.7	34.1
Gains and losses on investments held at fair value through profit or loss	62.9	294.2
Gains and losses on derivatives used to hedge the fair value of investments	(0.2)	(19.2)
Revenue from sales of goods and services	118.2	116.0
Total revenue	205.6	425.1
Investment management expenses	(10.2)	(12.8)
Investment performance fees	-	(0.3)
Trade operating expenses	(126.2)	(111.5)
Gain on disposal of operations	10.6	1.4
Gain/(loss) on investment property	(0.3)	0.3
Share of results of joint ventures	(3.8)	(0.3)
Profit before finance costs	75.7	301.9
Treasury interest receivable	0.4	0.3
Finance costs	(2.4)	(2.6)
Exchange movements	0.1	(0.5)
Profit before tax	73.8	299.1
Taxation	(6.2)	(0.7)
Profit for the year	67.6	298.4
<i>Other comprehensive income</i>		
Exchange differences on translation of foreign operations	(1.3)	(1.2)
Transfer to profit or loss on disposal of foreign operations	0.1	(1.1)
Actuarial gains/(losses) on defined benefit pension schemes	0.7	(0.4)
Tax on other comprehensive income	(0.2)	-
Total comprehensive income	66.9	295.7
<i>Profit for the year attributable to</i>		
Owners of the parent	68.8	299.3
Non-controlling interest	(1.2)	(0.9)
	67.6	298.4
<i>Total comprehensive income attributable to</i>		
Owners of the parent	68.2	296.6
Non-controlling interest	(1.3)	(0.9)
	66.9	295.7
Basic earnings per share	119.0p	518.4p
Diluted earnings per share	118.7p	517.0p

Statement of financial position at 31 March 2011

	Company		Group	
	2011	2010	2011	2010
	£m	£m	£m	£m
<i>Non-current assets</i>				
Investments held at fair value through profit or loss	1,183.2	1,183.8	1,095.5	1,105.7
Investments in subsidiaries held at cost	0.8	0.8	-	-
Available for sale investments	-	-	0.8	0.8
Intangible assets	-	-	7.6	25.0
Property, plant and equipment	-	-	81.1	87.0
Investment property	-	-	20.5	12.3
Interests in joint ventures	-	-	2.7	7.6
Deferred tax assets	-	-	4.7	6.0
Non-current assets	1,184.0	1,184.6	1,212.9	1,244.4
<i>Current assets</i>				
Inventories	-	-	16.6	14.7
Trade and other receivables	3.6	5.2	29.1	32.5
Current tax assets	-	0.7	0.2	2.6
Cash and cash equivalents	101.2	8.3	121.5	30.5
Current assets	104.8	14.2	167.4	80.3
Total assets	1,288.8	1,198.8	1,380.3	1,324.7
<i>Current liabilities</i>				
Interest-bearing loans and borrowings	-	-	(48.2)	-
Trade and other payables	(10.2)	(7.3)	(31.8)	(27.9)
Employee benefits	-	-	(3.7)	(3.9)
Current tax liabilities	(0.5)	-	(2.6)	(0.5)
Provisions	(18.9)	(8.9)	(4.1)	(4.0)
Current liabilities	(29.6)	(16.2)	(90.4)	(36.3)
<i>Non-current liabilities</i>				
Interest-bearing loans and borrowings	-	-	(30.8)	(86.2)
Employee benefits	-	-	(7.9)	(9.0)
Deferred tax liabilities	(0.5)	(1.0)	(2.0)	(2.2)
Non-current liabilities	(0.5)	(1.0)	(40.7)	(97.4)
Total liabilities	(30.1)	(17.2)	(131.1)	(133.7)
Net assets	1,258.7	1,181.6	1,249.2	1,191.0
<i>Equity</i>				
Share capital	3.3	3.3	3.3	3.3
Share premium	1.3	1.3	1.3	1.3
Capital redemption reserve	1.2	1.2	1.2	1.2
Capital reserve	992.8	932.1	-	-
Retained earnings	288.3	271.7	1,267.7	1,206.4
Foreign exchange translation reserve	-	-	4.3	5.4
Own shares	(28.2)	(28.0)	(28.2)	(28.0)
Equity attributable to owners of the parent	1,258.7	1,181.6	1,249.6	1,189.6
Non-controlling interest	-	-	(0.4)	1.4
Total equity	1,258.7	1,181.6	1,249.2	1,191.0
Undiluted net asset value per share	2180p	2047p		
Diluted net asset value per share	2165p	2034p		

