CALEDONIA INVESTMENTS

Performance driven

Annual report 2010

Year ended 31 March 2010

identify
invest
involve

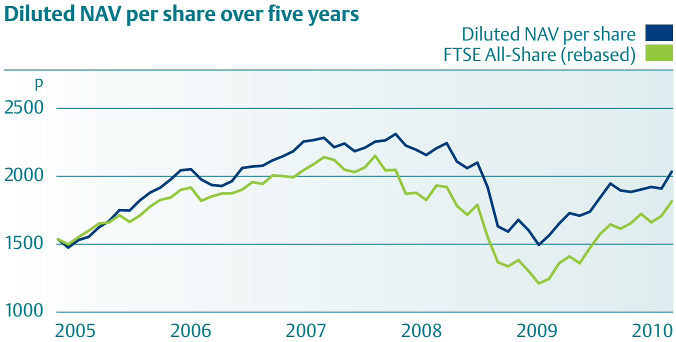
Caledonia is one of the UK's largest investment trusts and is self-managed. We aim to be a core investment for those seeking a store of increasing value, by investing for the longer term in a range of assets.

Our ability to identify opportunities through our extensive network, invest in significant stakes for the longer term and involve ourselves with the managements of investee companies underpins our investment approach, through which we seek to deliver shareholder value.

We are performance driven.

Financial highlights

Diluted NAV per share over five years



Results summary

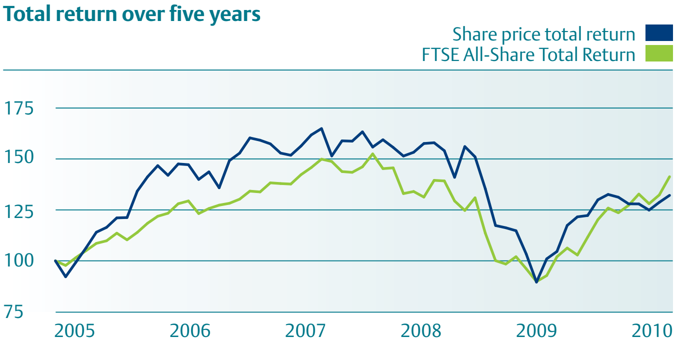
	31 March 2010	31 March 2009	Change %
Total equity	£1,182m	£906m	30.5
Diluted NAV per share	2034p	1559p	30.5
Annual dividend per share	35.3p	33.8p	4.4
Share price	1625p	1289p	26.1
Discount	20.1%	17.3%	
FTSE All-Share index	2910	1984	46.7

Total return performance

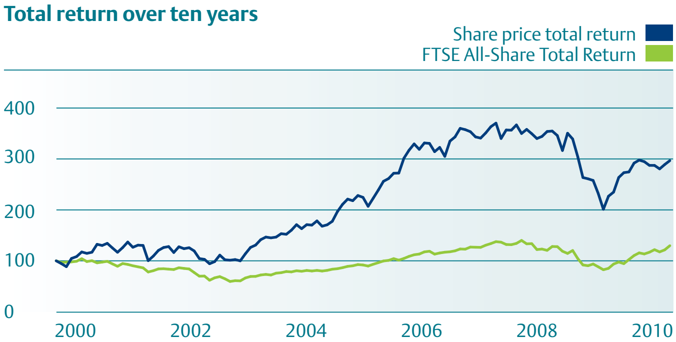
	5 year %	10 year %
Share price	32.1	196.7
FTSE All-Share index	41.3	29.7
Relative performance	-9.2	167.0

References to net asset value ('NAV') refer to the company statement of financial position, rather than that of the group, as the directors consider this to be the most appropriate measure of performance.

Total return over five years



Total return over ten years



Chairman's statement

Share price total return outperformance against the FTSE All-Share Total Return over ten years

167%

Increase in the annual dividend

4.4%

Results

Caledonia's net asset value per share recovered by 30.5% in the year to 31 March 2010, having fallen by some 28% in the previous year's turbulent equity markets. The fact that this recovery lagged that of the FTSE All-Share index should be seen in the context of our relative outperformance in the previous year and, over a prolonged period, in each of the years before that.

Our share price total return has continued to outperform the index significantly over a ten year period. However, over the last five years we are now showing some underperformance due to the recent widening of our share price discount to net asset value. Tim Ingram gives a detailed analysis, in his Chief Executive's report, of Caledonia's performance track record.

Dividend

The board declared a second interim dividend in February of 24.7p, which was paid on 30 March 2010. As stated at the time, the board believed that it was in the shareholders' interests to accelerate the timing of this year's final dividend. The second interim dividend has therefore replaced the final dividend that would normally have been paid in August 2010. The directors do not recommend the payment of a final dividend.

The second interim dividend gave a 5.1% increase of 1.2p over the 2009 final dividend, resulting in a total dividend for the year of 35.3p per share, an overall increase of 4.4%. This represents the 43rd successive year of annual dividend increases.

Investment strategy

During the year, I have had the opportunity to visit the management teams of most of our major investee companies, accompanying the responsible Caledonia executive director. From these visits I have been able to appreciate just how much our investee companies value having Caledonia as a significant shareholder, given our good investment reputation. It is also clear to me that having a Caledonia representative as a non-executive director on most of our investee company boards gives us an invaluable insight into the affairs of those companies. It not only enables us to gain a deeper understanding of our investments, but also allows our investee companies to benefit from the skills of our investment team.

Our own board has an important role to play in reviewing Caledonia's investment strategy. We have normally found it appropriate to undertake such a review every other year, but last year we decided to hold an interim review in the light of the exceptionally difficult global economic conditions which persisted for much of the year. We examined in detail the geographic mix of our investments, where a notable change over the last several years has been our increased exposure to Asia. We re-affirmed our belief that this exposure will continue to give us good growth opportunities, while recognising that it does require a significant input of investment management resources on our part. We also examined the mix of quoted and unquoted investments in our overall portfolio and concluded that a significant weighting of unquoted investments with strong growth potential remains appropriate, but again we recognise the greater investment management time these require compared with quoted investments.

In addition, we specifically examined our experiences of investing in India, including a review of our current investments. Caledonia has been invested in India for over five years, during which we have learnt a great deal and, we believe, have built a good reputation in the Indian market. While appreciating the risks associated with investing in India, we continue to believe that India is likely to offer an attractive level of growth over the coming years.

AIFM Directive

Caledonia has spent much time over the past few months seeking to persuade EU policy makers to exclude investment trusts from the scope of the proposed Alternative Investment Fund Managers Directive. The Directive was drafted in response to the EU's perception of the role played by hedge funds and private equity firms in the recent financial crisis and its main objective is to subject these to greater transparency and accountability. However, the Directive has included investment trusts within its definition of an alternative investment fund and, in doing so, has failed to recognise their totally different nature and structure, led as they are by boards fully accountable to shareholders, subject to the highest standards of corporate governance and transparency and with their shares freely tradeable on the London Stock Exchange.

Amendments to the Directive are being proposed to recognise the distinctive nature of investment trusts, but we shall continue to press for their total exclusion from its scope, since otherwise there remains a risk of significant cost and compliance burdens, with no benefits whatsoever.

"We have again outperformed against our ten year benchmark, delivering a total shareholder return over the period of 197%."

Board
The board has seen a number of changes over the past year. In September 2009, we were pleased to appoint Charles Gregson as an additional independent non-executive director. His experience from having been an executive director at United Business Media and from his current role as the non-executive Chairman of ICAP provides a valuable additional resource to our board.

In December 2009, Stephen King joined the board as Finance Director in succession to Jonathan Cartwright. Jonathan made a considerable contribution to Caledonia's affairs over some twenty years both as Finance Director and as a Caledonia representative on a number of investee company boards. I would like to thank him on behalf of the board and shareholders for his diligent and dedicated service. Stephen joined us from De La Rue, where he had been Group Finance Director, and has already brought to bear his wide ranging skills to Caledonia's benefit.

In January 2010, we announced that Tim Ingram will retire as Chief Executive following the AGM on 21 July after eight years at the helm. Tim has delivered an outstanding performance for Caledonia and its shareholders – over that period the share price total return has been more than double that of the FTSE All-Share index, a tribute to his exceptionally astute investment judgement. In addition, he has successfully exercised the wider skills of a chief executive and has been an excellent communicator both with the board and the investment community. I would like to thank him very much indeed on behalf of the board and shareholders for all that he has done for Caledonia.

In his place we welcome Will Wyatt as Chief Executive. Will has been an executive director of Caledonia since 2005 and has consistently delivered an excellent investment performance from his portfolio of investee companies. We are confident that he will be a worthy successor as Chief Executive.

Staff
All our staff have once more fulfilled their duties with considerable professionalism and dedication and I give them my thanks for their hard work throughout the year.

Outlook
Equity markets have recovered from their steep falls of the recent past and overall market valuations now look more challenging, with the likely prospect of sluggish economic growth ahead in the developed world. In the US and much of Europe, fiscal retrenchment will need to be severe and that will be notably so in the UK. We now look forward to the new Government taking timely and appropriate steps, however hard the decisions may be, to reduce the level of public borrowing and to pursue concomitant measures to reshape our public services.

Nearly all of our investment activity last year was in existing investee companies, supporting the capital needs of sound businesses which we know well. Our focus is likely to be similar over the year ahead, though we shall remain alert for new opportunities which provide sufficient value potential.

James Loudon
Chairman

Chief Executive's report

Increase in diluted NAV per share over the year

30.5%

Performance over the year

After two years of falling market values, the year ended 31 March 2010 saw a strong rebound in equity values. As a result, our own diluted net asset value ('NAV') per share increased by 30.5%, largely offsetting the previous year's fall. However it is disappointing to report that this gain nonetheless represented an underperformance of 16.2%, compared with the spectacular rise in the FTSE All-Share index of 46.7%. This is the first time that we have underperformed in the seven years since we converted to investment trust status in 2003. The principal cause for this relative underperformance has been our consistently conservative, but robust, approach to investing, specifically directed towards long term performance. Our philosophy is to take significant long term stakes, usually with a board seat, in sound, well run companies. The value of our holdings in such companies fell significantly less than the equity market as a whole during the downturn, and hence had less ground to make up in the recovery phase. Nevertheless, over the longer term we continue to expect the total shareholder returns ('TSR') of such companies to outperform their peers.

Our one year performance has also been restrained to the extent that we have held cash and other low yield liquid investments. Although such investments showed positive returns for the year, this was plainly much lower than the FTSE All-Share index gain of 46.7%. In addition, we have had no investment exposure to the clearing banks (which showed spectacular recovery gains), nor to the mining sector (whose index showed a gain of 105% in the year).

We have maintained our progressive dividend policy by increasing our annual dividend for the 43rd successive year.

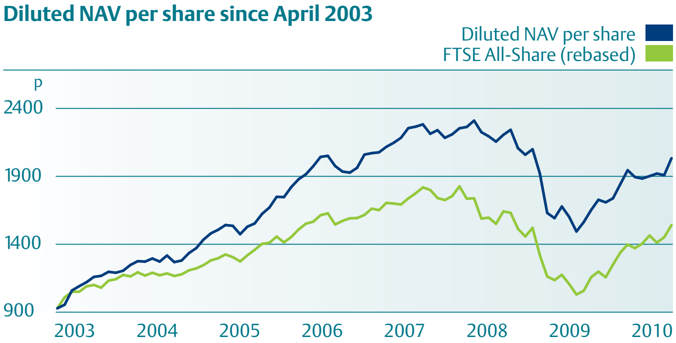
Medium and long term performance

Over the five year period to 31 March 2010, our NAV per share increased in value by 32.9%, thereby showing both a positive absolute gain, and outperformance compared with the FTSE All-Share index which increased by 18.4%. However, as at 31 March 2010, the discount of our share price to NAV had widened to 20.1% and, as a consequence, our five year TSR of 32.1% was below the FTSE All-Share TSR of 41.3%.

As illustrated in the chart on page 1, our ten year TSR of 196.7% shows 167.0% outperformance when compared with the FTSE All-Share TSR of only 29.7% over this period.

Since we converted to investment trust status in April 2003, we have measured our NAV on a consistent basis. Our diluted NAV per share over this period has significantly outperformed the FTSE All-Share index in the last six out of seven years, with NAV per share increasing by more than the index in growth years and declining by less in the two years when markets have fallen. This relative performance, in both bull and bear markets over the seven years, is shown in the chart below.

Diluted NAV per share since April 2003



Significant changes in value over the year

Most of our investments have shown substantial gains during the year. Those gains of particular significance, where there has been both a percentage gain of 50% or more, and an absolute gain of over £10m, are shown in the table below (again measured on a total return basis):

Investment	Gain in value £m	Gain in value %
Close Brothers	54.3	53
Avanti Communications	24.6	99
Bristow Group	24.1	66
Dewan Housing Finance	20.6	311
Alok Industries	15.6	112
Satellite Information Services	13.3	70
TGE Marine	12.9	231
AG Barr	12.7	60
Serica Energy	10.9	99

Close Brothers is a specialist financial services group active in banking, securities trading and asset management. It is our largest investment by value with a 13.6% shareholding. During the year Preben Prebensen was appointed as the new CEO, and the group has taken advantage of favourable conditions, particularly for its specialist lending activities and its trading business, Winterflood Securities.

"Our philosophy of taking significant stakes in well run companies continues to deliver long term performance."

Avanti Communications is a UK listed satellite communications business, in which we hold a 16.4% equity stake. It has advanced plans and full funding for two geo-stationary communications satellites, and with the signing of further client contracts the substantial potential value creation is becoming reflected in the share price.

Bristow Group is a US listed helicopter operating business mainly serving the offshore oil and gas sector, in which Caledonia holds a 6.6% stake. The business is progressing well with international expansion, higher oil prices and the strengthening of the US dollar against sterling all helping to increase its value.

Dewan Housing Finance, in which we have an 11.0% stake, is an Indian listed housing finance company. With strong growth in its business and earnings per share, the share price has increased. Alok Industries, in which we have a 12.1% stake, is an Indian listed business whose principal activity is textile manufacturing. The previous year had seen a significant fall in its share price, but with a large increase in its revenues and earnings as more manufacturing capacity came on stream, the share price has strengthened over the year. The gains from these two Indian investments were also aided by the relative appreciation of the Indian rupee against sterling.

Satellite Information Services is an unquoted business, in which we have a 22.5% shareholding, provides outside broadcast, production and satellite transmission services to UK and overseas media customers, as well as being a major supplier of data to the UK and Irish betting industries. The company delivered another year of increased profits.

We now have a 49.9% stake in TGE Marine, as a result of the company being taken private during the course of the year. TGE is a Bonn-based business specialising in the design and build of liquid gas tankers for ship owners and, with the recovering world economy and rising energy prices, the prospects for this company have increased significantly.

AG Barr is a UK listed soft drinks business in which we are an 8.8% shareholder. The company recently reported another year of strong profit growth and encouraging current trading.

Serica Energy is an oil and gas exploration and production company in which we have a 14.4% stake. During the year, the company sold down some of its Asian assets, substantially reducing its debt. This, coupled with rising oil prices, has led to a welcome gain in the share price and a reduction in its discount to net asset value.

The table below shows those investments which fell in value by £1m or more, measured on a total return basis, over the year to 31 March 2010.

Investment	Fall in value £m	Fall in value %
FTSE put options	14.4	84
Begbies Traynor	4.2	32
Celerant Consulting	4.0	18
Ermitage	3.7	34
Novae Group	1.6	9
Tribal Group	1.6	16

During the year, and once we were confident that the economic recovery had begun, we closed out all of our FTSE put options. We first commenced this value protection programme in June 2007 when we had major concerns over the economy as a whole. Since then we invested a total of £13.0m and realised £30.6m (both figures excluding any re-investment of realisation proceeds), producing a net pre-tax gain of £17.6m. This policy has therefore been beneficial for shareholders during these tumultuous times in both providing a degree of protection against falling markets and producing positive absolute returns. However, with hindsight, ideally we should have closed out these protective options a few months earlier.

We have a 15.7% stake in Begbies Traynor, a UK listed corporate recovery and insolvency practitioner. Over the year its share price dropped by nearly 35% as the anticipated large increased trading activity derived from corporate bankruptcies failed to materialise. However earnings from insolvency work is a protracted process and we believe the outlook for Begbies Traynor to be good.

Celerant Consulting, which is an unlisted UK based company providing consultancy assistance in business efficiency, and in which our equity stake is 47.3%, had shown a large gain in value in our previous financial year. A marked slow-down in revenues in the European side of its business has caused the reduction in value.

Ermitage is a Jersey-based fund of hedge funds business in which we currently have an equity stake of 91.7%. Like most other similar businesses, the year saw a significant diminution in assets under management, leading to a drop in value.

Novae is a UK listed Lloyd's insurance business in which we have a 7.2% stake. Disappointing underwriting results for the first half of 2009 led to a fall in the share price.

Tribal Group is a UK listed company providing public sector services in the UK and internationally, in which we have an 11.0% stake. Uncertainty over the impact of forthcoming cutbacks in government expenditure has led to the fall in its share price.

Chief Executive's report

Investment activity

We started the year in a strong financial position with £55m of cash and £100m of term facilities committed to July 2013. In view of the uncertain economic conditions, we believed we should give priority to investing at attractive prices in our existing portfolio investments where we know the company and management well, and where there were likely to be needs for further capital. As a consequence, we invested about £114m in follow-on investments, and although we examined 80 new opportunities, we made only one new investment at an initial cost of about £2m. This total investment figure of £116m represented a significant (84%) increase over the £63m invested in the previous year.

Most (nearly 70%) of our realisations were in the second half of our financial year when equity markets had considerably improved. Over the full 12 month period, we realised a total of around £84m which was lower than the £99m we had realised in the previous year. Further details on investments and realisations are shown in the financial review on page 19.

Our cash position at the end of the financial year was approximately £8m, and the £100m of committed term bank facilities remained undrawn.

Costs

We continue to keep a tight rein on costs, and once again our pre-tax total expenses ratio at 0.96% has been kept below our target of 1% and is well below the investment trust average of 1.2%.

Business philosophy

Our core business philosophy of being a significant long term supportive and constructively involved shareholder has continued. During the year, we have had board representation in 18 of our top 20 investments, a demonstration of real shareholder involvement which, sadly, so often does not seem to happen elsewhere. Nonetheless, it is time consuming and can pose logistical challenges.

For some time we have believed that economic growth prospects are looking more attractive in Asia and the Far East, than in the West. As mentioned in the Chairman's statement, over the last five years we have built up considerable experience in this region, both directly and indirectly through our 40% stake in IAP Group, an investment advisory and fund management business with operations in Mumbai and London. In China, most of our investing has been through the private equity funds of Capital Today. However, a Caledonia executive chairs the advisory boards of those funds, which again enhances our knowledge and understanding. We believe therefore that we are becoming better placed to take advantage of value creating opportunities in these fast growing regions.

Outlook

Although we have seen a tremendous rally in equity prices, the global economy continues to look fragile. In the West, particularly the US and UK, governments are running huge deficits which are clearly unsustainable. There is simply not going to be the resurgence of economic growth in this part of the world to mask those deficits. Indeed, the necessary medicine of government expenditure cuts and/or taxation increases will have a further deleterious effect on growth. There may well in time be a resurgence of significant inflation. In Asia and the Far East, the situation looks better, but we should not forget that much of their growth has been export led and fuelled by inward foreign investment, and the rate of inflation in India remains a concern.

In short, although we anticipate there to be continuing good investment opportunities, we need to maintain our cautious stance. It will be very difficult for us to achieve the same degree of TSR in real terms over the next ten years that we have achieved over the past decade. We will, nevertheless, continue to aspire to relative outperformance over the medium to long term, while also producing positive absolute returns.

My retirement

As the Chairman's statement has already mentioned, I will be retiring after the AGM in July having spent just over eight years as Caledonia's chief executive and therefore this will be my last report. I have particularly enjoyed this role and have been privileged to have worked with so much talent in our investee companies. I would like to take this opportunity to thank every one of my colleagues at Caledonia who, together with all the managements of our investee companies, have been the people who have created the shareholder value, and thereby made my job so enjoyable.

My successor, Will Wyatt, has worked for the Caledonia group for 13 years and has established an outstanding record in investment performance – he is an exceptionally astute investor. He will, of course, be supported by a very able and experienced management team. I will therefore be leaving the company in good hands and I would underline my confidence in its future by adding that I have no intention after my retirement of selling any of my personal shareholdings in Caledonia!

Tim Ingram

Tim Ingram
Chief Executive

Objectives and strategy

Objectives

Caledonia aims to achieve a long term total shareholder return in excess of the FTSE All-Share Total Return index, whilst maintaining a progressive annual dividend, through a focused portfolio of significant stakes in companies where we believe there to be good opportunities for building value.

Caledonia measures its performance over the long term by comparing its total shareholder return against the FTSE All-Share Total Return index over five and ten year periods.

In addition, Caledonia aims to achieve a positive total return over rolling five year periods.

Strategy

Caledonia's strategy is to invest in and actively manage significant stakes in 30 to 40 companies and situations where we believe there to be good opportunities for building value. Active management will usually be achieved by working closely and constructively with the investee managements, and usually with board representation, as a long term supportive shareholder. We self-manage our portfolio, using in-house expertise, as well as occasionally using third party managers who specialise in particular asset classes or geographical areas.

Caledonia seeks new investments with a typical size of £10m to £25m, although we may invest up to £100m in exceptional circumstances. Although Caledonia usually aims to have an influential minority stake, we will, on occasion, be prepared to take a controlling interest where we believe that this will maximise shareholder value. When considering an investment opportunity, we take particular care in appraising the capabilities and commitment of the management team of the prospective investee company. The anticipated total return from the investment, the strategy in relation to it, and the overall risks, are carefully analysed as part of the investment process.