Statement of changes in equity for the year ended 31 March 2011

	Capital accounts (note 1) £m	Capital reserve £m	Retained earnings £m	Currency translate reserve £m	Own shares £m	Non-con- trolling interest £m	Total equity £m
<i>Company</i>							
Balance at 1 April 2009	5.8	643.5	281.5	-	(24.6)	-	906.2
Total comprehensive income	-	288.6	23.1	-	-	-	311.7
Share-based payments	-	-	1.1	-	-	-	1.1
Exercise of share options	-	-	-	-	3.8	-	3.8
Own shares purchased	-	-	-	-	(7.2)	-	(7.2)
Dividends paid	-	-	(34.0)	-	-	-	(34.0)
Balance at 31 March 2010	5.8	932.1	271.7	-	(28.0)	-	1,181.6
Total comprehensive income	-	60.7	23.4	-	-	-	84.1
Share-based payments	-	-	(0.4)	-	-	-	(0.4)
Own shares purchased	-	-	-	-	(0.2)	-	(0.2)
Dividends paid	-	-	(6.4)	-	-	-	(6.4)
Balance at 31 March 2011	5.8	992.8	288.3	-	(28.2)	-	1,258.7
<i>Group</i>							
Balance at 1 April 2009	5.8	-	940.4	7.7	(24.6)	2.7	932.0
Total comprehensive income	-	-	298.9	(2.3)	-	(0.9)	295.7
Share-based payments	-	-	1.1	-	-	-	1.1
Exercise of share options	-	-	-	-	3.8	-	3.8
Own shares purchased	-	-	-	-	(7.2)	-	(7.2)
Capital contributed	-	-	-	-	-	0.5	0.5
Dividends paid	-	-	(34.0)	-	-	(0.9)	(34.9)
Balance at 31 March 2010	5.8	-	1,206.4	5.4	(28.0)	1.4	1,191.0
Total comprehensive income	-	-	69.3	(1.1)	-	(1.3)	66.9
Share-based payments	-	-	(0.4)	-	-	-	(0.4)
Own shares purchased	-	-	-	-	(0.2)	-	(0.2)
Capital contributed	-	-	-	-	-	0.6	0.6
Non-controlling interest acquired	-	-	(1.2)	-	-	(0.8)	(2.0)
Dividends paid	-	-	(6.4)	-	-	(0.3)	(6.7)
Balance at 31 March 2011	5.8	-	1,267.7	4.3	(28.2)	(0.4)	1,249.2

- Capital accounts at 1 April 2009, 31 March 2010 and 31 March 2011 comprised £3.3m of share capital, £1.3m of share premium and £1.2m of capital redemption reserve.

Statement of cash flows for the year ended 31 March 2011

	Company		Group	
	2011 £m	2010 £m	2011 £m	2010 £m
<i>Operating activities</i>				
Dividends received	30.3	27.2	21.6	24.9
Interest received	2.3	3.3	2.7	3.3
Cash received from customers	-	-	123.6	125.8
Cash paid to suppliers and employees	(13.8)	(12.0)	(123.6)	(119.9)
Taxes received/(paid)	(0.1)	0.7	(0.6)	(3.5)
Group relief paid	(0.1)	(0.4)	-	-
Net cash flow from operating activities	18.6	18.8	23.7	30.6
<i>Investing activities</i>				
Purchases of investments	(112.9)	(109.9)	(91.4)	(100.3)
Proceeds from disposal of investments	195.5	81.1	173.4	66.0
Proceeds from disposal of money market funds	-	-	-	1.0
Net receipts/(payments) from derivatives	-	(0.9)	(0.2)	9.2
Purchases of property, plant and equipment	-	-	(3.0)	(3.4)
Purchases of investment property	-	-	(8.8)	(12.1)
Purchases of joint ventures	-	-	(0.2)	-
Proceeds from disposal of joint ventures	-	-	1.2	0.2
Purchases of subsidiaries net of cash acquired	-	-	(2.2)	(3.1)
Proceeds from disposal of subsidiaries net of cash disposed	-	-	15.4	0.7
Net cash flow from/(used in) investing activities	82.6	(29.7)	84.2	(41.8)
<i>Financing activities</i>				
Interest paid	(0.3)	(0.3)	(2.2)	(2.2)
Dividends paid to owners of the company	(6.4)	(34.0)	(6.4)	(34.0)
Distributions paid to non-controlling interest	-	-	(0.3)	(0.9)
Proceeds from new borrowings	-	-	0.3	8.2
Repayment of borrowings	-	-	(6.8)	(1.5)
Capital contribution by non-controlling interest	-	-	0.6	0.5
Exercise of share options	-	3.8	-	3.8
Purchase of own shares	(1.6)	(5.8)	(1.6)	(5.8)
Net cash flow used in financing activities	(8.3)	(36.3)	(16.4)	(31.9)
Net increase/(decrease) in cash and cash equivalents	92.9	(47.2)	91.5	(43.1)
Cash and cash equivalents at year start	8.3	55.5	30.5	73.9
Exchange movements on cash and cash equivalents	-	-	(0.5)	(0.3)
Cash and cash equivalents at year end	101.2	8.3	121.5	30.5