Caledonia will invest part of its portfolio in third party managed funds. Again, a core skill is our ability to assess the capabilities and commitment of the fund management team and we will often seek to obtain a significant stake in the management company, thereby potentially enhancing returns to shareholders.

Caledonia seeks to work closely and constructively with the managements of companies that it has backed and to make available the considerable experience of its team to help the investee companies' managements to address their business issues. The strategy for each investment, including the returns and the timing of eventual disposal, is reviewed regularly. Investments are realised when we believe that the funds released can provide better long term returns, but in a manner consistent with Caledonia's reputation as a supportive, long term investor.

Whilst the source of funding for new investments generally comes from its own resources, Caledonia may at times seek to enhance returns by taking on moderate levels of gearing.

Tight control is exercised over costs, notwithstanding Caledonia's active and participative management style. Cost containment is significantly aided by managing the large majority of investments through our in-house management team.

Portfolio information

Investment portfolio holdings of over 1% of net assets at 31 March 2010:

Name	Equity holding %	Domicile	Sector	Business	Total £m	Net assets %
Close Brothers[1,2]	13.6	UK	Financial	Merchant banking	152.1	12.9
British Empire Securities[1,2]	17.1	UK	Funds	Investment trust	121.9	10.3
Cobepa[2]	10.1	Belgium	Funds	Investment company	72.9	6.2
Bristow Group[1,2]	6.6	US	Oil and gas	Helicopter services	60.7	5.1
Avanti Communications[1,2]	16.4	UK	Consumer	Satellite communications services	55.5	4.7
Oval[2]	24.3	UK	Financial	Insurance broking	43.9	3.7
London & Stamford Property[1]	6.3	Guernsey	Property	Property investment	37.4	3.2
Eddington Capital funds[3]	–	Cayman	Funds	Funds of hedge funds	35.8	3.0
Melrose Resources[1,2]	10.3	UK	Oil and gas	Oil and gas exploration and production	35.0	3.0
AG Barr[1]	8.8	UK	Consumer	Soft drinks	32.3	2.7
Alok Industries[1,2]	12.1	India	Consumer	Textiles manufacturer	31.7	2.7
Quintain Estates[1,2]	10.6	UK	Property	Property development	31.4	2.6
Rathbone Brothers[1,2]	8.1	UK	Financial	Fund management	30.6	2.6
Satellite Information Services[2]	22.5	UK	Consumer	Betting information distribution	30.5	2.6
Dewan Housing Finance[1,2]	11.0	India	Financial	Housing finance	27.1	2.3
TGE Marine[2]	49.9	Germany	Industrial	Gas engineering	22.8	1.9
Nova Springboard[3]	–	Guernsey	Funds	Investment fund	22.8	1.9
Serica Energy[1,2]	14.4	UK	Oil and gas	Oil and gas exploration and production	21.9	1.9
Celerant Consulting[2]	47.3	UK	Industrial	Management consulting	18.9	1.6
The Sloane Club[2]	100	UK	Consumer	Residential club owner and operator	17.0	1.4
Sterling Industries[2]	100	UK	Industrial	Engineering	15.6	1.3
Amber Chemicals[2]	100	UK	Industrial	Specialty chemicals	15.4	1.3
Novae Group[1,2]	7.2	UK	Financial	Insurance services	15.3	1.3
Pragma	–	France	Funds	Investment funds	12.8	1.1
Varun Shipping[1,2]	11.2	India	Industrial	Shipping services	12.0	1.0
Other investments[4]					211.3	17.9
Investment portfolio					1,184.6	100.2
Cash and other net liabilities					(3.0)	(0.2)
Net assets					1,181.6	100.0

1. Equity securities quoted on UK or overseas stock exchanges.
2. Board representation during the year.
3. Caledonia also has a shareholding in, and representation on the board of, the management company.
4. Comprised 60 investments of less than 1% of net assets each.

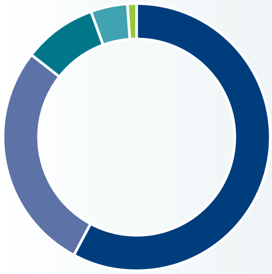
The following charts show an analysis of net assets at 31 March 2010 by sector, asset class, region and currency.

Net asset by sector

	Value	No.
Financial	25%	16
Funds	29%	18
Property	11%	18
Oil and gas	10%	3
Industrial	9%	17
Consumer	16%	13

Sector is based on the Industry Classification Benchmark grouping of the company's investments.

Net asset by asset class



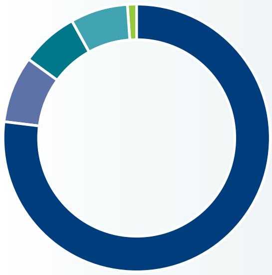
	Value	No.
Quoted equities	62%	29
Unquoted companies	25%	39
Private Equity funds	8%	12
Hedge funds	4%	3
Other investments	1%	2

Net asset by region

	Value
United Kingdom	59%
Continental Europe	16%
North America	7%
Asia and Far East	13%
Unallocated	5%

Region is based on the country of listing, country of domicile for unquoted investments and underlying regional analysis for funds.

Net asset by currency

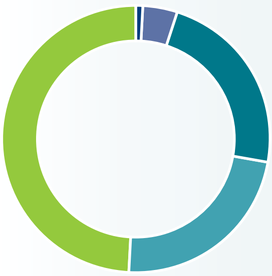


	Value
Pound sterling	77%
Euro	8%
US dollar	7%
Indian rupee	7%
Other currencies	1%

Currency is based on the currency in which securities are denominated or traded, net of any currency hedges.

The following charts show an analysis of the investment portfolio at 31 March 2010 by age and valuation method.

Investment portfolio by age



	Value	No.
Under 1 year	–	1
1 to 3 years	4%	8
3 to 5 years	23%	28
5 to 7 years	23%	13
Over 7 years	50%	35

At 31 March 2010, the weighted average age of the investment portfolio, measured from the date of initial investment, was 11.9 years (2009 –10.7 years).

Investment portfolio by valuation method

	Value	No.
Quoted prices	63%	29
Fund prices	4%	2
Recent transactions	2%	3
Managers' NAV	8%	13
Earnings	14%	13
Net assets	9%	25

Twenty largest investments

Close Brothers

Close Brothers is the UK's leading independent merchant bank with a long and successful track record. It provides investment funds, wealth management, securities trading, lending services and deposits and treasury services. Close Brothers is quoted on the London Stock Exchange.

Sector	Financial
Geography	UK
Initial investment	Jan 1987
Valuation basis	Market price
Residual cost	£43.1m
Equity held	13.6%
Valuation	£152.1m
Income	£7.7m
Year end	31 Jul 09
Revenue	£502.1m
Earnings	£71.7m
Net assets	£697.7m

British Empire Securities

British Empire Securities is a UK quoted investment trust company. Managed by Asset Value Investors, its investment objective is to achieve capital growth through a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying net asset value.

Sector	Funds
Geography	Global
Initial investment	Jan 1991
Valuation basis	Market price
Residual cost	£15.3m
Equity held	17.1%
Valuation	£121.9m
Income	£2.1m
Year end	30 Sep 09
Revenue	£20.7m
Earnings	£113.0m
Net assets	£735.2m

Cobepa

Cobepa is a Belgian investment company, with a history stretching back to 1957. It seeks to invest in companies with long term growth prospects throughout Europe and its shareholder base of longer term investors and families gives it the flexibility to take the medium term approach. Cobepa will invest in both minority and majority owned situations with a minimum investment of €20m.

Sector	Funds
Geography	Europe
Initial investment	Apr 2004
Valuation basis	Net assets
Residual cost	£34.6m
Equity held	10.1%
Valuation	£72.9m
Income	£1.3m
Year end	31 Dec 09
Revenue	N/A
Earnings	N/A
Net assets	€933.1m

Bristow Group

Bristow Group is one of the world's largest providers of helicopter services, providing helicopter transportation, maintenance and aviation support worldwide, principally to all major offshore and onshore oil and gas producing regions. Bristow Group is quoted on the New York Stock Exchange.

Sector	Oil and gas
Geography	US
Initial investment	Nov 1991
Valuation basis	Market price
Residual cost	£36.8m
Equity held	6.6%
Valuation	£60.7m
Income	£0.2m
Year end	31 Mar 09
Revenue	$1,133.8m
Earnings	$111.7m
Net assets	$1,211.6m

1. Geography is based on the country of listing, country of domicile for unquoted investments and underlying regional analysis for funds.
2. Income in the year represents dividends received (inclusive of any overseas withholding tax) and gross interest receivable in the year to 31 March 2010.
3. Revenue, earnings and net assets figures are taken from the most recent audited financial statements of the investee businesses. The figures shown are the total earnings on ordinary activities after tax and net assets of each business. Due to the varying rights attaching to the classes of shares held, it could be misleading to attribute a certain proportion of earnings and net assets to the proportion of equity capital held.
4. For investment funds, equity held, revenue, earnings and net assets are not applicable.

Caledonia's reputation and successful long term record have been built upon two principles that we believe set us apart: a long term investment horizon and close involvement with investee managements.

Avanti Communications

Avanti Communications supplies satellite communications services for business, institutional and residential customers across Europe directly or via a comprehensive network of resellers and maintainers. Avanti will be launching its first satellite into orbit in 2010. Avanti is quoted in the UK on AIM.

Sector	Consumer
Geography	UK
Initial investment	Nov 2005
Valuation basis	Market price
Residual cost	£30.6m
Equity held	16.4%
Valuation	£55.5m
Income	£1.5m
Year end	30 Jun 09
Revenue	£8.0m
Earnings	£1.0m
Net assets	£122.6m

Oval

Oval is a leading provider of insurance broking and financial services in the UK. It has created a national group by acquiring some of the UK's best regional companies, with excellent reputations in their areas, strong relationships with providers, and sector-leading specialists on their teams.

Sector	Financial
Geography	UK
Initial investment	Nov 2003
Valuation basis	Earnings
Residual cost	£41.3m
Equity held	24.3%
Valuation	£43.9m
Income	£1.3m
Year end	31 May 09
Revenue	£104.6m
Earnings	-£3.2m
Net assets	£47.0m

London & Stamford Property

London & Stamford Property is a Guernsey registered property investment company quoted in the UK on AIM. It invests in commercial property, including office, retail and distribution real estate assets, principally in the UK.

Sector	Property
Geography	UK
Initial investment	Nov 2007
Valuation basis	Market price
Residual cost	£32.1m
Equity held	6.3%
Valuation	£37.4m
Income	£1.8m
Year end	31 Mar 09
Revenue	£3.1m
Earnings	£24.0m
Net assets	£291.7m

Eddington Capital funds

The Eddington Capital funds comprise a range of funds of hedge funds managed by Eddington Capital, in which Caledonia has a 50% stake. The Eddington Triple Alpha Fund is a diversified multi-strategy fund and the Eddington Macro Opportunities Fund a fund of macro-based or macro-related hedge funds with a variety of styles and strategies.

Sector	Funds
Geography	Global
Initial investment	Aug 2003
Valuation basis	Manager's NAV
Residual cost	£38.4m
Equity held	N/A
Valuation	£35.8m
Income	–
Year end	N/A
Revenue	N/A
Earnings	N/A
Net assets	N/A

Twenty largest investments

Melrose Resources

Melrose Resources is a UK quoted oil and gas exploration and production company with interests in Egypt, Bulgaria, United States, France and Turkey. Melrose has a balanced portfolio of producing assets, development projects and exploration interests.

Sector	Oil and gas
Geography	UK
Initial investment	Aug 2003
Valuation basis	Market price
Residual cost	£28.1m
Equity held	10.3%
Valuation	£35.0m
Income	£0.2m
Year end	31 Dec 09
Revenue	$224.4m
Earnings	-$23.9m
Net assets	$329.1m

AG Barr

Founded in 1875, AG Barr is the now the largest manufacturer of soft drinks in the UK. Based in Scotland, the company is particularly notable for the manufacture of Irn-Bru, but also produces a variety of other soft drinks and holds the manufacturing franchise for the Orangina soft drink range. AG Barr is quoted in the UK.

Sector	Consumer
Geography	UK
Initial investment	Apr 1987
Valuation basis	Market price
Residual cost	£1.2m
Equity held	8.8%
Valuation	£32.3m
Income	£0.8m
Year end	31 Jan 10
Revenue	£201.4m
Earnings	£17.9m
Net assets	£100.5m

Alok Industries

Alok Industries is a fully integrated textile company and one of India's largest textile manufacturers. Headquartered in Mumbai, the company produces cotton yarn, apparel fabric, home textiles, garments and polyester yarn. Alok Industries is quoted in India.

Sector	Consumer
Geography	India
Initial investment	Jul 2004
Valuation basis	Market price
Residual cost	£32.5m
Equity held	12.1%
Valuation	£31.7m
Income	£0.3m
Year end	31 Mar 09
Revenue	Rs33.83bn
Earnings	Rs1.88bn
Net assets	Rs17.55bn

Quintain Estates

Quintain Estates is a UK quoted property company comprising fund management, investment and urban regeneration businesses. A specialist in regeneration, the company is developing Wembley City, Greenwich Peninsula and various regional projects, including building zero carbon communities.

Sector	Property
Geography	UK
Initial investment	Mar 1994
Valuation basis	Market price
Residual cost	£62.4m
Equity held	10.6%
Valuation	£31.4m
Income	–
Year end	31 Mar 09
Revenue	£66.0m
Earnings	-£106.2m
Net assets	£444.8m

1. Geography is based on the country of listing, country of domicile for unquoted investments and underlying regional analysis for funds.
2. Income in the year represents dividends received (inclusive of any overseas withholding tax) and gross interest receivable in the year to 31 March 2010.
3. Revenue, earnings and net assets figures are taken from the most recent audited financial statements of the investee businesses. The figures shown are the total earnings on ordinary activities after tax and net assets of each business. Due to the varying rights attaching to the classes of shares held, it could be misleading to attribute a certain proportion of earnings and net assets to the proportion of equity capital held.
4. For investment funds, equity held, revenue, earnings and net assets are not applicable.

Caledonia has a long term investment horizon, underpinned by its strong financial position and stable ownership structure. This enables the management teams we back to pursue their strategies, confident that we are able to resist short term market pressures.

Rathbone Brothers

Rathbone Brothers is a leading, independent provider of investment and wealth management services for private investors and trustees, including discretionary asset management, tax planning, trust and company management, pensions advice and banking services. Rathbone Brothers is quoted on the London Stock Exchange.

Sector	Financial
Geography	UK
Initial investment	Mar 1995
Valuation basis	Market price
Residual cost	£11.5m
Equity held	8.1%
Valuation	£30.6m
Income	£2.9m
Year end	31 Dec 09
Revenue	£116.8m
Earnings	£19.6m
Net assets	£182.5m

Satellite Information Services

Satellite Information Services is a long-established media business focussing on television production, broadcasting and the provision of live pictures and data via satellite. It is the foremost supplier of television programming and data services to the UK and Irish betting industries.

Sector	Consumer
Geography	UK
Initial investment	May 2005
Valuation basis	Earnings
Residual cost	£16.7m
Equity held	22.5%
Valuation	£30.5m
Income	£3.2m
Year end	31 Mar 09
Revenue	£192.9m
Earnings	£15.1m
Net assets	£38.2m

Dewan Housing Finance

Dewan Housing Finance is an Indian quoted company providing house financing to lower and middle income purchasers. It has grown to be India's second largest private sector house financing company.

Sector	Financial
Geography	India
Initial investment	Mar 2005
Valuation basis	Market price
Residual cost	£8.3m
Equity held	11.0%
Valuation	£27.1m
Income	£0.3m
Year end	31 Mar 09
Revenue	Rs7.36bn
Earnings	Rs0.90bn
Net assets	Rs4.66bn

TGE Marine

TGE Marine is a Germany-based provider of engineering services for the design and supply of liquid gas carriers and offshore units, providing marine gas handling and storage systems as well as vessel designs to shipyards across Europe, Asia and South America.

Sector	Industrial
Geography	Germany
Initial investment	Apr 2006
Valuation basis	Recent trans
Residual cost	£9.0m
Equity held	49.9%
Valuation	£22.8m
Income	–
Year end	30 Jun 09
Revenue	€71.5m
Earnings	€8.3m
Net assets	€12.5m

Twenty largest investments

Caledonia seeks close involvement with investee managements through board representation and strong and supportive working relationships. This leads to a clear understanding of the objectives and motivations of our management partners and enables us to help them realise their goals.

Nova Springboard

Nova Springboard is a fund managed by Nova Capital Management, in which Caledonia has a 32% stake. Springboard plc was an AIM quoted investment company in relation to which Caledonia funded a public to private transaction in 2006. Investments include MeetingZone, a provider of audio and video conferencing services.

Sector	Funds
Geography	UK
Initial investment	Feb 2006
Valuation basis	Manager's NAV
Residual cost	£13.6m
Equity held	N/A
Valuation	£22.8m
Income	–
Year end	N/A
Revenue	N/A
Earnings	N/A
Net assets	N/A

Serica Energy

Serica Energy is an AIM quoted oil and gas exploration and production company with activities focussed on Western Europe and South East Asia. The company has operations in the UK North Sea, Ireland, Spain, Morocco and Indonesia and has built a portfolio of exploration, appraisal and development projects.

Sector	Oil and gas
Geography	UK
Initial investment	Jul 2006
Valuation basis	Market price
Residual cost	£24.6m
Equity held	14.4%
Valuation	£21.9m
Income	–
Year end	31 Dec 09
Revenue	£7.6m
Earnings	£5.8m
Net assets	£173.0m

Celerant Consulting

Celerant Consulting provides change management services to a global client base in a range of industries including chemicals, energy, manufacturing, telecoms, government and private equity.

Sector	Industrial
Geography	UK
Initial investment	May 2006
Valuation basis	Earnings
Residual cost	£10.3m
Equity held	47.3%
Valuation	£18.9m
Income	£1.6m
Year end	31 Dec 08
Revenue	£105.6m
Earnings	-£1.6m
Net assets	-£5.1m

The Sloane Club

The Sloane Club is a residential club situated in central London. Along with 138 bedrooms and 20 serviced apartments, it offers a restaurant and private event facilities.

Sector	Consumer
Geography	UK
Initial investment	Aug 1991
Valuation basis	Net assets
Residual cost	–
Equity held	100.0%
Valuation	£17.0m
Income	–
Year end	31 Mar 10
Revenue	£7.3m
Earnings	£1.3m
Net assets	–

1. Geography is based on the country of listing, country of domicile for unquoted investments and underlying regional analysis for funds.
2. Income in the year represents dividends received (inclusive of any overseas withholding tax) and gross interest receivable in the year to 31 March 2010.
3. Revenue, earnings and net assets figures are taken from the most recent audited financial statements of the investee businesses. The figures shown are the total earnings on ordinary activities after tax and net assets of each business. Due to the varying rights attaching to the classes of shares held, it could be misleading to attribute a certain proportion of earnings and net assets to the proportion of equity capital held.
4. For investment funds, equity held, revenue, earnings and net assets are not applicable.

Valuation methodology

Investments are measured at the directors' estimate of fair value at the reporting date, in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

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

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

The value of an unquoted company investment is generally crystallised through the sale or flotation of the entire business, rather than the sale of an individual instrument. Therefore, the estimation of fair value is based on the assumed realisation of the underlying business at the reporting date, based on the International Private Equity and Venture Capital Valuation Guidelines (September 2009), using the following model:

- Determine the enterprise value using an appropriate valuation methodology.
- Adjust for surplus assets, excess or unrecorded liabilities and other relevant factors.
- Deduct any financial instruments ranking ahead of the highest ranking instrument held by the company.
- Apportion the attributable enterprise value between the relevant financial instruments according to their rankings.
- Allocate to the company's holding in each of these financial instruments.

Recognition is given to the uncertainties inherent in estimating the fair value of unquoted companies and appropriate caution is applied in exercising judgments and making the necessary estimates.

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

Price of recent investment
Where the investment being valued was made recently, its cost will generally provide a good indication of fair value. Where there has been any recent investment in the investee company, the price of that investment will provide a basis of the valuation. This methodology is likely to be appropriate only for a limited period after the date of the relevant transaction.

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

The earnings multiple used is determined by reference to market-based multiples appropriate for the business and correlating to the period and calculation of earnings of the company being valued. The aim is to identify companies that are similar in terms of risk and growth prospects to the company being valued, which is more likely to be the case where there are similarities of business activities, markets served, size, geography and applicable tax rate. Earnings multiples are adjusted for points of difference between the comparator and the company being valued where appropriate, including the ability of Caledonia to effect change in the company and risks associated with holding an unquoted share. In determining an appropriate earnings multiple, reference may be made to a single comparator company or a number of companies or the earnings multiple of a quoted stock market sector or sub-sector.

Maintainable earnings should balance reliability and relevance. Generally, the latest historical accounts are used unless reliable forecast results for the current year are available. Earnings are adjusted where appropriate for exceptional or non-recurring items.

Net assets
The net assets methodology involves deriving the value of a business by reference to the fair value of its net assets. This is likely to be appropriate for a business whose value derives mainly from the underlying value of its assets rather than its earnings, such as a property holding company and 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.

Fund interests
Fund interests refer to participations in arrangements to create a designated pool of capital to invest in a wider range of assets than is feasible for an individual investor and to share the costs and benefits.

Open-ended funds, including investment companies with variable capital, typically report regular net asset values, which usually provide a reliable basis to estimate the 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.

Closed-ended funds include unquoted 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 manager valuation reports may be used where there is evidence that the valuation is derived using fair value principles and may be adjusted to take account of changes or events to the reporting date. Adjustment may also be necessary for features of the fund agreement not captured in the valuation report, such as performance fees or carried interest.

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 unquoted company. For such investments, appropriate valuation techniques are adopted and used consistently.