Notes to the final results announcement

1. General information

Caledonia Investments plc is an investment trust company domiciled in the United Kingdom and incorporated in England, under the Companies Acts 1908 to 1917. The address of its registered office is Cayzer House, 30 Buckingham Gate, London SW1E 6NN. The ordinary shares of the company are listed on the London Stock Exchange and the New Zealand Exchange.

The financial information included in this announcement has been prepared using accounting policies consistent with International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

2. Dividends

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

	2011		2010	
	p/share	£m	p/share	£m
Final dividend for the year ended				
31 March 2009	-	-	23.5	13.6
Interim dividend for the year ended				
31 March 2011 (2010)	11.1	6.4	10.6	6.1
Second interim dividend for the year ended				
31 March 2010	-	-	24.7	14.3
	11.1	6.4	58.8	34.0
Proposed final dividend for the year ended				
31 March 2011	26.0	15.2	-	-

The proposed final dividend has not been included as a liability. This dividend, if approved by shareholders at the annual general meeting to be held on 21 July 2011, will be payable on 11 August 2011 to holders of shares on the register on 8 July 2011. The ex-dividend date will be 6 July 2011.

For the purposes of section 1159 of the Corporation Tax Act 2010, the dividends payable for the year ended 31 March 2011 are the interim and final dividends for that year, amounting to £21.6m (2010 - £20.4m).

3. Earnings and net asset value per share

Basic and diluted earnings per share

The calculation of basic earnings per share of the company and 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 company earnings per share figure can be further analysed between revenue and capital, as follows:

	Revenue		Capital	
	2011	2010	2011	2010
	£m	£m	£m	£m
Profit for the year	23.4	23.8	60.7	288.6

The profit attributable to shareholders was as follows:

	Company		Group	
	2011	2010	2011	2010
	£m	£m	£m	£m
Profit attributable to shareholders (basic and diluted)	84.1	312.4	68.8	299.3

The weighted average number of shares was as follows:

	Company		Group	
	2011	2010	2011	2010
	000's	000's	000's	000's
Issued shares at year start	58,795	58,795	58,795	58,795
Effect of shares held in treasury	(605)	(563)	(605)	(563)
Effect of shares held by the employee share trust	(373)	(489)	(373)	(489)
Shares held by a subsidiary	-	-	(3)	(3)
Basic weighted average number of shares during the year	57,817	57,743	57,814	57,740
Effect of share options and deferred bonus awards	144	151	144	151
Diluted weighted average number of shares during the year	57,961	57,894	57,958	57,891

Net asset value per share

The company's undiluted net asset value per share is based on the net assets of the company at the year end and on the number of shares in issue at the year end less shares held by the Caledonia Investments plc Employee Share Trust, restricted shares, shares held by a subsidiary and shares accounted as held in treasury. The company's diluted net asset value per share assumes the re-issue of shares accounted as held in treasury at the closing mid-market price on the reporting date, the exercise of all outstanding in-the-money share options and the calling of deferred bonus awards.