Financial review

The financial review discusses the results of the company for the financial year and refers to the company's statement of comprehensive income and statement of financial position. In addition to holding non-controlling stakes in investee businesses, the company holds controlling stakes in a number of companies. The results of these companies are included in the consolidated financial statements. However, management views these controlling stakes as part of the company's investment portfolio and they are included in the discussion below in this context.

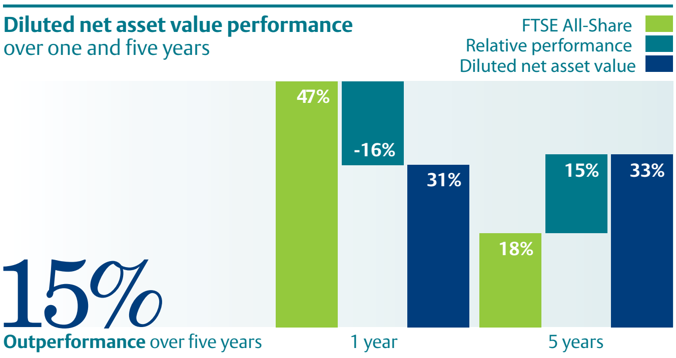
Key performance indicators

The company's key performance indicators are as follows:

- diluted net asset value per share performance against the FTSE All-Share index over one and five years
- share price total return performance against the FTSE All-Share Total Return index over five and ten years
- share price total return over five years
- total expenses ratio
- dividends per share
- deal flow.

Diluted net asset value performance

The chart below illustrates diluted net asset value ('NAV') per share performance against the FTSE All-Share over one and five years:



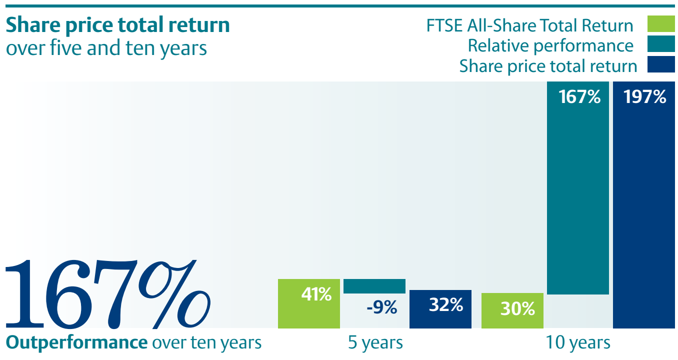
As discussed in the Chief Executive's report, the underperformance in the year of 16% against the FTSE All-Share is principally due to Caledonia's conservative, but robust investment approach, which is more suited to long term performance. By comparison, in the previous year, whilst the FTSE All-Share fell by 32%, diluted NAV per share fell by only 28%.

Share price total return performance

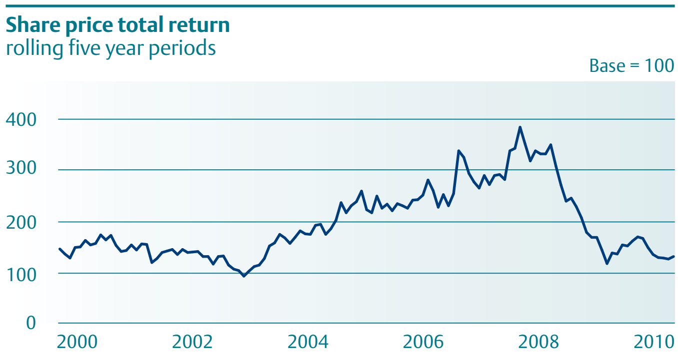
The company measures longer term performance by comparing its share price total return against the FTSE All-Share Total Return index over five and ten year periods. The total return measure assumes the re-investment of dividends on the ex-dividend date at the closing mid-market share price on that date.

Whilst the share price total return provides an accurate measure of investors' returns, it should be noted that it is based on the company's share price, which is not within the company's direct control.

The chart below shows that shares in Caledonia have produced a total return to investors of 32% over five years and 197% over ten years, compared with total returns of 41% and 30% respectively from the FTSE All-Share – relative performance of -9% and 167%.



As well as seeking to outperform the FTSE All-Share Total Return index over five and ten year periods, the company also aims to deliver positive total return on a rolling five year basis. This measure is illustrated in the following chart.



Over the last ten years, the company has made a positive total return over rolling five year periods, except for a short period in late March and early April 2003.

Total expenses ratio

The calculation of the company's pre-tax total expenses ratio ('TER') is based on the adjusted annualised management expenses, divided by closing net assets. Management expenses reflect the cost of managing the investment portfolio and exclude third party performance fees, investment transaction costs and restructuring costs.

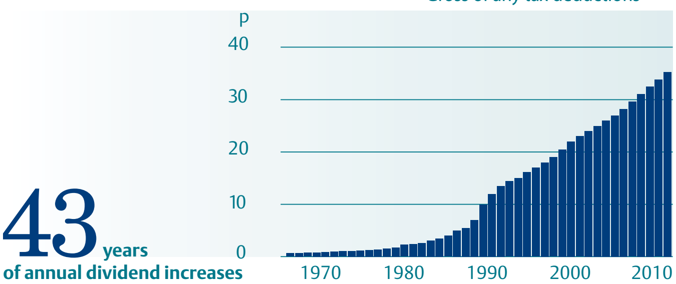
For the purposes of calculating the TER, management expenses reported in the statement of comprehensive income are adjusted to expense the fair value of equity rights granted under the deferred bonus plan in the year to which the awards relate. This differs from the accounting treatment, which expenses some of the entitlements over the three year vesting period. The effect of this adjustment is to reduce reported management expenses by £0.8m to £11.3m (2009 – decrease by £1.0m to £8.6m).

Total expenses ratio
years ended 31 March

Dividends

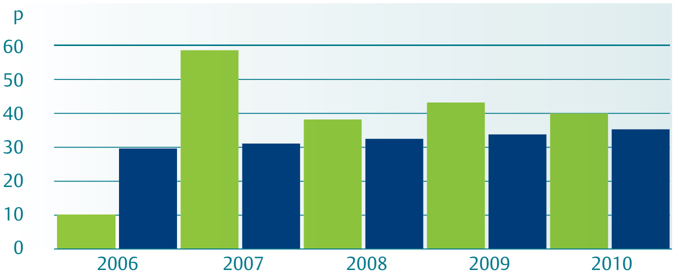
Caledonia maintains a progressive dividend policy and has an unbroken consecutive record of annual dividend increases over the last 43 years.

Annual dividends per share
years ended 31 March



A key measure of the company's performance is its ability to cover the dividend with revenue earnings. The following chart compares revenue earnings with dividends payable over the last five years.

Annual net revenue and dividend per share
years ended 31 March



Deal flow

The company's ability to access attractive investment opportunities is crucial to its strategy of being a long term, supportive investor. Deal flow is measured according to the number of opportunities that have passed an initial screening process and warrant further investigation. During the year, the company actively considered 80 new investment opportunities, the same number as in 2009.

Diluted net asset value per share

Net asset value ('NAV') per share, on a diluted basis, was 2034p at 31 March 2010, compared with 1559p at the same date in 2009 and 2155p in 2008. The increase over the year of 475p (30.5%) resulted principally from the movement in portfolio value (31.2%) less annual dividends paid (-3.8%). The diluted NAV per share increase over the year of 30.5% compared with an increase in the FTSE All-Share index of 46.7%.

The chart on page 1 compares diluted NAV per share to the FTSE All-Share index over five years. Over this period, diluted NAV per share has increased by 32.9%, compared with an increase in the FTSE All-Share index of 18.4%, an outperformance of 14.5%.

The table below shows the components of the movement in diluted NAV per share over the year.

	Net assets £m	Number of shares 000's	Dilution adjustment[1] 000's	Diluted NAV p/share
At 31 March 2009	906.2	57,579	549	1559
Total return	311.7	–	–	523
Annual dividends[2]	(34.0)	–	–	(59)
Treasury shares	(0.8)	(19)	17	(1)
Employee share options	(2.6)	154	(188)	10
Share-based payments	1.1	–	–	2
At 31 March 2010	1,181.6	57,714	378	2034

1. The dilution adjustment is the number of free shares equivalent to achieve the same dilution effect as issuing treasury shares at market price, exercising of share options, calling of deferred bonus shares and releasing restricted shares.
2. NAV per share movement is taken as the dividends per share.

Financial review

The company's NAV at 31 March 2010 of £1,181.6m (2009 – £906.2m) differs from the group's consolidated NAV of £1,189.6m (2009 – £929.3m), due to the inclusion of investments in subsidiaries at fair value in the company statement of financial position and at share of net assets in the group.

Total return

Caledonia's total return for the year ended 31 March 2010 of £311.7m equates to 34.4% on opening equity, compared with 26.3% in 2009. The key components were net gains on investments and investment income recognised over the year. Total return, which is equivalent to total comprehensive income, is summarised in the table below.

	2010 £m	2009 £m
Gains and losses on investments and derivatives	295.3	(351.7)
Investment provisions	(5.4)	10.0
Investment and other income, net of impairment	33.0	32.1
Gross portfolio return	322.9	(309.6)
Management expenses	(12.1)	(9.6)
Other expenses	(1.0)	(0.5)
Net portfolio return	309.8	(319.7)
Treasury net income/(expense)	(0.2)	0.3
Taxation	2.8	(6.1)
Profit/(loss) for the year	312.4	(325.5)
Other comprehensive income	(0.7)	(4.2)
Total return	311.7	(329.7)

Gross portfolio return

Gross portfolio return principally comprises gains and losses on investments and investment income. The increased performance in 2010, compared with 2009, reflected the increase in equity prices.

Net gains on investments and derivatives, net of provisions, for the year amounted to £289.9m, compared with a net loss of £341.7m for 2009. Investment and other income of £33.0m was 2.8% higher than the £32.1m booked in 2009. The principal contributors to the gross portfolio return are discussed in the Chief Executive's report.

Expenses

Management expenses comprised the costs incurred in managing the operations of the company and totalled £12.1m for the year, compared with £9.6m in 2009. The increase principally related to bonuses payable to directors and staff in 2010, which were not paid in 2009, and other staff related costs.

Other expenses of £1.0m (2009 – £0.5m) comprised transaction costs of potential and completed investments, performance fees to third party managers and other costs.

Treasury income and expenses

Treasury income and expenses, totalling £0.2m net expense (2009 – £0.3m net income), principally reflected lower interest rates on cash deposits. The company held net liquidity in term deposits, averaging £17.5m over the year. Also included were exchange losses of £0.3m (2009 – £0.8m), which arose from holding foreign currency balances.

Taxation

The tax credit of £2.8m included a prior year and deferred tax net credit of £1.0m. The charge in 2009 included £6.5m for one-off items.

Dividends

During the year, the company paid dividends of 58.8p per share (2009 – 32.9p), amounting to £34.0m (2009 – £19.0m), representing the final dividend in respect of the year ended 31 March 2009 of 23.5p per share and the interim and second interim dividends in respect of the year ended 31 March 2010 of 10.6p and 24.7p per share respectively. The second interim dividend was paid in the year instead of proposing a final dividend, as the company believed that it was in the shareholders' interests to accelerate the timing of the dividend payment.

Treasury and employee trust shares

Shares held in treasury, by the employee share trust and as 'restricted' shares are excluded from the undiluted NAV per share calculations.

At 31 March 2010, 686,306 shares were accounted as held in treasury, of which 51,001 shares were bought during the year at a cost of £0.8m and 123,076 shares were subject to a buy-back arrangement whereby, for the duration of the close period from 1 April to 18 May 2010, being the day before the final results announcement, the company had given an irrevocable undertaking to J.P. Morgan Securities to purchase Caledonia's shares on its behalf, within certain parameters. This instruction was subject to a maximum of £2.0m or 250,000 shares. At 31 March 2010, £2.0m represented the equivalent value of 123,076 shares at the closing mid-market price on that day.

Caledonia operates an employee share trust to hold shares pending transfer to employees as a result of the exercise of share options or calling of deferred bonus awards. At 31 March 2010, 350,293 shares were held by the trust, decreased from 547,910 shares held at the end of the previous year. During the year, the trust transferred 586,024 shares to staff on exercise of share options and calling of deferred bonus shares and bought 388,407 shares. These transactions resulted in a net payment by the trust of £2.6m.

During the year, employees waived their rights to certain deferred bonus awards for no consideration and were subsequently granted vested restricted share awards over an equivalent number of Caledonia shares, with sufficient shares being sold to discharge tax liabilities and dealing costs. The remaining restricted shares must be retained until the vesting date of the original deferred share awards to which they relate. At 31 March 2010, there were 43,672 restricted shares held by employees.

NAV per share dilution

The NAV per share dilution adjustment measures the effect of re-issuing treasury shares at a discount to NAV per share and from the exercise of executive share options and the calling of deferred bonus shares by assuming that these events take place at the year end. The adjustment is expressed as a free shares equivalent.

At 31 March 2010, re-issuing the 686,306 shares (2009 – 667,388 shares) accounted as held in treasury at the closing mid-market price would have yielded proceeds of £11.2m (2009 – £8.6m). In addition, the exercise of the 502,308 (2009 – 691,275) in-the-money executive share options would have yielded proceeds of £7.1m (2009 – £4.1m).

The NAV dilution adjustment of 378,000 (2009 – 549,000) represented the equivalent number of shares for no consideration to achieve the same dilution effect.

Cash flows

The principal cash flows during the year comprised an aggregate inflow of £81.1m (2009 – £110.3m) from the realisation of investments and outflow of £109.9m (2009 – £63.6m) for the purchase of investments.

At the year end, the company held cash equivalents totalling £8.3m (2009 – £55.5m).

Gearing

The company itself had no debt at 31 March 2010 or 2009 and did not draw on its facilities during the year.

Subsidiary companies had borrowings totalling £86.2m at 31 March 2010 (2009 – £81.4m) to finance operations. Caledonia provided bank guarantees and letters of comfort in respect of £76.7m of these borrowings (2009 – £76.7m).

Investment portfolio

The value of the investment portfolio (including derivatives) at 31 March 2010 was £1,184.6m, compared with £856.3m at 31 March 2009.

Movement

Movement in the value of investments, including FTSE put options, over the year was as follows:

	2010 £m	2009 £m
Opening investment portfolio	856.3	1,248.1
Investment	116.1	63.3
Realisation proceeds	(83.9)	(99.0)
Gains and losses on investments and derivatives	295.3	(351.7)
Rolled-up interest	0.8	(4.4)
Closing investment portfolio	1,184.6	856.3

Investment

Caledonia invested a total of £116.1m in the year, compared with £63.3m in 2009. A summary of the principal investments is given in the table below.

Name	Category	Country of domicile	Business	Cost £m
New investments				
Brookshire	Capital	UK	Property trading/ investment	2.0
				2.0
Follow-on investments				
Quintain Estates	Equity	UK	Property developer	20.3
London & Stamford	Equity	Guernsey	Property investment	12.6
Alok Industries	Equity	India	Textiles	11.8
Avanti Communications	Equity	UK	Satellite communications	11.5
Oval	Loans	UK	Insurance broking	7.5
Cobepa	Equity	Belgium	Investment company	7.1
TGE Marine	Equity	Germany	Gas engineering	6.7
Ermitage	Loans	Jersey	Funds management	5.5
Other investments				31.1
				114.1
				116.1

'Other investments' comprised a number of follow-on investments of less than £5.0m each.

Realisations

Caledonia made full and partial realisations of holdings during the year with total proceeds of £83.9m (2009 – £99.0m), a summary of which is given in the table below.

Name	Nature of realisation	Proceeds £m	Realised gain £m
Polar Capital funds	Redemptions	13.5	3.3
FTSE put options	Close-out of options	10.8	2.9
Rathbone Brothers	Part sale of equity	9.0	5.5
Caledonia EL Distribution	Capital distribution	6.5	6.5
GIC Housing Finance	Sale of equity	6.4	3.4
Novera Energy	Sale of equity	6.4	0.1
British Empire	Part sale of equity	6.3	5.5
Cazenove Group	Sale of equity	6.0	1.9
Other realisations		19.0	2.6
		83.9	31.7

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

Historic performance

The following table shows Caledonia's cumulative total return and annual dividends over the last ten years:

Years ended 31 March	Share price p/share	Annual dividend p/share	Special dividend[1] p/share	Cumulative performance based on 2000: Share price total return	FTSE All-Share Total Return	Annual dividend	Retail Prices Index
2000	771.5	23.0	70.0	100	100	100	100
2001	797.5	24.0	–	117	89	104	102
2002	847.5	25.0	–	128	86	109	104
2003	642.5	26.0	–	100	61	113	107
2004	1017.0	27.0	–	163	79	117	110
2005	1367.0	28.2	–	225	92	123	113
2006	1980.0	29.6	–	331	118	129	116
2007	2066.0	31.1	–	351	131	135	121
2008	2050.0	32.5	–	354	121	141	126
2009	1289.0	33.8	–	227	85	147	125
2010	1625.0	35.3	–	297	130	153	131
Compound annual returns							
5 year				5.7	7.2	4.6	3.0
10 year				11.5	2.6	4.4	2.7

1. Annual dividends are based on the years to which they relate, rather than the years in which they are recognised as required under IFRS.
2. The elective special dividends paid in July 2004 and July 2006 and consequent cancellations of shares are not included above.

The following table shows Caledonia's share price, diluted net asset value ('NAV') per share and discount for each month of the year ended 31 March 2010:

Month	Diluted NAV p/share	Share price p/share	FTSE All-Share	Discount share price to NAV %	Cumulative performance based on March 2009: Diluted NAV/share	Share price	FTSE All-Share
Mar 2009	1559	1289	1984	17.3	100	100	100
Apr 2009	1648	1335	2173	19.0	106	104	110
May 2009	1725	1498	2253	13.2	111	116	114
Jun 2009	1706	1552	2172	9.0	109	120	109
Jul 2009	1736	1537	2354	11.5	111	119	119
Aug 2009	1841	1634	2521	11.2	118	127	127
Sep 2009	1945	1667	2635	14.3	125	129	133
Oct 2009	1894	1650	2585	12.9	121	128	130
Nov 2009	1883	1609	2648	14.6	121	125	133
Dec 2009	1901	1598	2761	15.9	122	124	139
Jan 2010	1920	1560	2661	18.8	123	121	134
Feb 2010	1908	1583	2737	17.0	122	123	138
Mar 2010	2034	1625	2910	20.1	130	126	147

1. NAV includes deductions for dividends on the ex-dividend date.

Risks and uncertainties

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 principal risks and uncertainties are set out below.

External risk

External risks arise from political, legal, regulatory and economic changes. Failure to comply with regulations could result in the company losing its listing and/or being subjected to UK corporation tax on its capital gains.

The company seeks to operate within applicable legal and regulatory frameworks. The Compliance Committee meets weekly and reviews current business for regulatory compliance, as well as considering investment proposals from a compliance perspective. The board reviews regular reports on the controls in place to ensure compliance by the company with rules and regulations.

Strategic risk

Strategic risks arise from the conception, design and implementation of the company's business model and key decisions on investment levels and capital allocations. An inappropriate investment strategy could result in poor returns for shareholders. The board reviews strategy periodically.

Investment risk

Investment risk occurs in respect of specific investment decisions, subsequent performance of an investment or concentration of exposure to an economic sector or geographical region.

In addition to financial, legal and market due diligence, investment appraisal includes a rigorous assessment of investee management's track record of success, commitment to growing their business and ethical standards. All potential investments are presented to the Investment Management Committee, which comprises executive directors and other senior managers and meets weekly. Any individual investment of £20m or more, or follow-on investment where the existing holding is valued at over £20m, requires board approval.

Having made the investment decision, a process is put in place for managing the relationship with the investee company for the period through to realisation. This will usually include board representation by an investment executive. The executives will make regular reports to the Investment Management Committee on issues relevant to the investments for which they are responsible and there is an annual process of cyclical reporting to the board.

Caledonia invests in a range of economic sectors and regions. The portfolio is monitored monthly against board approved guidelines to ensure that there is no undue exposure.

Investment values may fall as a result of market factors, including equity prices, interest rates and currency exchange rates. In seeking to achieve its investment objectives, the company, from time to time, may seek to reduce its exposure to price risk by taking positions in index futures and options. These instruments are used for the purpose of hedging some or all of the existing exposure within the investment portfolio.

Treasury and funding risk

Treasury risks principally comprise counterparty risk, uncertainty in market prices and rates and the requirement to access adequate funds to meet investment needs or other obligations as they fall due.

The main funding risks faced by Caledonia are liquidity availability, interest rate risk exchange rate risk and counterparty risk. The level of these risks is addressed by the overall funding objective and the board regularly reviews and approves policies on the approach to each of these risks.

Liquidity risk is managed through the maintenance of committed facilities, which are reviewed to ensure a continuous access to funds.

The exposure to interest rate movements on treasury assets is managed through the use of term deposits and other treasury instruments. Where there are group borrowings, exposure to interest rate movements is managed through the use of derivatives, such as caps and collars, where appropriate.

Caledonia's foreign exchange risk management policy allows for exposure to structural and transactional currency movements. In the event that there is an exit plan for a foreign currency denominated investment, a view will be taken of likely currency movements over the period to expected realisation and part or all of the exposure may be hedged using foreign currency contracts or currency derivatives.

Counterparty risk is managed through an approved list of counterparties with maximum exposures agreed by the board.

Management of treasury activities is delegated to executive directors and to the Group Treasurer. A report on liquid assets and cash flow projections is submitted to the Investment Management Committee on a weekly basis. Monthly reports on the funding position and cash flow forecasts are considered by the board.

Operational risk

Operational risk arises from potentially inadequate or failed controls, processes, people and systems, or from external factors.

Inadequate or failed processes could result in the misappropriation of assets, loss of income and recovery of receivables and misreporting of NAV per share. The board regularly reviews internal controls and risk management procedures and subjects the books and records of the company to an annual external audit. In addition, the Audit Committee regularly reviews risks and the appropriateness of the control environment.

The ability to recruit, develop and retain capable people is of fundamental importance to Caledonia's strategy and the loss of key staff could adversely affect investment returns. The company operates in a competitive industry and aims to remunerate staff in line with market practice, to provide development opportunities and to encourage staff motivation and retention.

A business continuity strategy is in place to ensure that operations can continue in the event of disruption.

Board of directors

01

03

02

04


01 James Loudon
Chairman
Having served as a non-executive director of Caledonia since 1995 and Non-Executive Deputy Chairman since 2001, he was appointed Chairman in December 2008. He is also Chairman of the Nomination Committee. He was Group Finance Director of Blue Circle Industries from 1987 to 2001, a non-executive director of Lafarge Malayan Cement from 1989 to 2004 and a non-executive director of James Hardie Industries NV from 2002 to 2008. He is also Deputy Chairman of the Governors of the University of Greenwich and of Canterbury Cathedral Trust and a trustee of Kent Air Ambulance. Age 67.

02 Tim Ingram
Chief Executive
After an early career in international banking, he was Finance Director and later Chief Executive of First National Finance Corporation from 1992 and a managing director of Abbey National from 1996 to 2002. He was appointed Chief Executive of Caledonia in 2002 and is also Chairman of Collins Stewart and a non-executive director of Alok Industries, ANZ Bank (Europe), Sage Group and Savills. Age 62.

03 Stephen King
Finance Director
After qualifying as a chartered accountant, he held senior financial positions with Lonhro, Lucas Industries, Seeboard and was Group Finance Director of Midlands Electricity before his appointment as Group Finance Director of De La Rue from 2003 to March 2009. He joined Caledonia as Finance Director on 9 December 2009. He is also a non-executive director of Weir Group, where he is Chairman of the Audit Committee. Age 49.

04 The Hon Charles Cayzer
Executive Director
Having gained experience of merchant banking, commercial banking and corporate and project finance with Baring Brothers, Cayzer Irvine and Cayzer Ltd, he was appointed a director of Caledonia in 1985. He is Chairman of Easybox, Edinmore and The Sloane Club and a non-executive director of Eredene Capital, Quintain Estates & Development and Varun Shipping. Age 53.

05

07

09

11

06

08

10

12


05 Jamie Cayzer-Colvin
Executive Director

He joined the Caledonia group in 1995, initially working at its Amber specialty chemicals subsidiary before becoming an investment executive at Caledonia in 1999. He was appointed an associate director in 2002 and a director in 2005. He is a non-executive director of Celerant, Close Brothers, Eddington Capital Management, Ermitage, India Capital Growth Fund and Polar Capital Holdings. Age 45.

06 John May
Executive Director

Appointed an executive director of Caledonia in 2003, he worked for the Hambros Group for over 20 years until 1999, where he was an executive director of Hambros Bank and Joint Managing Director of Hambro Countrywide. He then ran his own private equity investment and consultancy business. He is Chairman of Amber Chemicals and a non-executive director of Begbies Traynor, Bristow Group, British Empire Securities, Oval, Rathbone Brothers and Satellite Information Services. Age 55.

07 Will Wyatt
Executive Director

He 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 an associate director in 2002 and a director in 2005. He is a non-executive director of Avanti Communications Group, Bristow Group, Cobepa, Melrose Resources, Terrace Hill, TGE Marine and Chairman of Sterling Industries. Age 41.

08 Charles Allen-Jones
Senior Independent Non-Executive Director

Appointed a non-executive director of Caledonia in 2001, he is Chairman of the Audit and Governance Committees and a member of the Nomination and Remuneration Committees. He was a partner of the international law firm, Linklaters, for 33 years, including five years as Senior Partner until his retirement in 2001. He is also a non-executive director of Hongkong Land Holdings and Jardine Strategic Holdings, a member of the Financial Reporting Review Panel and Vice-Chairman of the Council of the Royal College of Art. Age 70.

09 Mark Davies
Non-Executive Director

Appointed a non-executive director of Caledonia in 2002, he is Chairman of the Remuneration Committee and a member of the Governance and Nomination Committees. He founded Inter Commodities in 1972, became Chief Executive of Gerrard Group in 1995 and was an executive director of Old Mutual Financial Services (UK) from 2000 to 2001. He is currently Chief Executive of Fleming Family & Partners. Age 61.

10 Richard Goblet d'Alviella
Non-Executive Director

A Belgian national, he was appointed a non-executive director of Caledonia in 2005 and is a member of the Audit Committee. He has been Chief Executive Officer of Sofina, a quoted Belgian financial holding company, since 1989, prior to which he was a managing director of the Paine Webber Group with a background in international investment banking in London and New York. He is a non-executive director of Group Danone, Delhaize, Eurazeo and Suez, in which Sofina has interests. Age 61.

11 Charles Gregson
Non-Executive Director

Appointed a non-executive director of Caledonia on 16 September 2009, he is a member of the Audit, Governance, Nomination and Remuneration Committees. He has spent his career at United Business Media and its predecessor companies in a number of divisional and head office roles, most recently as Chief Executive Officer of US headquartered, PR Newswire. He is also Chairman of ICAP and a non-executive director of St James's Place. Age 62.

12 David Thompson
Non-Executive Director

Appointed a non-executive director of Caledonia in 2003, he is a member of the Audit, Governance, Nomination and Remuneration Committees. He is Chairman of Marston's, having served as its Managing Director from 1986 to 2001, and is also a non-executive director of Persimmon. Age 55.

Directors' report

The directors present their report and accounts for the year ended 31 March 2010. The directors' remuneration report and the corporate governance report form part of this report.

Principal activities and results
Caledonia is an investment trust company. A review of the activities of the company, together with the results for the year, is given in the business review, which should be regarded as part of this report. There have been no significant changes in the activities of its operating subsidiaries.

The company has been approved by Her Majesty's Revenue and Customs ('HMRC') as an investment trust for its relevant financial years up to 31 March 2007 and continues to manage its affairs so as to comply with the requirements for investment trust status. Confirmation of investment trust status is granted retrospectively by HMRC for each financial year. Applications for approval for the years ended 31 March 2008 and 2009 have been made to HMRC and an application for approval for the year ended 31 March 2010 will be made subsequent to the approval of these accounts by shareholders of the company.

Dividends
On 30 March 2010, the company paid a second interim dividend of 24.7p per share (2009 – final dividend of 23.5p), which, together with the interim dividend of 10.6p per share (2009 – 10.3p), resulted in total dividends for the year of 34.3p per share (2009 – 33.8p). The directors do not recommend the payment of a final dividend.

Annual general meeting
The eighty-first annual general meeting of the company will be held at Cayzer House, 30 Buckingham Gate, London SW1E 6NN on Wednesday, 21 July 2010 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 which accompanies this annual report.

Directors and their interests
The directors of the company are shown on pages 22 and 23. All of the directors served throughout the year other than Mr C H Gregson and Mr S A King, who were appointed on 16 September 2009 and 9 December 2009 respectively. Mr J H Cartwright also served as a director of the company until his resignation on 8 December 2009. The interests of the directors and their families in the ordinary share capital of the company as at 31 March 2010 were as follows:

	Beneficial		Non-beneficial	
	2010 No	2009[1] No	2010 No	2009[1] No
J R H Loudon	13,564	13,564	9,930	9,930
T C W Ingram[2]	140,805	108,510	–	–
S A King	–	–	–	–
The Hon C W Cayzer[2,3]	40,892	50,555	47,527	28,505
J M B Cayzer-Colvin[2]	408,498	385,771	7,053	7,053
J M May[2]	48,218	16,793	–	–
W P Wyatt[2,4]	117,940	99,724	19,093	17,093
C M Allen-Jones	7,500	7,500	–	–
M E T Davies	2,500	2,500	–	–
R Goblet d'Alviella	–	–	–	–
C H Gregson	610	–	–	–
D G F Thompson	3,000	3,000	3,000	3,000

1. Or date of appointment if later.
2. Included in the beneficial interests of Messrs Cayzer, Cayzer-Colvin, Ingram, May and Wyatt are vested restricted shares granted following the waiver by them on 30 March 2010 of certain deferred bonus awards granted in May 2007 and June 2008. Further details of these vested restricted shares are given in the directors' remuneration report on page 56.
3. The Hon C W Cayzer's non-beneficial interests included 12,500 shares in which Mr Wyatt also had a non-beneficial interest (2009 – The Hon C W Cayzer's beneficial interests included 17,093 shares in which Mr Wyatt had a non-beneficial interest).
4. Mr Wyatt's beneficial interests included 35,027 shares in which The Hon C W Cayzer had a non-beneficial interest (2009 – 28,505 shares).

On 12 April 2010, Mr Ingram's beneficial interests increased by 27 shares as a result of the automatic reinvestment of the company's second interim dividend received on shares held in his and his wife's Caledonia ISAs. There have been no other changes in the directors' interests shown above notified up to the date of approval of these accounts.

Details of the directors' options to acquire ordinary shares in the company and awards over ordinary shares under the company's deferred bonus plan as at 31 March 2010 are set out in the directors' remuneration report on pages 52 to 59.

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 for negligence, default, breach of duty or breach of trust in relation to the affairs of the company.

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 the company's shares that are held in treasury or by group companies.

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

At 31 March 2010, 58,794,781 ordinary shares and 8,000,000 deferred ordinary shares were in issue. The ordinary shares therefore represented approximately 88%, and the deferred ordinary shares approximately 12%, of the total issued share capital. Of the ordinary shares in issue at 31 March 2010, 563,230 shares were held in treasury and 3,000 shares held by a group company. As stated above, all voting rights are suspended on these 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 (i) 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; (ii) in respect of only one class of shares; and (iii) 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 18 May 2010, being the latest practicable date prior to the date of this report, the following had notified the company that they held 3% or more of the voting rights of the company:

	Number of voting rights	Percentage of voting rights
The Cayzer Trust Company Ltd	19,593,072	33.7%
Sofina sa	2,746,777	4.7%

Employee share schemes

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 executive share option schemes 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 trustee has also 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 2010, the trust held 350,293 ordinary shares.

Restrictions on voting rights

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

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

Certain directors and employees have been awarded vested restricted shares following the waiver of certain deferred bonus awards granted in 2007 and 2008. These shares must be retained until the end of the relevant three year retention period of the original deferred share awards to which they relate.

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

Appointment and replacement of directors and articles of association

The appointment and replacement 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. In addition, in accordance with the recommendations of the Combined Code, the company requires that any non-executive director who has served on the board for over nine years retires and seeks re-election annually. 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. 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.

A director may be removed from office if requested to resign by not less than three-quarters of the other directors or by an ordinary resolution of the shareholders.

Any amendment of the articles of association requires the approval of shareholders by a special resolution.

Authority to allot and purchase shares

At the annual general meeting of the company held on 23 July 2009, shareholders granted to the directors authority to allot ordinary shares up to a nominal amount of £971,375, representing approximately one-third of the ordinary share capital then in issue, excluding ordinary shares held in treasury, with authority to allot additional ordinary shares up to a nominal value of £971,376, representing approximately a further one-third of the issued ordinary share capital then in issue, excluding ordinary shares then held in treasury, by way of pre-emptive rights issues only, in accordance with guidance issued by the Association of British Insurers. The directors were further authorised to issue ordinary shares up to a nominal amount of £145,706 other than pro rata to existing ordinary shareholders. These authorities last until the next annual general meeting or 23 October 2010, if earlier.

At the annual general meeting held on 23 July 2009, shareholders also granted authority for the company to make market purchases of up to 5,828,255 of its own ordinary shares, being approximately 10% of the ordinary share capital then in issue, excluding ordinary shares held in treasury, 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 1 January 2011 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 1 January 2011 or, if earlier, the conclusion at the next annual general meeting.

Change of control agreements

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

Options granted under the company's executive share option schemes and awards made under the company's 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 associate directors 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. Any such liquidated sum would be equivalent to no more than one year's total emoluments.

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 and Caledonia itself does not have any trade payables.

Directors' report

Corporate responsibility

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

Workplace

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

Community and political donations

Caledonia encourages employees to support local voluntary organisations and charitable causes and provides matched sponsorship to their fundraising activities. This and other charitable donations in the year amounted to £43,000.

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 £85,000 in the year.

Political donations totalling £75,000 were made to the Conservative Party during 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.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- make an assessment of the company's ability to continue as a going concern.

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 enable them to ensure that the financial statements comply with the Companies Act 2006. 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 the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's report on pages 4 to 6. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 16 to 19. In addition, note 22 to the financial statements includes the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to currency risk, interest rate risk, price risk, credit risk and liquidity risk.

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

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Auditors

Resolutions will be proposed at the annual general meeting to re-appoint Deloitte LLP as auditors of the company and to authorise the directors to agree their remuneration. A description of how the Audit Committee ensures the objectivity and independence of the auditors is set out on page 61 within the corporate governance report.

The directors who held office at the date of approval of this directors' report confirm that, so far as each is aware, there is no relevant audit information of which the company's auditors are unaware and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board

Graeme Denison
Secretary
19 May 2010

Directors' statement of responsibility

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 by:

Tim Ingram Chief Executive 19 May 2010	Stephen King Finance Director 19 May 2010

Independent auditors' report to the members of Caledonia Investments plc

We have audited the financial statements of Caledonia Investments plc for the year ended 31 March 2010 which comprise the group and company statements of comprehensive income, the group and company statements of financial position, the group and company statements of changes in equity, the group and company statements of cash flows, and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on 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 2010 and of the group's and the parent company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the parts of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement contained within directors' report in relation to going concern; and
- the part of the corporate governance report relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

C. M. Thomson

Calum Thomson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
19 May 2010

Statement of comprehensive income
for the year ended 31 March 2010

		Company		Group	
	Note	2010 £m	2009 £m	2010 £m	2009 £m
Gains and losses on investments held at fair value through profit or loss	9	302.8	(350.4)	294.2	(350.8)
Gains and losses on derivatives used to hedge the fair value of investments		(7.5)	(1.3)	(19.2)	26.1
Investment provisions	21	(5.4)	10.0	–	10.0
Investment and other income	1	33.0	34.6	34.1	38.9
Investment income impairment	2	–	(2.5)	–	(2.5)
Gross portfolio return		322.9	(309.6)	309.1	(278.3)
Management expenses	3	(12.1)	(9.6)	(12.1)	(9.6)
Other expenses	3	(1.0)	(0.5)	(1.0)	(0.5)
Net portfolio return		309.8	(319.7)	296.0	(288.4)
Revenue from sales of goods and services		–	–	116.0	131.0
Operating expenses	3	–	–	(111.5)	(135.5)
Gain/(loss) on disposal of operations	25	–	–	1.4	(0.3)
Gain on investment property	12	–	–	0.3	0.3
Share of results of joint ventures	13	–	–	(0.3)	0.8
Profit/(loss) before finance costs		309.8	(319.7)	301.9	(292.1)
Treasury interest receivable	4	0.5	1.6	0.3	1.7
Exchange movements		(0.3)	(0.8)	(0.5)	1.2
Finance costs	5	(0.4)	(0.5)	(2.6)	(4.7)
Profit/(loss) before tax		309.6	(319.4)	299.1	(293.9)
Taxation	6	2.8	(6.1)	(0.7)	(6.9)
Profit/(loss) for the year		312.4	(325.5)	298.4	(300.8)
Other comprehensive income					
Exchange differences on translation of foreign operations		–	–	(1.2)	6.9
Transfer to profit or loss on disposal of foreign operations	25	–	–	(1.1)	(0.4)
Actuarial losses on defined benefit pension schemes	20	(1.0)	(3.5)	(0.4)	(8.6)
Tax on other comprehensive income	6	0.3	(0.7)	–	0.6
Total comprehensive income		311.7	(329.7)	295.7	(302.3)
Profit/(loss) for the period attributable to					
Equity holders of the parent		312.4	(325.5)	299.3	(300.6)
Non-controlling interest		–	–	(0.9)	(0.2)
		312.4	(325.5)	298.4	(300.8)
Total comprehensive income attributable to					
Equity holders of the parent		311.7	(329.7)	296.6	(302.6)
Non-controlling interest		–	–	(0.9)	0.3
		311.7	(329.7)	295.7	(302.3)
Basic earnings per share	8	541.0p	-564.1p	518.4p	-521.0p
Diluted earnings per share	8	539.6p	-564.1p	517.0p	-521.0p

The accounting policies and notes to the financial statements on pages 33 to 51 are an integral part of these financial statements.

Statement of financial position
at 31 March 2010

	Note	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Non-current assets					
Investments held at fair value through profit or loss	9	1,183.8	848.9	1,105.7	773.2
Investments in subsidiaries held at cost	9	0.8	0.8	–	–
Available for sale investments	9	–	–	0.8	0.8
Intangible assets	10	–	–	25.0	28.8
Property, plant and equipment	11	–	–	87.0	90.4
Investment property	12	–	–	12.3	0.5
Interests in joint ventures	13	–	–	7.6	8.1
Deferred tax assets	14	–	2.0	6.0	7.9
Non-current assets		1,184.6	851.7	1,244.4	909.7
Current assets					
Inventories	15	–	–	14.7	17.3
Derivatives		–	6.6	–	29.2
Trade and other receivables	16	5.2	4.0	32.5	38.5
Current tax assets	6	0.7	–	2.6	0.4
Money market funds held at fair value through profit or loss	9	–	–	–	1.0
Cash and cash equivalents	17	8.3	55.5	30.5	74.2
Current assets		14.2	66.1	80.3	160.6
Total assets		1,198.8	917.8	1,324.7	1,070.3
Current liabilities					
Bank overdrafts	17	–	–	–	(0.3)
Interest-bearing loans and borrowings	18	–	–	–	(1.6)
Trade and other payables	19	(7.3)	(2.4)	(27.9)	(32.8)
Employee benefits	20	–	–	(3.9)	(3.5)
Current tax liabilities		–	(4.0)	(0.5)	(3.8)
Provisions	21	(8.9)	(3.5)	(4.0)	(4.2)
Current liabilities		(16.2)	(9.9)	(36.3)	(46.2)
Non-current liabilities					
Interest-bearing loans and borrowings	18	–	–	(86.2)	(79.5)
Employee benefits	20	–	(1.5)	(9.0)	(11.1)
Deferred tax liabilities	14	(1.0)	(0.2)	(2.2)	(1.5)
Non-current liabilities		(1.0)	(1.7)	(97.4)	(92.1)
Total liabilities		(17.2)	(11.6)	(133.7)	(138.3)
Net assets		1,181.6	906.2	1,191.0	932.0
Equity					
Share capital	23	3.3	3.3	3.3	3.3
Share premium	23	1.3	1.3	1.3	1.3
Capital redemption reserve	23	1.2	1.2	1.2	1.2
Capital reserve	23	932.1	643.5	–	–
Retained earnings	23	271.7	281.5	1,206.4	940.4
Foreign exchange translation reserve	23	–	–	5.4	7.7
Own shares	23	(28.0)	(24.6)	(28.0)	(24.6)
Equity attributable to owners of the parent		1,181.6	906.2	1,189.6	929.3
Non-controlling interest	23	–	–	1.4	2.7
Total equity		1,181.6	906.2	1,191.0	932.0
Undiluted net asset value per share	8	2047p	1574p		
Diluted net asset value per share	8	2034p	1559p		

The financial statements on pages 29 to 51 were approved by the board and authorised for issue on 19 May 2010 and were signed on its behalf by:

Tim Ingram
Chief Executive

Stephen King
Finance Director

The accounting policies and notes to the financial statements on pages 33 to 51 are an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 March 2010

	Share capital £m	Share premium £m	Capital redemption reserve £m	Capital reserve £m	Retained earnings £m	Currency translation reserve £m	Own shares £m	Non-controlling interest £m	Total equity £m
Company									
Balance at 1 April 2008	**3.3**	**1.3**	**1.2**	**998.1**	**274.3**	**–**	**(26.3)**	**–**	**1,251.9**
Total comprehensive income	**–**	**–**	**–**	**(354.6)**	**24.9**	**–**	**–**	**–**	**(329.7)**
Share-based payments	**–**	**–**	**–**	**–**	**1.3**	**–**	**–**	**–**	**1.3**
Exercise of share options	**–**	**–**	**–**	**–**	**–**	**–**	**2.2**	**–**	**2.2**
Own shares repurchased	**–**	**–**	**–**	**–**	**–**	**–**	**(3.5)**	**–**	**(3.5)**
Share buy-back arrangements	**–**	**–**	**–**	**–**	**–**	**–**	**3.0**	**–**	**3.0**
Dividends to shareholders	**–**	**–**	**–**	**–**	**(19.0)**	**–**	**–**	**–**	**(19.0)**
Balance at 31 March 2009	**3.3**	**1.3**	**1.2**	**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 repurchased	**–**	**–**	**–**	**–**	**–**	**–**	**(7.2)**	**–**	**(7.2)**
Dividends to shareholders	**–**	**–**	**–**	**–**	**(34.0)**	**–**	**–**	**–**	**(34.0)**
Balance at 31 March 2010	**3.3**	**1.3**	**1.2**	**932.1**	**271.7**	**–**	**(28.0)**	**–**	**1,181.6**
Group									
Balance at 1 April 2008	3.3	1.3	1.2	–	1,266.7	1.7	(26.3)	3.4	1,251.3
Total comprehensive income	–	–	–	–	(308.6)	6.0	–	0.3	(302.3)
Share-based payments	–	–	–	–	1.3	–	–	–	1.3
Exercise of share options	–	–	–	–	–	–	2.2	–	2.2
Own shares repurchased	–	–	–	–	–	–	(3.5)	–	(3.5)
Share buy-back arrangements	–	–	–	–	–	–	3.0	–	3.0
Dividends to shareholders	–	–	–	–	(19.0)	–	–	(1.0)	(20.0)
Balance at 31 March 2009	3.3	1.3	1.2	–	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 repurchased	–	–	–	–	–	–	(7.2)	–	(7.2)
Capital contribution	–	–	–	–	–	–	–	0.5	0.5
Dividends to shareholders	–	–	–	–	(34.0)	–	–	(0.9)	(34.9)
Balance at 31 March 2010	3.3	1.3	1.2	–	1,206.4	5.4	(28.0)	1.4	1,191.0

The accounting policies and notes to the financial statements on pages 33 to 51 are an integral part of these financial statements.