	2011			2010		
	Net assets £m	Number of shares 000's	NAV p/share	Net assets £m	Number of shares 000's	NAV p/share
Undiluted	1,258.7	57,739	2180	1,181.6	57,714	2047
Adjustments	22.8	1,463	(15)	18.3	1,278	(13)
Diluted	1,281.5	59,202	2165	1,199.9	58,992	2034

4. Operating segments

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

	Profit or loss		Assets	
	before tax		2011	2010
	2011	2010	£m	£m
	£m	£m	£m	£m
Quoted	30.2	140.9	427.0	444.2
Unquoted	57.2	35.6	281.2	264.1
Asia	3.3	64.6	159.0	125.0
Property	(7.3)	21.4	105.3	106.7
Funds	21.5	65.8	198.6	244.6
Income and Growth	-	-	12.1	-
Total revenue/investments	104.9	328.3	1,183.2	1,184.6
Cash and cash equivalents	0.7	0.5	101.2	8.3
Other items	(20.1)	(19.2)	(25.7)	(11.3)
Reportable total	85.5	309.6	1,258.7	1,181.6
Eliminations	(11.7)	(10.5)	121.6	143.1
Group total	73.8	299.1	1,380.3	1,324.7

5. Impairment of assets

The impairment charge for the year of £14.9m (2010 - £1.9m) was recognised in operating expenses of trading operations in the statement of comprehensive income.

6. Share-based payments

In the year to 31 March 2011, participating employees in the executive share option scheme were awarded options over 245,617 shares at a price of 1547p per share (2010 - 286,501 shares at 1446p per share). The weighted average fair value of these shares at the date of grant was estimated at 468p per share (2010 - 392p per share).

In the year to 31 March 2011, participating employees voluntarily deferred a proportion of their annual bonuses into 7,707 shares. Matching awards of 7,707 shares were also granted, which depend on company performance. The fair value of the share awards was measured directly as the bonus foregone and was equivalent to 1547p per share. The fair value of the matching shares was 1547p per share, on a market neutral valuation basis. No awards were made under the deferred bonus plan in 2010.

The IFRS 2 expense/income charged/credited to profit or loss for the year was £0.4m credit (2010 - £1.1m expense).

7. Provisions

During the year, the company recognised a £10.0m investment provision relating to a bank guarantee provided for subsidiary borrowings. In the prior year, a £5.4m investment provision relating to a solvency guarantee given to a subsidiary was recognised. Investment provisions have been allocated to the capital reserve.

8. Capital commitments

At the reporting date, the company and group had entered into unconditional loan commitments to limited partnerships, commitments to other investment funds and loan facilities to portfolio companies, as follows:

	Company		Group	
	2011	2010	2011	2010
	£m	£m	£m	£m
<i>Investments</i>				
Contracted but not called	66.3	66.4	66.3	66.4
Conditionally contracted	18.6	19.6	18.6	19.6
	84.9	86.0	84.9	86.0

9. Related parties

Caledonia Group Services Ltd, a wholly-owned subsidiary of the company, provides management services to the company. During the year, £9.1m was charged by Caledonia Group Services Ltd to the company (2010 - £11.9m).

10. Financial information

The information in this final results announcement does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006 (the 'Act'), but has been derived from the statutory accounts for the year ended 31 March 2011. The auditors have reported on those statutory accounts and their report was not qualified and did not contain statements under section 498 of the Act.

The statutory accounts for the year ended 31 March 2011 will be posted to shareholders on 14 June 2011 and made available for download from the company's website on 15 June 2011. Also, a copy will be delivered to the Registrar of Companies in accordance with section 441 of the Act, following approval by shareholders.

The statutory accounts for the year ended 31 March 2011 include a 'Directors' statement of responsibility' as follows:

We confirm that, to the best of our knowledge:

1. the financial statements, prepared in accordance with IFRSs as adopted by the European Union, 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 management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Signed on behalf of the board:

Will Wyatt
Chief Executive
25 May 2011

Stephen King
Finance Director
25 May 2011

END

Copies of this statement are available at the company's registered office, Cayzer House, 30 Buckingham Gate, London SW1E 6NN, United Kingdom, or from its website at www.caledonia.com. Neither the contents of the company's website nor the contents of any website accessible from hyperlinks on the company's website (or any other website) is incorporated into, or forms part of, this announcement.