Statement of cash flows
for the year ended 31 March 2010

	Note	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Operating activities					
Dividends received		27.2	27.3	24.9	25.3
Interest received		3.3	9.2	3.3	8.6
Cash received from customers		–	–	125.8	134.1
Cash paid to suppliers and employees		(12.0)	(16.3)	(119.9)	(130.3)
Taxes received/(paid)		0.7	(6.7)	(3.5)	(13.7)
Group relief received/(paid)		(0.4)	0.7	–	–
Net cash flow from operating activities		18.8	14.2	30.6	24.0
Investing activities					
Purchases of investments		(109.9)	(63.6)	(100.3)	(55.0)
Proceeds from disposal of investments		81.1	110.3	66.0	62.7
Purchases of money market funds		–	–	–	(1.0)
Proceeds from disposal of money market funds		–	–	1.0	–
Net receipts/(payments) from derivatives		(0.9)	(7.9)	9.2	17.7
Purchases of property, plant and equipment		–	–	(3.4)	(6.2)
Purchases of investment property		–	–	(12.1)	–
Proceeds from disposal of property, plant and equipment		–	–	–	2.4
Proceeds from disposal of joint ventures		–	–	0.2	0.4
Proceeds from disposal of investment property		–	–	–	6.3
Purchases of subsidiaries net of cash acquired	24	–	–	(3.1)	(4.3)
Proceeds from disposal of subsidiaries net of cash disposed	25	–	–	0.7	(0.2)
Net cash flow from/(used in) investing activities		(29.7)	38.8	(41.8)	22.8
Financing activities					
Interest paid		(0.3)	(0.7)	(2.2)	(4.5)
Distributions paid to holders of equity shares		(34.0)	(19.0)	(34.0)	(19.0)
Dividends paid to non-controlling interest		–	–	(0.9)	(1.0)
Proceeds from new borrowings		–	50.0	8.2	60.0
Repayment of borrowings		–	(50.0)	(1.5)	(52.9)
Purchase of treasury stock		–	(50.4)	–	(50.4)
Proceeds from disposal of treasury stock		–	50.4	–	50.4
Capital contribution by non-controlling interest		–	–	0.5	–
Exercise of share options		3.8	2.2	3.8	2.2
Repurchase of own shares		(5.8)	(3.5)	(5.8)	(3.5)
Net cash flow used in financing activities		(36.3)	(21.0)	(31.9)	(18.7)
Net increase/(decrease) in cash and cash equivalents		(47.2)	32.0	(43.1)	28.1
Cash and cash equivalents at year start		55.5	23.5	73.9	42.7
Exchange movements on cash and cash equivalents		–	–	(0.3)	3.1
Cash and cash equivalents at year end	17	8.3	55.5	30.5	73.9

The accounting policies and notes to the financial statements on pages 33 to 51 are an integral part of these financial statements.

Accounting policies

General information

Caledonia Investments plc is an investment trust company domiciled in the United Kingdom and incorporated in England in 1928, under the Companies Acts 1908 to 1917. The address of its registered office is Cayzer House, 30 Buckingham Gate, London SW1E 6NN. The ordinary shares of the company are listed on the London Stock Exchange and the New Zealand Exchange.

These financial statements were authorised for issue by the directors on 19 May 2010.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which Caledonia operates.

In the current year, the group has adopted:

- IFRS 8 'Operating Segments', which requires financial information to be presented on the same basis as used for internal performance measurement
- IAS 1 (Revised 2007) 'Presentation of Financial Statements', which requires the presentation of a statement of comprehensive income
- IFRS 3 (Revised 2008) 'Business Combinations', which introduced changes in the accounting for business combinations that impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results
- IAS 20 (Revised 2008) 'Consolidated and Separate Financial Statements', which requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction.

The adoption of these Standards had no material impact on these financial statements, except for additional segment disclosures and non-controlling interest.

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

- IFRIC 17 'Distributions of Non-cash Assets to Owners'
- IFRIC 18 'Transfers of Assets from Customers'.

The directors anticipate that the adoption of these Interpretations in future periods will have no material impact on the financial statements of the company.

Significant accounting policies

Basis of accounting

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

Caledonia is an investment trust company. However, because it holds majority stakes and therefore has the power to control, it is required to prepare group accounts that consolidate the results of such investments. In order to present information that is comparable with other investment trust companies, Caledonia also publishes financial statements of the company, which include investments in subsidiaries regarded as part of the company's investing business at fair value.

The financial statements have been prepared on an historical cost basis, except for the revaluation of certain financial instruments and properties.

Under the Combined 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 making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future, as discussed in the directors' report on page 26. Accordingly, they continue to adopt the going concern basis of preparing the financial statements.

The principal accounting policies are set out below.

Foreign currency translation

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. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. 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.

Assets and liabilities of the group's overseas operations are measured using their functional currency, being the currency of the primary economic environment in which they operate.

On consolidation, the assets and liabilities of the group's overseas operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the group's foreign exchange translation reserve. Such exchange differences are recognised in the statement of comprehensive income in the period in which the operation is sold.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at the reporting date.

Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, excluding transaction costs.

Investments held as part of the group's business of investing in financial assets are designated as measured at fair value through profit or loss in both the consolidated financial statements and the company financial statements. Other investments held by subsidiaries are designated as available for sale in the consolidated financial statements. Other investments in subsidiaries held by the company are accounted for at cost in the financial statements of the company.

Investments designated as held at fair value through profit or loss or as available for sale are measured at subsequent reporting dates at fair value. Gains and 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. For available for sale investments, gains and losses arising from changes in fair value are recognised in other comprehensive income until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is included in the net profit or loss for the period. If, in the subsequent period, the fair value of the available for sale investments, for which impairment was previously recognised, increases in value, the impairment loss is reversed through the statement of comprehensive income.

Accounting policies

Quoted investments are valued at bid price or the last traded price when a bid price is not available. Unquoted investments are valued using recognised valuation methodologies, based on the International Private Equity and Venture Capital 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 page 15.

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 any partner's loans and capital are treated as realised gains.

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 for the period. 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.

For trading subsidiaries, revenue comprises the fair value of the sale of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the group. Sales of goods are recognised when goods are delivered and title has passed. Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction, assessed on the basis of the actual service provided as a proportion of the total services to be provided.

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

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

Expenses

All expenses are accounted for on an accrual basis. 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 and expenses of disposal of an investment are deducted from the disposal proceeds.

Taxation

The tax expense represents the sum of the 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 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 (formerly section 842 of the Income and Corporation Taxes Act 1988) 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 taxable profits will be available to allow all or part of the asset 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.

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. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised in other comprehensive income and presented in the statement of comprehensive income.

Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus 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 shares that will eventually vest.

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

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

The transactions the employee share trust undertakes are considered to be performed by the trust as an agent for Caledonia. The transactions of the employee share trust are included in the separate financial statements of the parent company and, following the requirements of SIC 12, in the consolidated financial statements as if they arose in that company. Own shares held by the employee share trust as at the reporting date are accounted for as if they were treasury shares.

National Insurance on share option scheme gains and deferred bonus awards

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

Capital reserve

The company maintains a capital reserve, which it is prohibited from distributing by virtue of its articles of association. 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
- expenses and finance costs incurred directly in relation to capital transactions
- taxation on items recognised in the capital reserve

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, other than land or properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Property	25-40 years
Plant	10-15 years
Equipment	3-8 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

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.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the reporting date. Gains and losses arising from changes in the fair value of investment property are included in the statement of comprehensive income for the period in which they arise.

Intangible assets

Brands, trademarks, computer software and customer relationships

Brands, trademarks, computer software and customer relationships acquired by the group are stated at cost less accumulated amortisation and impairment losses. Where such items are not deemed to have an indefinite life, amortisation is expensed on a straight-line basis over their estimated useful lives.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment of assets

At each reporting date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, intangible assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Properties that are held for sale in the ordinary course of business or are being developed for future sale are classified as inventories.

Receivables

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

Cash and cash equivalents

Cash comprises cash on 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 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.

Borrowings include a component of the company's deferred ordinary shares and preference shares in subsidiaries held by third parties that fall under the definition of financial liabilities under IAS 32.

Accounting policies

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.

Leasing

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.

Lessor

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.

Lessee

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

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

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

Share capital

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

Where any group company and the Caledonia Investments plc Employee Share Trust purchases the company's equity share capital or the company buys shares into treasury, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's equity holders until the shares are cancelled or 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 equity holders.

Derivative financial instruments and hedge accounting

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.

Operating segments

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

Basis of consolidation

Subsidiaries

The consolidated financial statements include the financial statements of the company and entities controlled by the company (its subsidiaries) made up to the reporting date. Control is achieved where the company has the power to govern the financial and operating policies of the investee entity so as to obtain economic benefits from its activities.

On acquisition, the identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency in the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the statement of comprehensive income in the period of acquisition. The interest of non-controlling shareholders is stated at the non-controlled proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Associates

An associate is an entity over which the group is in a position to exercise significant influence, but not control or joint control, through the financial and operating policy decisions of the investee entity.

As Caledonia is an investment trust company, and its investments held in associates are designated as held at fair value through profit or loss, the provisions of IAS 28 'Investments in Associates' do not apply. Such investments are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they occur.

No other group company held investments in associates.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is the subject of joint control.

As Caledonia is an investment trust company, and its interests in joint ventures are designated as held at fair value through profit or loss, the provisions of IAS 31 'Interests in Joint Ventures' do not apply. Such interests are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they occur. However, the provisions of IAS 31 do apply to interests in joint ventures held by other companies in the group, as set out below.

The results and assets and liabilities of joint ventures held by subsidiaries are incorporated in these financial statements using the equity method of accounting, except when classified as held for sale. Interests in joint ventures are carried in the statement of financial position at cost as adjusted by post-acquisition changes in the group's share of net assets of the joint ventures, less any impairment in the value of individual investments. Losses of the joint ventures in excess of the group's interest in those joint ventures are not recognised.

Any excess of the cost of acquisition over the group's share of the fair values of the identifiable net assets of the joint ventures at the date of acquisition is recognised as goodwill. Any deficiency in the cost of acquisition below the group's share of the fair values of the identifiable net assets at the date of acquisition is credited in profit or loss in the period of acquisition.

Where a group company transacts with joint ventures of the group, profits and losses are eliminated to the extent of the group's interest in the relevant joint ventures. Losses may provide evidence of an impairment of the asset transferred, in which case appropriate provision is made for impairment.

Notes to the financial statements

1. Investment and other income

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Investment income				
Dividends from equity shares				
Quoted UK	18.5	16.9	18.5	16.9
Quoted non-UK	1.5	2.8	1.5	2.8
Unquoted	5.6	6.1	5.6	6.1
Subsidiaries	2.3	1.8	–	–
Interest on loan investments				
Unquoted	3.5	5.9	7.3	12.8
Subsidiaries	0.4	0.8	–	–
	31.8	34.3	32.9	38.6
Other income				
Sub-underwriting commission	1.2	0.2	1.2	0.2
Deal fees	–	0.1	–	0.1
	33.0	34.6	34.1	38.9

2. Investment income impairment

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Loan investments				
Unquoted	–	2.5	–	2.5

The investment income impairment on loan investments comprised the amount of interest previously included in revenue and over which an uncertainty of collectability had arisen.

3. Expenses

Investing operations

Management expenses

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Personnel expenses	8.8	6.3	8.8	6.3
Depreciation	0.1	0.1	0.1	0.1
Auditors' remuneration	0.1	0.1	0.1	0.1
Other administrative expenses	3.1	3.1	3.1	3.1
	12.1	9.6	12.1	9.6

Caledonia Group Services Ltd, a wholly owned subsidiary, provides management services to the company and charges for its services on the basis of net expenses incurred. The table includes both an analysis of this expense and Caledonia's own management expenses.

Other expenses

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Transaction costs	0.5	0.2	0.5	0.2
Performance fees	0.3	–	0.3	–
Other expenses	0.2	0.3	0.2	0.3
	1.0	0.5	1.0	0.5

Transaction costs were expenses incidental to the acquisition of investments held at fair value through profit or loss and expenses incurred as part of aborted investment purchases or sales.

Trading operations

Operating expenses

	Group 2010 £m	Group 2009 £m
Cost of sales	67.5	74.8
Distribution expenses	13.0	13.7
Administrative expenses	31.0	47.0
	111.5	135.5

Operating expenses included the following items:

	Group 2010 £m	Group 2009 £m
Depreciation	4.4	4.6
Amortisation	1.4	1.6
Impairment loss on property, plant and equipment	–	5.4
Impairment loss on goodwill	–	11.1
Impairment loss on customer relationships	1.9	–
Direct operating expenses of investment property that generated rental income	0.1	0.1
Auditors' remuneration	0.2	0.2

Further information

Auditors' remuneration

Fees payable to Deloitte LLP were as follows:

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Audit services				
Company audit	0.1	0.1	0.1	0.1
Consolidation audit	–	–	0.1	0.1
Annual report	0.1	0.1	0.2	0.2
Subsidiaries' audit	–	–	0.1	0.1
	0.1	0.1	0.3	0.3
Other services				
Taxation advice	0.2	0.3	0.2	0.3
	0.3	0.4	0.5	0.6

Personnel expenses

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Wages and salaries	6.2	4.4	36.6	37.0
Compulsory social security contributions	0.7	0.6	5.1	4.6
Contributions to defined contribution plans	0.2	0.3	0.6	1.1
Defined benefit pension plans expense[1]	0.2	–	1.0	0.2
Increase in liability for long service leave	–	–	0.1	0.1
Equity-settled share-based payments[1]	1.1	1.3	1.1	1.3
National Insurance on share awards	0.4	(0.3)	0.4	(0.3)
	8.8	6.3	44.9	44.0

1. See note 20 'Employee benefits'.

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

	Company 2010 No	Company 2009 No	Group 2010 No	Group 2009 No
Average number of employees	42	41	790	882

Notes to the financial statements

4. Treasury interest receivable

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Interest on bank deposits	0.1	1.1	0.2	1.6
Other interest receivable	–	0.1	0.1	0.1
Guarantee fees	0.4	0.4	–	–
	0.5	1.6	0.3	1.7

5. Finance costs

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Interest on bank loans and overdrafts	0.4	0.5	2.5	4.6
Other interest costs	–	–	0.1	0.1
	0.4	0.5	2.6	4.7

6. Taxation

Recognised in comprehensive income

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Current tax expense				
Current year	(1.8)	5.6	1.2	8.9
Adjustments for prior years	(3.5)	1.3	(2.9)	1.3
	(5.3)	6.9	(1.7)	10.2
Deferred tax expense				
Origination and reversal of timing differences	2.5	(0.8)	3.5	(3.5)
Benefit of tax losses recognised	–	–	(1.1)	0.2
	2.5	(0.8)	2.4	(3.3)
Total tax expense/(income)	(2.8)	6.1	0.7	6.9

Reconciliation of effective tax expense

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Profit/(loss) before tax	309.6	(319.4)	299.1	(293.9)
Tax at the domestic rate of 28% (2009 – 28%)	86.7	(89.4)	83.7	(82.3)
Effect of tax rate in foreign jurisdictions	–	–	2.3	3.7
Non-deductible expenses	0.1	–	0.9	1.4
Utilisation of tax losses	–	–	(1.6)	(0.2)
Losses for the year unrelieved	–	–	1.0	0.7
Non-taxable (gains)/losses on investments	(78.5)	101.2	(75.1)	91.3
Non-taxable UK dividend income	(7.3)	(6.7)	(6.7)	(6.2)
Tax exempt revenues	(0.3)	–	(0.3)	–
Other timing differences	–	(0.3)	(0.6)	(2.8)
Under/(over) provided in prior years	(3.5)	1.3	(2.9)	1.3
Tax expense/(income)	(2.8)	6.1	0.7	6.9

Recognised in other comprehensive income

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Deferred tax expense				
Relating to actuarial losses on defined benefit pension schemes	(0.3)	(1.0)	–	(2.3)
Relating to share options and deferred bonus awards	–	1.7	–	1.7
	(0.3)	0.7	–	(0.6)

Current tax assets

Current tax assets of £0.7m and £2.6m in the company and group respectively (2009 – £nil and £0.4m) represented the amount of income taxes recoverable in respect of current and prior years that exceeded payments.

7. Dividends

Amounts recognised as distributions to equity holders in the year were as follows:

	2010 p/share	2010 £m	2009 p/share	2009 £m
Final dividend for the year ended 31 March 2009 (2008)	23.5	13.6	22.6	13.0
Interim dividend for the year ended 31 March 2010 (2009)	10.6	6.1	10.3	6.0
Second interim dividend for the year ended 31 March 2010 (2009)	24.7	14.3	–	–
	58.8	34.0	32.9	19.0

For the purposes of section 1159 of the Corporation Tax Act 2010, the dividends payable for the year ended 31 March 2010 are the interim and second interim dividends paid for that year, amounting to £20.4m (2009 – £19.6m).

8. 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 of the company and of the group was based on profit attributable to shareholders and the weighted average number of shares outstanding during the year, after adjustment for the effects of dilutive potential shares.

The profit attributable to shareholders was as follows:

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Profit/(loss) attributable to shareholders (basic and diluted)	312.4	(325.5)	299.3	(300.6)

The weighted average number of shares was as follows:

	Company 2010 000's	Company 2009 000's	Group 2010 000's	Group 2009 000's
Issued shares at year start	58,795	58,795	58,795	58,795
Effect of shares held in treasury	(563)	(487)	(563)	(487)
Effect of shares held by the employee share trust	(489)	(608)	(489)	(608)
Shares held by a subsidiary	–	–	(3)	(3)
Basic weighted average number of shares during the year	57,743	57,700	57,740	57,697
Effect of share options and deferred bonus awards	151	–	151	–
Diluted weighted average number of shares during the year	57,894	57,700	57,891	57,697

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.

	Net assets 2010 £m	Number of shares 2010 000's	NAV 2010 p/share	Net assets 2009 £m	Number of shares 2009 000's	NAV 2009 p/share
Undiluted	1,181.6	57,714	2047	906.2	57,579	1574
Adjustments	18.3	1,278	(13)	12.7	1,359	(15)
Diluted	1,199.9	58,992	2034	918.9	58,938	1559

9. Investments

Company

	2010 £m	2009 £m
Non-current investments		
Investments held at fair value through profit or loss	1,183.8	848.9
Investments in subsidiaries held at cost	0.8	0.8
	1,184.6	849.7

The movements in non-current investments were as follows:

	UK quoted £m	Non-UK quoted £m	Unquoted £m	Subsid-iaries £m	Total £m
Balance at 31 March 2008	581.9	115.8	427.5	122.9	1,248.1
Purchases at cost	14.4	8.8	33.1	10.0	66.3
Disposal proceeds	(3.2)	(0.5)	(58.9)	(47.3)	(109.9)
Reclassifications	2.4	6.3	(8.7)	–	–
Gains/(losses) on investments	(188.4)	(61.7)	(100.7)	0.4	(350.4)
Rolled-up interest	–	–	(4.0)	(0.4)	(4.4)
Balance at 31 March 2009	407.1	68.7	288.3	85.6	849.7
Purchases at cost	61.9	12.6	27.4	13.2	115.1
Disposal proceeds	(26.5)	(11.8)	(27.2)	(18.3)	(83.8)
Reclassifications	(22.8)	0.6	22.2	–	–
Gains on investments	176.2	73.5	44.5	8.6	302.8
Rolled-up interest	–	–	0.8	–	0.8
Balance at 31 March 2010	595.9	143.6	356.0	89.1	1,184.6

Rolled-up interest is the movement in the fair value of loan instruments attributable to investment income.

Group

	2010 £m	2009 £m
Non-current investments		
Investments held at fair value through profit or loss		
UK quoted securities	618.7	407.1
Non-UK quoted securities	143.4	68.7
Unquoted securities	343.6	297.4
	1,105.7	773.2
Available for sale investments		
Unquoted securities	0.8	0.8
	1,106.5	774.0
Current investments		
Money market funds	–	1.0

10. Intangible assets

Group

	Goodwill £m	Customer relation-ships £m	Other £m	Total £m
Cost				
Balance at 31 March 2008	35.0	11.8	1.1	47.9
Acquisition of operations	–	1.8	–	1.8
Other acquisitions	–	–	0.1	0.1
Disposals	(0.5)	–	–	(0.5)
Exchange movements	1.5	–	–	1.5
Balance at 31 March 2009	36.0	13.6	1.2	50.8
Disposal of operations	(0.4)	–	–	(0.4)
Exchange movements	(0.3)	–	–	(0.3)
Balance at 31 March 2010	35.3	13.6	1.2	50.1
Amortisation and impairment				
Balance at 31 March 2008	6.2	1.5	0.7	8.4
Amortisation	–	1.3	0.3	1.6
Impairment	11.1	–	–	11.1
Exchange movements	0.9	–	–	0.9
Balance at 31 March 2009	18.2	2.8	1.0	22.0
Amortisation	–	1.2	0.2	1.4
Impairment	–	1.9	–	1.9
Exchange movements	(0.2)	–	–	(0.2)
Balance at 31 March 2010	18.0	5.9	1.2	25.1
Carrying amounts				
At 31 March 2008	28.8	10.3	0.4	39.5
At 31 March 2009	17.8	10.8	0.2	28.8
At 31 March 2010	17.3	7.7	–	25.0

Customer relationships primarily relate to identifiable customer related intangible assets acquired on the purchase of the Ermitage group in 2007. During 2008, the useful economic life of client relationships was revised from indefinite to ten years.

Other intangible assets included brands and trademarks, recipes and formulae and computer software.

Impairment charge

The impairment charge for the year of £1.9m (2009 – £11.1m) was recognised in operating expenses of trading operations in the statement of comprehensive income.

Impairment tests for goodwill

The carrying amount of goodwill was predominantly attributable to a single cash generating unit, Ermitage group. The recoverable amount of the unit has been determined on the basis of the fair value less costs to sell based on recent forecasts from the unit management's business plan and comparable market transactions.

Notes to the financial statements

11. Property, plant and equipment

Group

	Property £m	Plant £m	Equipment £m	Total £m
Cost				
Balance at 31 March 2008	92.7	5.0	10.6	108.3
Acquisition of operations	–	0.2	–	0.2
Other acquisitions	2.2	2.4	2.0	6.6
Disposal of operations	–	(1.4)	(0.5)	(1.9)
Other disposals	(1.7)	(0.5)	(0.4)	(2.6)
Exchange movements	7.7	2.9	1.1	11.7
Balance at 31 March 2009	100.9	8.6	12.8	122.3
Other acquisitions	0.2	0.9	2.2	3.3
Disposal of operations	–	(0.1)	–	(0.1)
Other disposals	–	(0.2)	(0.8)	(1.0)
Exchange movements	(2.1)	(0.7)	(0.3)	(3.1)
Balance at 31 March 2010	99.0	8.5	13.9	121.4
Depreciation and impairment				
Balance at 31 March 2008	15.1	2.3	2.6	20.0
Impairment	5.4	–	–	5.4
Depreciation	2.0	1.5	1.2	4.7
Disposal of operations	–	(1.1)	(0.5)	(1.6)
Other disposals	–	(0.5)	(0.2)	(0.7)
Exchange movements	1.5	1.7	0.9	4.1
Balance at 31 March 2009	24.0	3.9	4.0	31.9
Depreciation	2.0	1.3	1.2	4.5
Disposal of operations	–	(0.1)	–	(0.1)
Other disposals	–	(0.2)	(0.7)	(0.9)
Exchange movements	(0.4)	(0.4)	(0.2)	(1.0)
Balance at 31 March 2010	25.6	4.5	4.3	34.4
Carrying amounts				
At 31 March 2008	77.6	2.7	8.0	88.3
At 31 March 2009	76.9	4.7	8.8	90.4
At 31 March 2010	73.4	4.0	9.6	87.0

Security

At 31 March 2010, properties with a carrying amount of £36.6m (2009 – £38.8m) were subject to charges to secure bank loans (note 18).

12. Investment property

Group

	2010 £m	2009 £m
Balance at the year start	0.5	5.4
Additions	11.5	–
Disposals	–	(4.9)
Fair value adjustments	0.3	–
Balance at the year end	12.3	0.5

The carrying value of investment property was the fair value of the property as determined by a registered independent appraiser, having an appropriate recognised qualification and recent experience in the location and category of the property being valued. Fair values were determined having regard to recent market transactions for similar properties in the same location. Investment property comprises commercial property that is leased out over 10 to 20 years (note 26) and vacant freehold land.

During the prior year, an investment property was sold for £5.5m, which had been leased for £0.3m per annum over a five year period.

Security

At 31 March 2010, investment properties with a carrying value of £11.8m (2009 – £nil) were subject to charges to secure bank loans (note 18).

13. Interests in joint ventures

The group had the following interests in joint ventures:

	Country of domicile	Ownership 2010 %	Ownership 2009 %
Moredun LP	UK	33	33
Willmoreton Properties Ltd	UK	50	50
York Investors LLP	UK	25	25
GPG Premises LLP	UK	25	25

The group's share of post-acquisition total recognised profit or loss in the above joint ventures for the year ended 31 March 2010 was £0.3m loss (2009 – £0.8m profit).

Summarised financial information of joint ventures was as follows:

	Assets £m	Liabilities £m	Equity £m	Revenue £m	Profit/(loss) £m
2010					
Moredun LP	39.0	(22.8)	16.2	2.7	1.9
Willmoreton Properties Ltd	9.9	(7.4)	2.5	0.9	(1.4)
York Investors LLP	6.6	(3.1)	3.5	0.3	(0.9)
GPG Premises LLP	0.2	(0.1)	0.1	0.4	–
	55.7	(33.4)	22.3	4.3	(0.4)
2009					
Moredun LP	39.3	(25.0)	14.3	3.2	0.7
Willmoreton Properties Ltd	11.9	(8.0)	3.9	0.9	0.5
York Investors LLP	7.5	(3.2)	4.3	0.4	–
GPG Premises LLP	1.6	(0.5)	1.1	2.8	1.4
	60.3	(36.7)	23.6	7.3	2.6

14. Deferred tax assets and liabilities

Company

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities were attributable to the following:

	Assets £m	Liabilities £m	Net £m
2010			
Investments	–	(1.0)	(1.0)
2009			
Investments	1.6	(0.2)	1.4
Employee benefits	0.4	–	0.4
	2.0	(0.2)	1.8

Movement in temporary differences during the year

	Balance at year start £m	Recognised in Comprehensive income £m	Recognised in Other comprehensive income £m	Transfer to group company £m	Balance at year end £m
2010					
Investments	1.4	(2.4)	–	–	(1.0)
Employee benefits	0.4	(0.1)	0.3	(0.6)	–
	1.8	(2.5)	0.3	(0.6)	(1.0)
2009					
Investments	(3.7)	5.1	–	–	1.4
Employee benefits	2.6	(1.5)	(0.7)	–	0.4
Provisions	2.8	(2.8)	–	–	–
	1.7	0.8	(0.7)	–	1.8

Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities were attributable to the following:

	Assets £m	Liabilities £m	Net £m
2010			
Investments	–	(1.0)	(1.0)
Employee benefits	3.9	–	3.9
Tax losses	1.6	–	1.6
Other items	0.5	(1.2)	(0.7)
	6.0	(2.2)	3.8
2009			
Investments	1.6	(0.2)	1.4
Employee benefits	4.9	–	4.9
Tax losses	0.5	–	0.5
Other items	0.9	(1.3)	(0.4)
	7.9	(1.5)	6.4

Unrecognised deferred tax assets

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

	2010 £m	2009 £m
Tax losses	3.3	4.3

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

Tax losses of £1.6m (2009 – £2.6m) expire within five years and the balance does not expire.

Movement in temporary differences during the year

	Balance at year start £m	Recognised in comprehensive income £m	Recognised in other comprehensive income Taxation £m	Recognised in other comprehensive income Exchange movements £m	Balance at year end £m
2010					
Investments	1.4	(2.4)	–	–	(1.0)
Employee benefits	4.9	(0.8)	–	(0.2)	3.9
Tax losses	0.5	1.1	–	–	1.6
Other items	(0.4)	(0.3)	–	–	(0.7)
	6.4	(2.4)	–	(0.2)	3.8
2009					
Investments	(3.7)	5.1	–	–	1.4
Employee benefits	4.3	(0.4)	0.6	0.4	4.9
Provisions	2.8	(2.8)	–	–	–
Tax losses	0.7	(0.2)	–	–	0.5
Other items	(2.1)	1.6	–	0.1	(0.4)
	2.0	3.3	0.6	0.5	6.4

15. Inventories

	Group 2010 £m	Group 2009 £m
Raw materials and consumables	3.9	4.9
Work in progress	0.5	1.6
Finished goods	2.6	3.2
Properties held for sale	7.7	7.6
	14.7	17.3

Inventories included properties with a cost of £nil (2009 – £0.9m) that were not expected to be realised within one year.

16. Trade and other receivables

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Trade receivables and prepayments	5.2	4.0	32.5	38.5

Group trade receivables included an amount of £nil (2009 – £0.9m) that was expected to be settled after more than one year.

17. Net cash and cash equivalents

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Bank balances	8.3	0.4	30.5	17.3
Short term deposits	–	55.1	–	56.9
Cash and cash equivalents	8.3	55.5	30.5	74.2
Bank overdrafts	–	–	–	(0.3)
	8.3	55.5	30.5	73.9

Bank overdrafts were included in current liabilities in the statement of financial position.

18. Interest-bearing loans and borrowings

	Group 2010 £m	Group 2009 £m
Non-current liabilities		
Secured bank loans	28.9	23.2
Unsecured loans	54.7	53.8
Finance leases	0.2	0.2
Cumulative preference shares	0.1	0.1
Unsecured bond issues	2.3	2.2
	86.2	79.5
Current liabilities		
Current portion of unsecured loans	–	1.5
Finance leases	–	0.1
	–	1.6

Bank loans of £28.9m (2009 – £23.2m) were secured by a charge over certain properties of the group.

Notes to the financial statements

19. Trade and other payables

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Trade payables	3.1	0.3	7.4	9.9
Non-trade payables and accrued expenses	4.2	2.1	19.9	21.6
Derivatives	–	–	0.6	1.3
	7.3	2.4	27.9	32.8

20. Employee benefits

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Current liabilities				
Short term compensated absences	–	–	(0.6)	(0.6)
Profit-sharing bonus	–	–	(3.3)	(2.9)
	–	–	(3.9)	(3.5)
Non-current liabilities				
Defined benefit pension obligations	–	(1.5)	(7.9)	(9.1)
National Insurance on share options and deferred bonus awards	–	–	(0.2)	(0.5)
Profit-sharing bonus	–	–	(0.1)	(0.8)
Liability for long term service leave	–	–	(0.8)	(0.7)
	–	(1.5)	(9.0)	(11.1)
Total employee liabilities	–	(1.5)	(12.9)	(14.6)

Defined benefit pension obligations

During the year, the company had a constructive obligation for a defined benefit pension plan that was transferred to a group company on 31 March 2010. The group makes contributions to four (2009 – four) plans in the UK and US that provide pension benefits for employees upon retirement.

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Present value of funded obligations	–	19.9	67.9	56.5
Fair value of plan assets	–	(18.4)	(60.0)	(47.4)
Present value of net obligations	–	1.5	7.9	9.1

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

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Balance at year start	19.9	20.6	56.5	57.0
Service cost	0.3	0.3	0.8	0.8
Interest cost	1.1	1.4	3.3	3.6
Employee contributions	–	–	–	0.1
Actuarial (gain)/loss	6.1	(2.0)	14.9	(7.7)
Actual benefit payments	(4.8)	(0.4)	(6.8)	(2.1)
Exchange movements	–	–	(0.8)	4.8
Transferred to group company	(22.6)	–	–	–
Balance at year end	–	19.9	67.9	56.5

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

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Balance at year start	18.4	22.6	47.4	56.0
Expected return on assets	1.2	1.7	3.1	4.2
Actuarial gain/(loss)	5.1	(5.5)	14.5	(16.3)
Employer contributions	0.6	–	2.2	1.6
Employee contributions	–	–	–	0.1
Actual benefit payments	(4.8)	(0.4)	(6.8)	(2.1)
Exchange movements	–	–	(0.4)	3.9
Transferred to group company	(20.5)	–	–	–
Balance at year end	–	18.4	60.0	47.4

Amounts recognised in the statement of comprehensive income were as follows:

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Current service cost	0.3	0.3	0.8	0.8
Interest on obligations	1.1	1.4	3.3	3.6
Expected return on plan assets	(1.2)	(1.7)	(3.1)	(4.2)
	0.2	–	1.0	0.2

The expense was recognised in the following lines in the statement of comprehensive income:

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Management expenses of investing activities	0.2	–	0.2	–
Operating expenses of trading activities	–	–	0.8	0.2
	0.2	–	1.0	0.2

Amounts recognised in other comprehensive income were as follows:

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Actuarial losses in the year	1.0	3.5	0.4	8.6
Cumulative actuarial losses	3.2	2.2	8.1	7.7

An analysis of plan assets and expected returns at the end of the year (expressed as weighted averages) was as follows:

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Plan assets				
Equities	–	15.7	39.8	37.9
Bonds	–	1.1	10.2	4.1
Other assets	–	1.6	10.0	5.4
	–	18.4	60.0	47.4
Expected returns				
Equities	–	8.1%	8.1%	7.8%
Bonds	–	4.9%	5.2%	5.4%
Other assets	–	5.0%	3.9%	4.7%
	–	7.6%	6.9%	7.2%

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

	Company 2010 %	Company 2009 %	Group 2010 %	Group 2009 %
Discount rate at year end	–	6.6	5.5	6.5
Future salary increases	–	4.9	4.2	3.9
Future pension increases	–	2.7	3.5	3.3
Price inflation	–	2.9	3.3	2.9

Mortality rates are assumed to follow the Self Administered Pension Schemes 'Series 1' light tables applicable to each member's year of birth, projected to calendar year 2009 in line with medium cohort improvements. Allowance has also been made for further improvements in line with medium cohort improvement rates with a minimum improvement of 1.5%pa. Life expectancy on retirement in normal heath is assumed to be 26.5 years for males and 28.0 years for females who are currently 62 years of age.

Expected contributions to company and group post-employment benefit plans for the year ended 31 March 2010 were £nil and £2.4m respectively.

Amounts for the current and previous four years were as follows:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Company					
Present value of defined benefit obligations	–	19.9	20.6	23.0	21.9
Fair value of plan assets	–	(18.4)	(22.6)	(23.0)	(21.5)
Deficit/(surplus) in the plan	–	1.5	(2.0)	–	0.4
Experience adjustment on plan liabilities	(0.2)	(1.0)	(0.1)	0.9	0.6
Experience adjustment on plan assets	5.1	(5.5)	(1.9)	(0.6)	3.3
Group					
Present value of defined benefit obligations	67.9	56.5	57.0	60.7	65.9
Fair value of plan assets	(60.0)	(47.4)	(56.0)	(56.5)	(59.2)
Deficit in the plan	7.9	9.1	1.0	4.2	6.7
Experience adjustment on plan liabilities	(0.1)	(2.1)	0.2	1.0	0.7
Experience adjustment on plan assets	14.5	(16.3)	(4.6)	–	7.9

Share-based payments

The company currently has two executive share option schemes, a 1998 scheme and a 2005 scheme. These schemes entitle senior employees to purchase shares in the company at the market price of the shares at the date of grant and on similar terms, subject to service and company performance criteria. Under the terms of the schemes, options may be exercised between three and ten years after the date of grant, although only one-third of the options may be exercised after three years from grant, with the remaining two-thirds becoming exercisable six years after grant. A number of grants have been made under these schemes.

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 and may voluntarily defer up to 50% of their remaining cash bonus into shares. The company will match the number of shares comprised in both compulsory (in respect of bonus for financial years ended 31 March 2008 and onwards) and voluntary deferral, subject to service and company performance criteria.

The terms and conditions of the grants outstanding as at 31 March 2010 were as follows, whereby all grants are settled by physical delivery of shares:

Grant date	Entitlement	Number of shares	Vesting conditions
Share options			
05.07.02	Option grant to senior staff	10,556	Note 1
20.11.03	Option grant to senior staff	30,867	Note 1
26.05.04	Option grant to senior staff	23,092	Note 2
19.08.05	Option grant to senior staff	151,292	Note 3
01.06.06	Option grant to senior staff	86,348	Note 3
03.06.08	Option grant to senior staff	207,517	Note 3
29.05.09	Option grant to senior staff	286,501	Note 3
		796,173	
Deferred bonus awards			
03.06.08	Matching shares	15,903	Note 4
29.07.08	Matching shares	29,607	Note 4
		45,510	

Vesting conditions are as follows:

1. Three/six years of service and NAV outperforms RPI by 9% or FTSE All-Share.
2. Three/six years of service and 50% vests if NAV outperforms RPI by 9% and/or 50% vests if NAV outperforms FTSE All-Share.
3. Three/six years of service and 50% vests if NAV outperforms RPI by 9% and/or 50% vests if NAV outperforms FTSE All-Share by 3%.
4. Three years of service and 50% vests if NAV outperforms RPI by 9% and/or 50% vests if NAV outperforms FTSE All-Share by 3%.

All share options have a life of ten years and all deferred bonus awards have a life of four years.

The number and weighted average exercise prices of share options were as follows:

	Weighted average exercise price 2010 p/share	Number of options 2010 000's	Weighted average exercise price 2009 p/share	Number of options 2009 000's
Outstanding at the year start	1503	1,085	1296	1,235
Granted during the year	1446	287	1980	207
Exercised during the year	949	(400)	806	(271)
Lapsed during the year	2149	(176)	1878	(86)
Outstanding at the year end	1618	796	1503	1,085

The options outstanding at 31 March 2010 have an exercise price in the range of 722.5p to 1980p and a weighted average contractual life of ten years.

The fair value of services received in return for share options granted were measured indirectly, by reference to the fair value of share options granted. The estimate of the fair value of the services received was measured based on the Hull-White Employee Stock Option Valuation lattice model. This takes account of the impact of future events, such as early exercise by employees and employee exit rates after vesting. Also, the Hull-White model defines the conditions under which employees are expected to exercise their options after vesting in terms of the share price reaching a certain multiple of the exercise price.

Notes to the financial statements

The weighted average fair value at the measurement date of share options granted during the year and parameters used to derive the fair value, were as follows:

	Senior staff 2010	Senior staff 2009
Fair value at measurement date	392p	523p
Share price	1446p	1980p
Exercise price	1446p	1980p
Expected volatility	32.2%	22.4%
Exercise multiple	2.0	2.0
Expected dividends	2.9%	2.1%
Risk-free interest rate (based on UK Government bonds)	3.2%	5.0%

The expected volatility is based on the historic volatility, calculated as the average volatility over a period equal to the expected life of the share options.

Share options are granted under a service condition and non-market performance conditions. Such conditions are not taken into account in the grant date fair value measurement of the services received. There are no market conditions associated with the share option grants.

The fair value of services received in return for deferred share awards were measured directly, by reference to the fair value of services received during the period. This was based on the amount of annual bonus that was compulsorily and voluntarily deferred in accordance with the rules of the company's deferred bonus plan.

Employee expenses were as follows:

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Share options granted in 2006	0.1	–	0.1	–
Share options granted in 2007	0.1	(0.1)	0.1	(0.1)
Share options granted in 2008	(0.4)	0.2	(0.4)	0.2
Share options granted in 2009	0.2	0.2	0.2	0.2
Share options granted in 2010	0.2	–	0.2	–
Deferred bonus awards for 2006	0.1	0.2	0.1	0.2
Deferred bonus awards for 2007	–	0.3	–	0.3
Deferred bonus awards for 2008	0.7	0.5	0.7	0.5
Deferred bonus awards for 2010	0.1	–	0.1	–
	1.1	1.3	1.1	1.3

21. Provisions

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Balance at the year start	3.5	13.5	4.2	14.1
Investment provisions				
Released during the year	–	(10.0)	–	(10.0)
Increased during the year	5.4	–	–	–
Other provisions				
Released during the year	–	–	(0.2)	–
Increased during the year	–	–	–	0.1
Balance at the year end	8.9	3.5	4.0	4.2
Current	8.9	3.5	4.0	4.2

During the year, the company recognised an investment provision relating to a solvency guarantee given to a subsidiary. In the prior year, an investment provision relating to a disposal in 2007 was released. The solvency guarantee was related to the disposal of investments and the expense was included in the statement of comprehensive income as gains and losses on investments held at fair value through profit or loss. Other provisions in the group relate to warranty claims. Provisions are based on an estimate of the expenditure to be incurred as a result of past events. The matters giving rise to the provisions are expected to be resolved over the next year.

22. Financial instruments

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

Risk analysis

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

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

Market risk

Market risk embodies the potential for both losses and gains and includes price risk, currency risk and fair value interest rate risk. The strategy for managing market risk is driven by the investment objective, which is to outperform the FTSE All-Share Total Return index over five and ten years and to achieve a positive total return over rolling five year periods. Investments are made in a range of instruments, including quoted and unquoted equities, debt and non-equity investment funds, in a range of sectors and regions.

The board monitors the investment exposure against guidelines set from time to time by the board, specifying the maximum proportion of total assets that may be invested in sectors, regions and currencies. The board also reviews the position, prospects and exit strategy for all substantial investments at least once a year.

Details of the investment portfolio at the reporting date are shown on pages 8 to 14.

Price risk

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

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

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

The exposures of quoted and unquoted equity investments, equity linked bonds, funds and options on indices to price risk were as follows:

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Investments held at fair value through profit or loss	1,122.9	804.7	1,042.2	746.3

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. The valuation movement is aggregated with the expected movement in the valuation of the options on indices to provide a net increase or decrease in profit or loss.

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Increase in prices	112.3	71.1	104.2	65.3
Decrease in prices	(112.3)	(69.8)	(104.2)	(64.0)

The sensitivity to equity and fund investments has increased during the year due to the market movement in the year.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent price risk as the year end exposure does not reflect the exposure throughout the year as a whole.

Currency risk

Investments in financial instruments and other transactions may be denominated in currencies other than the functional currency. Consequently, there is exposure to the risk that the exchange rate of the functional currency may change relative to other currencies in a manner that has an adverse effect on the value of that portion of assets and liabilities denominated in currencies other than the functional currency.

The policy is not to enter into any structural currency hedging transactions. However, when a decision is taken to realise a foreign currency denominated investment, derivatives may be used to hedge against currency fluctuations to the expected date of realisation, depending on the directors' view of the likely movement in the exchange rate to anticipated disposal. At 31 March 2010 and 2009, the company and group had no currency hedging positions.

The fair values of the monetary items that have foreign currency exposure were as follows:

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Cash and cash equivalents	0.2	0.3	1.3	1.5
Trade and other receivables	–	–	2.4	4.0
Trade and other payables	–	–	(0.2)	(1.1)

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 investments.

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Sterling depreciates (weakens)	–	–	0.3	0.4
Sterling appreciates (strengthens)	–	–	(0.2)	(0.3)

The exposure to foreign currency has reduced during the year due to the reduction in foreign trade and other receivable balances.

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 fixed rate, interest-bearing financial assets, with maturity of up to five years, cash at bank and on term deposits, with the term to maturity of up to three months, and floating rate, interest-bearing financial assets. The group also had floating rate, interest-bearing borrowings.

The exposure to interest rate risk on financial assets and liabilities was as follows:

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Fixed rate				
Investments in debt instruments	18.0	19.3	19.8	17.8
Interest-bearing loans and borrowings	–	–	(2.6)	(2.6)
Floating rate				
Investments in debt instruments	43.7	37.2	43.7	38.4
Money market funds	–	–	–	1.0
Cash and cash equivalents	8.3	55.5	30.5	74.2
Bank overdrafts	–	–	–	(0.3)
Interest-bearing loans and borrowings	–	–	(83.6)	(78.5)

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date for 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.

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Decrease in interest rates	1.5	0.9	1.0	0.7
Increase in interest rates	(1.5)	(0.9)	(1.0)	(0.7)

The sensitivity to interest rates has increased in the year due to increased exposure to fixed interest debt instruments.

Notes to the financial statements

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 regularly monitored.

At 31 March 2010, the financial assets exposed to credit risk were as follows:

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Investments in debt instruments	96.6	91.0	98.5	90.6
Operating and other receivables	5.2	4.0	32.5	38.5
OTC derivatives	–	1.8	–	24.4
Money market funds	–	–	–	1.0
Cash and cash equivalents	8.3	55.5	30.5	74.2
	110.1	152.3	161.5	228.7

Prior to making investments in debt instruments, management has in place a process of review that includes an evaluation of a potential investee company's ability to service and repay its debt. Management reviews the financial position of investee companies, including their continuing ability to service and repay debt, on a regular basis.

The exposure to credit risk on operating and other receivables is mitigated by performing credit evaluations on investee companies as part of the due diligence process.

Credit risk arising on money market funds and cash and cash equivalents is mitigated by spreading investments and deposits across a number of investment grade banks with a credit rating of 'AA3' or 'AA-' or better as determined by the ratings agencies, Moody's and Fitch. The company receives a monthly rating update, and relevant credit risks are reviewed accordingly.

All transactions in quoted 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. UK listed security trades are settled through CREST.

There were no significant concentrations of credit risk to counterparties at 31 March 2010 (2009 – £nil).

Fair value
Most of the financial instruments are carried at fair value on 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.

The principal methods and assumptions used in estimating the fair value of investments are disclosed on page 15.

Liquidity risk
Liquidity risk arises as a result of the possibility that the 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.

The following table shows the group's exposure to gross liquidity risks, based on the undiscounted contractual maturities of the financial liabilities:

	Up to 1 year £m	1 to 5 years £m	Over 5 years £m	Discount £m	Net total £m
2010					
Secured bank loans	1.0	30.2	–	(2.3)	28.9
Unsecured loans	1.1	55.1	–	(1.5)	54.7
Finance leases	–	0.3	–	(0.1)	0.2
Cumulative preference shares	–	–	0.1	–	0.1
Unsecured bond issues	–	0.3	2.4	(0.4)	2.3
	2.1	85.9	2.5	(4.3)	86.2
2009					
Secured bank loans	0.7	25.2	–	(2.7)	23.2
Unsecured loans	3.6	56.0	–	(4.3)	55.3
Finance leases	0.1	0.3	–	(0.1)	0.3
Cumulative preference shares	–	–	0.1	–	0.1
Unsecured bond issues	–	2.9	–	(0.7)	2.2
	4.4	84.4	0.1	(7.8)	81.1

Capital management policies and procedures
The company's capital management objectives are:

- to ensure that it will be able to continue as a going concern
- to maximise the income and capital return to its equity shareholders through an appropriate balance of equity capital and debt. The company's policy is to limit debt to 25% of net assets.

The company's total capital at 31 March 2010 was £1,181.6m (2009 – £906.2m) comprising equity share capital and reserves. The company was ungeared at the year end (2009 – ungeared).

The board monitors and reviews the broad structure of the 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 holding in treasury or cancellation, which takes account of the discount of the share price to net asset value per share
- the annual dividend policy.

The company's objectives, policies and processes for managing capital are unchanged from the preceding accounting year.

The company is subject to the following externally imposed capital requirements:

- as a public 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 1159 of the Corporation Tax Act 2010.

The company has complied with these requirements, which are unchanged since the previous year end.

Fair value hierarchy

The company's valuation methodology is disclosed on page 15. The table below analyses financial instruments held at fair value according to the subjectivity of the valuation method, according to the following hierarchy:

Level 1 Quoted prices (unadjusted) in active markets for identical assets.
Level 2 Inputs other than quoted prices included within Level 1 that are directly or indirectly observable.
Level 3 Inputs for the asset that are not based on observable market data.

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Investments held at fair value				
Level 1	739.5	475.8	739.5	475.8
Level 2	88.7	70.4	71.3	62.1
Level 3	355.6	302.7	294.9	235.3
	1,183.8	848.9	1,105.7	773.2
Available for sale investments				
Level 2	–	–	0.8	0.8
Derivatives				
Level 2	–	6.6	–	29.2

An investment with a fair value of £22.8m was transferred from Level 1 to Level 2 during the year as a result of the company being taken private. An investment with a value of £0.6m was transferred from Level 2 to Level 1 as a result of the company listing on an overseas exchange.

Movement in Level 3 financial instruments was as follows:

	Company 2010 £m	Group 2010 £m
Balance at the year start	302.7	235.3
Purchases	33.0	27.4
Disposal proceeds	(30.3)	(13.2)
Gains and losses on investments sold in the year	18.6	5.1
Gains and losses on investments held at the year end	31.6	40.3
Balance at the year end	355.6	294.9

23. Capital and reserves

Share capital and share premium

	Ordinary shares £m	Deferred ordinary shares £m	Share premium £m	Total £m
Balance at 31 March 2008, 2009 and 2010	2.9	0.4	1.3	4.6

The number of fully paid shares issued was as follows:

	Ordinary shares 2010 000's	Ordinary shares 2009 000's	Deferred ordinary shares 2010 000's	Deferred ordinary shares 2009 000's
Balance at the year start and end	58,795	58,795	8,000	8,000

The company has also issued share options and made deferred bonus awards (note 20).

As at 31 March 2010, the issued share capital of the company comprised 58,794,781 ordinary shares (2009 – 58,794,781) and 8,000,000 deferred ordinary shares (2009 – 8,000,000). The ordinary and deferred ordinary shares have a par value of 5p.

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 the group, 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 PLC, a wholly owned subsidiary of Caledonia.

These shares are considered compound financial instruments under IAS 32 and are required to be separated into a debt and an equity component. The debt component, a perpetual debt, represents the present value of the fixed cumulative dividend of 1% per annum calculated on the date the deferred shares were issued. This component of the deferred ordinary shares has been classified as non-current liabilities in the financial statements of the company. The fixed cumulative dividend has been reclassified from dividend to interest expense in the statement of comprehensive income of the financial statements of the company.

Capital redemption reserve

The capital redemption reserve comprises the nominal value of those shares purchased by the company out of its own profits and cancelled. At 31 March 2010, the capital redemption reserve was £1.2m (2009 and 2008 – £1.2m). There was no movement in the capital redemption reserve in the current or prior years.

Reserves

Company

	Capital reserve 2010 £m	Capital reserve 2009 £m	Retained earnings 2010 £m	Retained earnings 2009 £m
Gains and losses on investments	302.8	(350.4)	–	–
Losses on derivatives	(7.5)	(1.3)	–	–
Investment provisions	(5.4)	–	–	10.0
Investment and other income	–	–	33.0	34.6
Investment income impairment	–	–	–	(2.5)
Management expenses	–	–	(12.1)	(9.6)
Transaction and other expenses	(0.5)	(0.2)	(0.5)	(0.3)
Treasury interest receivable	–	–	0.5	1.6
Exchange movements	–	–	(0.3)	(0.8)
Finance costs	–	–	(0.4)	(0.5)
Taxation	(0.8)	(2.7)	3.6	(3.4)
Actuarial losses on defined benefit pension schemes	–	–	(1.0)	(3.5)
Tax on other comprehensive income	–	–	0.3	(0.7)
Total comprehensive income	288.6	(354.6)	23.1	24.9
Share-based payments	–	–	1.1	1.3
Dividends to shareholders	–	–	(34.0)	(19.0)
	288.6	(354.6)	(9.8)	7.2
Balance at the year start	643.5	998.1	281.5	274.3
Balance at the year end	932.1	643.5	271.7	281.5

Notes to the financial statements

Group

	Translation reserve £m	Retained earnings £m	Non-controlling interest £m
Balance at 31 March 2008	1.7	1,266.7	3.4
Total comprehensive income	6.0	(308.6)	0.3
Share-based payments	–	1.3	–
Dividends to shareholders	–	(19.0)	(1.0)
Balance at 31 March 2009	7.7	940.4	2.7
Total comprehensive income	(2.3)	298.9	(0.9)
Capital contributed	–	–	0.5
Share-based payments	–	1.1	–
Dividends to shareholders	–	(34.0)	(0.9)
Balance at 31 March 2010	5.4	1,206.4	1.4

The foreign exchange translation reserve comprised all foreign exchange differences arising from the translation of the financial statements of foreign operations that were not integral to the operations of the group.

Own shares

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Balance at the year start	24.6	26.3	24.6	26.3
Additions	7.2	3.5	7.2	3.5
Disposals	(3.8)	(2.2)	(3.8)	(2.2)
Movement in J.P. Morgan Securities instruction	–	(3.0)	–	(3.0)
Balance at the year end	28.0	24.6	28.0	24.6

Company
The company own shares reserve represents the cost of shares in Caledonia purchased in the market and held in treasury, accrued shares accounted as being held in treasury, pursuant to an irrevocable instruction to J.P. Morgan Securities, and the net cost to the employee share trust of acquiring shares to satisfy employee share options and deferred bonus awards.

Group
The group own shares reserve also includes transactions in Caledonia's shares undertaken by a subsidiary company.

24. Acquisition of subsidiaries

During the year, the group paid £3.1m (2009 – £2.0m) of deferred consideration in respect of the acquisition of Ermitage Ltd in 2007. In the previous year, the group acquired subsidiaries for an aggregate consideration of £2.4m.

The aggregate net assets of subsidiaries acquired were as follows:

	2010 £m	2009 £m
Intangible assets	–	1.8
Property, plant and equipment	–	0.2
Inventories	–	0.5
Trade and other receivables	–	1.0
Cash and cash equivalents	–	0.1
Current interest-bearing loans and borrowings	–	(0.1)
Trade and other payables	–	(1.0)
Current tax liability	–	(0.1)
Net assets acquired	–	2.4
Deferred consideration	3.1	2.0
Consideration	3.1	4.4
Satisfied by		
Cash	3.1	4.4
Net cash outflow arising on acquisition		
Cash consideration	3.1	4.4
Cash and cash equivalents acquired	–	(0.1)
	3.1	4.3

25. Disposal of subsidiaries

The aggregate net assets of subsidiaries sold were as follows:

	2010 £m	2009 £m
Goodwill	0.4	–
Property, plant and equipment	–	0.3
Inventories	0.1	0.9
Trade and other receivables	–	0.5
Cash and cash equivalents	–	0.2
Non-current employee liabilities	–	(0.3)
Trade and other payables	(0.1)	(0.9)
	0.4	0.7
Foreign exchange gain on disposal	(1.1)	(0.4)
Gain/(loss) on disposal	1.4	(0.3)
Total consideration	0.7	–
Net cash inflow arising on disposal		
Cash and cash equivalents received	0.7	–
Cash and cash equivalents sold	–	(0.2)
	0.7	(0.2)

26. Operating leases

Leases as lessee

Non-cancellable operating lease rentals were payable as follows:

	Group 2010 £m	Group 2009 £m
Less than one year	2.7	2.2
Between one and five years	4.4	3.7
More than five years	11.6	12.2
	18.7	18.1

The group leases properties and various items of equipment under operating leases. None of the leases included contingent rentals.

During the year ended 31 March 2010, £2.5m (2009 – £1.0m) was recognised as an expense in the statement of comprehensive income in respect of operating leases.

Leases as lessor

The group leases out its investment property under operating leases (note 12). The future minimum lease receipts under non-cancellable leases were as follows:

	Group 2010 £m	Group 2009 £m
Less than one year	1.7	0.6
Between one and five years	5.7	1.3
More than five years	1.8	0.1
	9.2	2.0

During the year ended 31 March 2010, £1.5m (2009 – £0.7m) was recognised as income in the statement of comprehensive income in respect of operating leases.

27. Finance leases

Leases as lessee

Non-cancellable finance lease rentals were payable as follows:

	Group 2010 £m	Group 2009 £m
Less than one year	–	0.1
Between one and five years	0.3	0.1
More than five years	–	0.2
	0.3	0.4
Future finance charges	(0.1)	(0.1)
Present value of lease obligations	0.2	0.3
Current	–	0.1
Non-current	0.2	0.2
	0.2	0.3

The carrying amount of buildings and plant held under finance leases was £0.2m (2009 – £0.3m).

For the year ended 31 March 2010, the average effective borrowing rate was 6.6% (2009 – 6.6%). Interest rates were fixed at the contract date. All leases were on a fixed repayment basis and no arrangements had been entered into for contingent rental payments.

The group's obligations under finance leases were secured by the lessor's rights over the leased assets.

28. Capital commitments

At the reporting date, the company had entered into unconditional loan commitments to limited partnerships, commitments to other investment funds and loan facilities to portfolio companies. In addition, other group companies had committed to incur capital expenditure, as follows:

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Investments				
Contracted but not called	66.4	82.2	66.4	82.2
Conditionally contracted	19.6	13.8	19.6	13.8
Property, plant and equipment				
Contracted but not delivered	–	–	–	0.1
	86.0	96.0	86.0	96.1

29. Contingencies

There were no known contingencies at the year end.

30. Related parties

Identity of related parties

The company and group had a related party relationship with its subsidiaries (note 32), associates (note 33), joint ventures (note 13) 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 33.7% of the voting shares of the company as at 31 March 2010 (2009 – 33.6%).

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 on page 54 in the directors' remuneration report.

The key management personnel compensation was as follows:

	Company 2010 £m	Company 2009 £m	Group 2010 £m	Group 2009 £m
Short term employee benefits	3.1	2.5	3.1	2.5
Post employment benefits	0.2	0.3	0.2	0.3
Termination benefits	0.4	–	0.4	–
Equity compensation benefits	1.1	1.2	1.1	1.2
	4.8	4.0	4.8	4.0

Total remuneration of directors is included in 'personnel expenses' (note 3).

During the year, the group invoiced and received £0.1m (2009 – £0.1m) in administration fees from The Cayzer Trust Company Ltd.

Other related party transactions

Subsidiaries

Intra-group transactions are eliminated on consolidation and are not reported in the group accounts. Transactions between the company and its subsidiaries were as follows:

	Amount of transactions 2010 £m	Balance at year end 2010 £m	Amount of transactions 2009 £m	Balance at year end 2009 £m
Comprehensive income items				
Guarantee fees	0.4	0.2	0.4	0.1
Dividends receivable on equity shares	2.3	–	1.8	–
Capital distributions	18.4	–	22.7	–
Interest receivable on loan securities	0.4	–	0.8	–
Management fees payable	(11.9)	(1.2)	(10.2)	(0.2)
Taxation	(0.4)	–	0.6	–
Financial position items				
Equity subscribed	6.5	–	3.2	–
Liquidations	0.9	–	–	–
Loans advanced/(repaid)	2.2	18.6	(19.1)	20.8
Guarantees	2.6	98.1	3.1	95.5

Notes to the financial statements

Associates and joint ventures

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

	Amount of transactions 2010 £m	Balance at year end 2010 £m	Amount of transactions 2009 £m	Balance at year end 2009 £m
Company				
Arrangement fees	–	–	0.1	–
Dividends receivable on equity shares	6.1	–	5.3	–
Interest receivable on loan securities	5.2	1.6	3.9	0.9
Share subscriptions	10.7	–	1.6	–
Loans advanced/(repaid)	9.2	66.3	(5.9)	57.1
Other group companies				
Directors' fees receivable	0.3	0.1	0.3	0.1

31. 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 company gross portfolio return, principally comprising gains and losses on investments and investment income. Reportable profit or loss is after 'Other items', which comprise management and other expenses and treasury income. Reportable assets equate to the company's net asset value.

Reportable results and assets view subsidiaries and joint ventures as investments held at fair value and include liabilities of the company. To reconcile to group profit or loss and total assets 'Eliminations' comprise the difference between the aggregate fair value and total assets of subsidiaries and joint ventures and the company's liabilities.

	Profit or loss before tax 2010 £m	Profit or loss before tax 2009 £m	Assets 2010 £m	Assets 2009 £m
Financial	95.1	(70.2)	299.9	232.9
Funds	70.7	(52.0)	339.9	284.5
Property	28.2	(82.3)	125.1	55.5
Consumer	79.0	(39.3)	190.4	95.5
Oil and gas	44.4	(45.2)	117.6	74.1
Industrial	19.9	(45.4)	111.7	89.6
FTSE options	(14.4)	24.8	–	24.2
Gross portfolio	322.9	(309.6)	1,184.6	856.3
Other items	(13.3)	(9.8)	(3.0)	49.9
Reportable total	309.6	(319.4)	1,181.6	906.2
Eliminations	(10.5)	25.5	143.1	164.1
Group total	299.1	(293.9)	1,324.7	1,070.3

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

	UK £m	US £m	Other £m	Total £m
2010				
Revenue	227.1	58.8	139.2	425.1
Non-current assets	60.4	4.2	67.3	131.9
2009				
Revenue	(184.7)	19.4	8.0	(157.3)
Non-current assets	54.8	4.2	68.8	127.8

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

Major clients

The group is reliant on one investment accounting for more than 10% of the group revenues, which included gains and losses on investments.

32. Group entities

Significant subsidiaries were as follows:

Name	Country of domicile	Ownership 2010 %	Ownership 2009 %
Amber Chemical Co Ltd	UK	100	100
Brookshire Capital LLP	UK	80	–
Buckingham Gate Ltd	UK	100	100
Caledonia CCIL Distribution Ltd	UK	100	100
Caledonia GP Distribution Ltd	UK	100	100
Caledonia Group Services Ltd	UK	100	100
Caledonia Treasury Ltd	UK	100	100
Easybox Sarl	Luxembourg	100	100
Edinmore Holdings Ltd	UK	100	100
Edinmore Investments Ltd	UK	100	100
Edinmore Investments Two Ltd	UK	100	–
Edinmore Investments Three Ltd	UK	100	–
Ermitage Ltd	Jersey	92	60
Sloane Club Holdings Ltd	UK	100	100
Sterling Industries PLC	UK	100	100
Union-Castle Mail Steamship Co Ltd	UK	100	100

A complete list of investments in subsidiaries will be submitted with the company's annual return to the Registrar of Companies.

33. Interests in associates

The company is an investment trust company and, accordingly, does not equity account for associates, which are designated as investments held at fair value through profit or loss.

Significant associates of the company were as follows:

Name	Country of domicile	Ownership 2010 %	Ownership 2009 %
Celerant Consulting Investments Ltd	UK	47	47
Empresaria Group plc	UK	23	23
Eredene Capital plc	UK	22	22
General Practice Investments Ltd	UK	25	25
India Capital Growth Fund Ltd	Guernsey	24	24
Omniport Holdings Ltd	UK	49	42
Oval Ltd	UK	24	24
Real Estate Investors PLC	UK	30	26
Satellite Information Services Ltd	UK	23	23
Seven Squared Ltd	UK	29	29
TCL Holdings Ltd	UK	50	49
TGE Marine AG	Germany	50	35

A complete list of investments in associates will be submitted with the company's annual return to the Registrar of Companies.

Aggregated amounts relating to associates, extracted on a 100% basis, were as follows:

	2010 £m	2009 £m
Assets	1,004.4	948.2
Liabilities	(645.4)	(607.4)
Equity	359.0	340.8
Revenues	740.6	689.4
Profit/(loss)	10.2	(107.5)

34. Accounting estimates and judgements

Key sources of estimation uncertainty

Fair values of financial instruments

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

For the majority of the group's financial instruments, quoted market prices are readily available. However, certain financial instruments, such as unquoted securities, are fair valued using valuation techniques, including reference to the current fair values of instruments that are substantially the same (subject to the appropriate adjustments).

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement (e.g. interest rates, volatility, estimated cash flows, etc) and therefore cannot be determined with precision.

Directors' remuneration report

This report has been prepared in accordance with Part 15 of the Companies Act 2006 and related regulations. The tables included in the statements below on directors' remuneration, pensions, share options and deferred share awards have been audited.

The Remuneration Committee
The Remuneration Committee is a standing committee of the board whose current members are Mr Davies (Chairman), Mr Allen-Jones, Mr Gregson and Mr Thompson. All of the members served throughout the year other than Mr Gregson who was appointed on 17 December 2009.

The Remuneration Committee, whose written terms of reference are published on the company's website, has been established for the following purposes:

- To determine and agree with the board the framework and broad policy for the remuneration of the executive directors and such other members of the executive management as it is requested by the board to consider and to review the on-going appropriateness and relevance of the remuneration policy.
- To approve the design of, and determine targets for, any performance related pay schemes operated by the company and to approve the total annual payments made under such schemes.
- To review the design of all share incentive plans for approval by the board and shareholders and, for any such plans, to determine each year whether awards will be made and, if so, the overall amount of such awards, the individual awards to executive directors and other senior executives and the performance targets to be used.
- Within the terms of the agreed policy, to determine the total individual remuneration packages of each executive director and, if requested by the board, other senior executives including, where appropriate, bonuses, incentive payments, share options and other awards.
- To determine the policy for, and scope of, pension arrangements, service agreements, termination payments and compensation commitments for executive directors and, if requested by the board, other senior executives.
- To review and assess annually the remuneration trends across the company.

The Remuneration Committee also determines the fees of the Chairman.

During the year, the Remuneration Committee received advice from Towers Watson, independent remuneration consultants appointed by the Remuneration Committee, who assessed the comparability of senior executive remuneration packages with the market place for the purpose of setting executive directors' salaries for the year commencing 1 April 2010. In addition, the Remuneration Committee received advice from Freshfields Bruckhaus Deringer LLP in relation to amendments to the rules of the company's share plans and various matters relating to executive directors' service contracts. Towers Watson principally advised in relation to the remuneration of executive directors and senior management and Freshfields Bruckhaus Deringer LLP are the company's main legal advisers. The Remuneration Committee also consulted with the Chairman, Mr Loudon, and the Chief Executive, Mr Ingram, in relation to the remuneration of the executive directors. Internal support was provided to the Remuneration Committee by the Company Secretary.

Remuneration policy for executive directors
The Remuneration Committee has adopted a remuneration policy with the following objectives:

- Performance related remuneration should seek to align the interests of the executive directors with those of the shareholders.
- A significant portion of the executive directors' remuneration packages should be linked to the performance of the company.
- Remuneration packages for the 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.

In order to align further the interests of the executive directors with those of shareholders, the Remuneration Committee has adopted guidelines for minimum shareholdings which executive directors will be expected to attain over a reasonable period of time. For these purposes, shareholdings include the value to executive directors, net of associated income tax and National Insurance, of options granted under the company's executive share option schemes for which the performance targets have been met and bonus deferred into shares, both compulsorily and voluntarily, under the company's deferred bonus plan. For the Chief Executive, the minimum guideline shareholding has been set at a value of 200% of basic salary and for all other executive directors 150% of basic salary. The current shareholdings of all of the executive directors meet these guidelines, other than of Mr King, who has only recently joined the company.

In determining executive directors' remuneration, consideration is given to matters specific to the company, such as the performance of its net asset value ('NAV') per share, both in absolute terms and as measured against the FTSE All-Share index, to the experience and performance of individual directors and their areas of responsibility, and to levels of remuneration elsewhere in the company. Comparable external market data is also considered as a point of reference to determine appropriate remuneration packages for specific roles.

It is currently intended that the policy statement set out in this report will apply for the year to 31 March 2011 and for subsequent years. However, the Remuneration Committee considers that an effective remuneration policy needs to be sufficiently flexible and kept under review in order to take account of future changes in the company's business environment and in remuneration practice. Accordingly, the policy may be further amended in future years. Any changes in policy for financial years after 31 March 2011 will be described in future directors' remuneration reports, which will continue to be subject to an advisory vote of shareholders. All statements in this report in relation to remuneration policy for years after 31 March 2011 should be read in this light.

Policy on individual components of executive directors' remuneration

Basic salary
Basic salary is determined by the Remuneration Committee by reference to the experience and responsibilities of the director concerned and taking into account external market research. The company's policy is to pay salaries and other benefits which are competitive, but not excessive, in relation to the marketplace.

Benefits
The company provides a range of benefits, including cash allowances in lieu of company cars, life insurance, permanent health insurance and private medical cover.

Bonus
The company operates a discretionary annual bonus scheme for executive directors, which takes into account both the performance of individual directors and the performance of the company. At the determination of the Remuneration Committee, and subject to the compulsory deferral provisions of the company's deferred bonus plan, bonuses may either be paid in cash or as an employer contribution to registered pension schemes.

The maximum potential bonus that may currently be awarded is 100% of basic salary, of which a maximum of 50% of basic salary is determined by reference to the company's performance and 50% by reference to individual performance. The company performance related element of bonus is determined by reference to the performance of the company's diluted NAV per share compared with that of the FTSE All-Share index over the financial year. Bonus payments commence if the performance of the company's NAV per share matches that of the FTSE All-Share index, increasing incrementally to the maximum entitlement payable if NAV per share outperforms the FTSE All-Share index by 6% or more. The individual performance element is measured by reference to performance objectives set at the start of the financial year. All bonus payments are subject to the overriding discretion of the Remuneration Committee and circumstances where such discretion may be used to reduce the amount of bonus payable include where NAV per share growth in the financial year is negative and/or NAV per share outperformance over the relevant financial year merely represents recovery from previous underperformance.

The Remuneration Committee may also award bonuses outside the terms of the company's annual bonus scheme. No bonus payments are pensionable.

Deferred bonus plan

The company's bonus arrangements are also designed to align the interests of directors with those of shareholders and to encourage retention by requiring, in the Remuneration Committee's absolute discretion, that a proportion of any bonus paid to a director is compulsorily invested in shares under the company's deferred bonus plan. The Remuneration Committee's current policy is that any annual bonus paid, the amount of which is above 50% of a director's basic salary for the financial year to which the bonus relates, must be so compulsorily invested. Shares derived from the compulsory deferral of bonus are matched on a one for one basis, subject to the satisfaction of performance conditions over a period of three years.

In addition, the deferred bonus plan entitles directors to convert voluntarily a proportion of any remaining cash bonus to an entitlement to shares. The Remuneration Committee's current policy is that up to half of any bonus not subject to compulsory deferral may be voluntarily converted into shares. The shares awarded for voluntary bonus deferral are also eligible for matching, on a one for one basis, subject to the satisfaction of performance conditions over a period of three years. Awards under the deferred bonus plan are not pensionable.

Pensions

The company's policy on pensions is to provide a means whereby executive directors either receive a pension at retirement age from the company, or are funded to operate their own personal pension plans or other arrangements. The Hon C W Cayzer is a member of the Caledonia Pension Scheme, which is a defined benefits scheme and is contributory for employees who joined the company after 1 April 1988, but which is now closed to new members. The scheme provides a pension of up to two-thirds of final pensionable salary on retirement dependent on length of service and age and also provides for dependants' pensions. The Hon C W Cayzer transferred into the scheme from The Union-Castle Line Superannuation Scheme which was non-contributory, and this status has been preserved. None of Messrs Ingram, King, May or Wyatt participate in a company pension scheme, but instead a fixed percentage of basic salary is paid into personal pension arrangements or, in the case of Messrs Ingram, King and May, may at their choice be paid as a cash supplement, which is reduced by such amount as is necessary to cover the company's National Insurance costs. The percentage of basic salary for the year ended 31 March 2010 was 25% for Mr Ingram and 12.5% for Messrs King, May and Wyatt. Mr Cayzer-Colvin participates in the Caledonia Group Personal Pension Plan ('GPPP'), a defined contribution scheme into which employer contributions of 12.5% of basic salary were made on his behalf. It is the company's policy that any future executive directors recruited from outside the company will be funded to operate their own pension arrangements or offered participation in a company sponsored defined contribution scheme and that the company will not offer participation in any defined benefits arrangements.

Share options

A key objective of the company's remuneration policy is to motivate executive directors to deliver long term shareholder value. The Remuneration Committee believes that this is best achieved through the grant of share options, exercisable only if demanding performance conditions are met. The grant of options is considered to be a key element of the remuneration package, alongside annual salary, annual bonus and the deferred bonus plan.

The maximum value of options that may be granted in any year to a director is 150% of basic salary. The Remuneration Committee may exceed this limit for individual directors where it considers it necessary to do so to secure their appointment, provided that the maximum value that may be granted in such circumstances shall not exceed 250% of basic salary.

No options are granted at a discount.

Policy on executive directors' service contracts

It is the policy of the company that no executive director should be offered a service contract that cannot be terminated within one year or which contains provision for predetermined compensation in excess of one year's total emoluments. All existing directors' service contracts comply with this policy. The Remuneration Committee has regard to compensation commitments and believes that these are best addressed by restricting the term of the contract. In the event of a termination, the Remuneration Committee would consider all the relevant factors and circumstances and seek a just solution. 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 to which such payments relate.

Policy on external non-executive directorships held by executive directors

It is the company's policy to allow executive directors to hold external non-executive directorships unrelated to the company's business, provided that the time commitment 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 in certain circumstances. Details of any such fees retained by executive directors are disclosed in the statement on directors' remuneration below.

Policy on the Chairman's and non-executive directors' terms of appointment and remuneration

It is the company's policy that the Chairman and the non-executive directors should be appointed for fixed periods of no more than three years (from the next annual general meeting following initial appointment in the case of new appointments) and that re-appointment at the end of such periods should not be automatic.

The Chairman receives an annual fee determined by the Remuneration Committee but does not receive any other emoluments. Non-executive directors are paid an annual fee determined by the board within the overall limit contained in the articles of association, but do not receive any other benefits from the company for their services as non-executive directors. For the year ended 31 March 2010, the basic fee for the Chairman was £150,000. The basic fee for the non-executive directors was £32,500 and additionally fees of £4,500 and £4,000 respectively were paid to the Chairmen of the Audit and Remuneration Committees and £1,800 and £1,250 respectively to the other members of those committees. A further £3,500 was paid to Mr Allen-Jones for his role as Senior Independent Non-Executive Director and Chairman of the Governance Committee. The level of fees paid to the Chairman and the non-executive directors was unchanged from the year ended 31 March 2009. Non-executive directors may also be paid additional fees agreed by the board where they have performed services that, in the opinion of the board, are over and above their normal duties. The company is entitled to terminate the Chairman's or a non-executive director's appointment at any time without compensation.

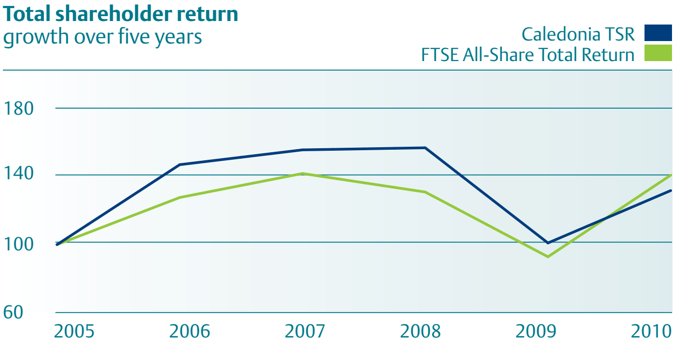
Directors' remuneration report

Performance graph

The graph below shows the company's total shareholder return ('TSR') against that of the FTSE All-Share Total Return index for the five financial years ending on 31 March 2010. TSR has been calculated assuming that all dividends are reinvested on their ex-dividend date.

The FTSE All-Share Total Return index has been chosen as it is the benchmark by which the company measures its delivery of shareholder value over the longer term.

Total shareholder return
growth over five years



Statement on directors' remuneration (audited)

Total emoluments of the directors were as follows:

	2010 £'000	2009 £'000
Emoluments	3,553	2,465
Gains on exercise of share options	1,858	3,071
	5,411	5,536

Statement on directors' emoluments (audited)

The emoluments of individual directors were as follows:

	Fees and salaries £'000	Benefits £'000	Cash bonus £'000	Deferred shares[1] £'000	Compensation for loss of office £'000	Total 2010 £'000	Total 2009 £'000
J R H Loudon	150	–	–	–	–	150	69
T C W Ingram	530	21	252	–	–	803	550
J H Cartwright[2]	198	14	–	–	446	658	307
The Hon C W Cayzer	245	17	98	–	–	360	262
J M B Cayzer-Colvin	245	18	116	–	–	379	263
S A King[3]	97	–	43	–	–	140	–
J M May	340	18	77	76	–	511	358
W P Wyatt	245	18	123	–	–	386	262
C M Allen-Jones	42	–	–	–	–	42	42
M E T Davies	36	–	–	–	–	36	36
R Goblet d'Alviella	34	–	–	–	–	34	33
C H Gregson[4]	19	–	–	–	–	19	–
D G F Thompson	35	–	–	–	–	35	35
Former director	–	–	–	–	–	–	248
	2,216	106	709	76	446	3,553	2,465

1. Deferred shares, forming part of the bonus, comprise the amounts voluntarily deferred under the company's deferred bonus plan which are satisfied in shares shortly after the announcement of the company's final results for the particular year, as described below.
2. Mr Cartwright resigned as a director on 8 December 2009.
3. Mr King was appointed a director on 9 December 2009.
4. Mr Gregson was appointed a director on 16 September 2009.

In addition to the amounts shown in the table above, Messrs Ingram, King and May respectively were paid amounts of £68,521, £10,704 and £37,677 before tax (2009 – Mr Ingram: £nil and Mr May: £37,677) in lieu of contributions to their personal money purchase pension arrangements as described in the statement on directors' pensions below. Mr Ingram also held an external non-executive directorship of Sage Group during the year, which was unrelated to the company's business and where it had been agreed that he could retain the fees arising therefrom, as he took up the appointment before he joined Caledonia. Mr Ingram received fees from Sage Group of £65,000 (2009 – £68,966). Mr King is a non-executive director of Weir Group, from whom he has received fees of £16,253 since his appointment as a director of Caledonia. Mr King held this external directorship prior to joining Caledonia and therefore it was agreed that he could retain the fees arising therefrom.

In the period between his resignation as a director on 8 December 2009 and the termination of his employment on 31 December 2009, Mr Cartwright continued to receive salary and benefits under the terms of his existing service contract. Following termination of his employment, Mr Cartwright received compensation and payment in lieu of notice of £445,734, together with the credit of 12 months' additional pensionable service in the Caledonia Pension Scheme and reimbursement of legal fees of £6,000. Further details of the pension enhancement and of the Remuneration Committee's treatment of Mr Cartwright's deferred share awards and share options are set out in the relevant sections below.

Directors' deferred share awards

The deferred bonus column in the table of directors' emoluments shows the amount (if any) of bonus to be compulsorily and voluntarily deferred into shares under the company's deferred bonus plan. The number of shares awarded for both the compulsory and voluntary deferral of bonus is determined by reference to the market value of a share at the time the award is made, which occurs shortly after the announcement of the company's results for the financial year to which the bonus relates (or following the occurrence of exceptional circumstances justifying the making of awards). In both cases, the number of shares is set on a pre-tax basis (as the shares will be subject to income tax and National Insurance on release). Matching shares are awarded in respect of compulsory (for financial years ended 2008 and onwards) and voluntary deferral of bonus on a one for one basis.

Compulsorily deferred share awards

The shares comprised in a compulsory deferral will normally only vest (together with an amount equal to the dividends that would have accrued on those shares) 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. The vesting of these shares is not subject to a further performance condition.

Voluntarily deferred share awards

The shares comprised in a voluntary deferral are not subject to a performance condition and will vest (together with an amount equal to the dividends that would have accrued on those shares) at the earlier of three years from the first day of the financial year in which the award is made or the date the director ceases to be an employee of the Caledonia group for any reason.

Matching share awards

The vesting of the matching shares is dependent on the company's performance over a three year period, by reference to two separate performance conditions. Both performance conditions relate to the performance of Caledonia's NAV per share over the three financial years starting with the year in which the award is made (the 'Prescribed Period'). This performance of NAV per share will be compared against different indices as follows:

- 50% of the matching shares will only vest if NAV per share over the Prescribed Period outperforms the Retail Prices Index by at least 9%
- 50% of the matching shares will only vest if NAV per share over the Prescribed Period outperforms the FTSE All-Share index by at least 3%.

There will be no retesting of either performance condition.

The Remuneration Committee may amend the performance target if events occur that would make the amended target a fairer measure of performance and provided that any amended target is no more difficult to satisfy. The Remuneration Committee will also have the ability to impose different performance targets in the future, provided that any targets that are imposed are no less demanding than those described above. Any such amended or different performance targets will be described in the directors' remuneration report for the relevant year.

Deferred share awards held as at 31 March 2010 (or date of resignation if earlier) by directors who served during the year are shown in the following table. Other than in respect of Mr Cartwright, the awards shown as lapsed are all of the matching awards granted on 31 May 2007 which failed to meet their performance targets tested as at 31 March 2010. In the case of Mr Cartwright, the Remuneration Committee, as part of his termination arrangements, agreed in August 2009 that his compulsory and voluntary awards granted in 2007 and 2008 should vest on the termination of his employment, which took effect on 31 December 2009. The Remuneration Committee also determined then that, based on the measurement of the performance targets since the relevant grant date, 50% of his matching awards granted in 2007 and 2008 should vest, but these awards should then be further reduced to reflect the amount of the relevant performance period that had elapsed at the date of termination. Accordingly, Mr Cartwright's 2007 matching award was reduced to 1,375 shares and his 2008 matching award to 2,029 shares. Mr Cartwright was entitled to call for all of the vested share awards within one year of his termination date. In accordance with the terms of the deferred bonus plan, Mr Cartwright was also entitled to be paid an amount equivalent to the value of the dividends and associated tax credits that would have accrued on these shares during the retention period.

There have been no changes in directors' deferred share awards up to the date of this report.

				Number of shares				Market price at award	Market price at call	Value at call		
Name	Award type	Award date	Opening balance	Called	Lapsed	Waived	Closing balance	p	p	2010 £'000	2009 £'000	Vesting date
T C W	Compulsory	01.06.06	10,117	(10,117)	–	–	–	1878	1565.5	158		
Ingram	Voluntary	01.06.06	5,058	(5,058)	–	–	–	1878	1565.5	79		
	Matching	01.06.06	2,529	(2,529)	–	–	–	1878	1565.5	40		
	Compulsory	31.05.07	4,865	–	–	(4,865)	–	2158	–	–		
	Voluntary	31.05.07	4,865	–	–	(4,865)	–	2158	–	–		
	Matching	31.05.07	4,865	–	(4,865)	–	–	2158	–	–		
	Compulsory	03.06.08	10,303	–	–	(10,303)	–	1980	–	–		
	Voluntary	03.06.08	6,060	–	–	(6,060)	–	1980	–	–		
	Matching	03.06.08	6,060	–	–	–	6,060	1980	–	–		01.04.11
	Matching	29.07.08	10,303	–	–	–	10,303	1980	–	–		01.04.11
			65,025	(17,704)	(4,865)	(26,093)	16,363			277	–	
J H	Compulsory	01.06.06	5,314	(5,314)	–	–	–	1878	1524	81		
Cartwright[1]	Voluntary	01.06.06	3,321	(3,321)	–	–	–	1878	1524	51		
	Matching	01.06.06	1,661	(1,661)	–	–	–	1878	1524	25		
	Compulsory	31.05.07	2,395	–	–	–	2,395	2158	–	–		31.12.09
	Voluntary	31.05.07	2,994	–	–	–	2,994	2158	–	–		31.12.09
	Matching	31.05.07	2,994	–	–	–	2,994	2158	–	–		31.12.09
	Compulsory	03.06.08	3,472	–	–	–	3,472	1980	–	–		31.12.09
	Voluntary	03.06.08	3,472	–	–	–	3,472	1980	–	–		31.12.09
	Matching	03.06.08	3,472	–	–	–	3,472	1980	–	–		31.12.09
	Matching	29.07.08	3,472	–	–	–	3,472	1980	–	–		31.12.09
			32,567	(10,296)	–	–	22,271			157	–	
The Hon	Compulsory	01.06.06	4,552	(4,552)	–	–	–	1878	1532.5	70		
C W Cayzer	Compulsory	31.05.07	2,919	–	–	(2,919)	–	2158	–	–		
	Compulsory	03.06.08	2,323	–	–	(2,323)	–	1980	–	–		
	Matching	29.07.08	2,323	–	–	–	2,323	1980	–	–		01.04.11
			12,117	(4,552)	–	(5,242)	2,323			70	–	
J M B	Compulsory	01.06.06	3,354	(3,354)	–	–	–	1878	1522.5	51		
Cayzer-	Compulsory	31.05.07	2,363	–	–	(2,363)	–	2158	–	–		
Colvin	Compulsory	03.06.08	2,500	–	–	(2,500)	–	1980	–	–		
	Matching	29.07.08	2,500	–	–	–	2,500	1980	–	–		01.04.11
			10,717	(3,354)	–	(4,863)	2,500			51	–	

1. Mr Cartwright resigned as a director on 8 December 2009.

Directors' remuneration report

Name	Award type	Award date	Opening balance	Number of shares Called	Lapsed	Waived	Closing balance	Market price at award p	Market price at call p	Value at call 2010 £'000	2009 £'000	Vesting date
J M May	Compulsory	01.06.06	7,521	(7,521)	–	–	–	1878	1592.5	120		
	Voluntary	01.06.06	3,760	(3,760)	–	–	–	1878	1592.5	60		
	Matching	01.06.06	1,880	(1,880)	–	–	–	1878	1592.5	30		
	Compulsory	31.05.07	4,066	–	–	(4,066)	–	2158	–	–		
	Voluntary	31.05.07	3,388	–	–	(3,388)	–	2158	–	–		
	Matching	31.05.07	3,388	–	(3,388)	–	–	2158	–	–		
	Compulsory	03.06.08	6,464	–	–	(6,464)	–	1980	–	–		
	Voluntary	03.06.08	4,040	–	–	(4,040)	–	1980	–	–		
	Matching	03.06.08	4,040	–	–	–	4,040	1980	–	–		01.04.11
	Matching	29.07.08	6,464	–	–	–	6,464	1980	–	–		01.04.11
			45,011	(13,161)	(3,388)	(17,958)	10,504			210	–	
W P Wyatt	Compulsory	01.06.06	3,727	(3,727)	–	–	–	1878	1547	58		
	Voluntary	01.06.06	1,863	(1,863)	–	–	–	1878	1547	29		
	Matching	01.06.06	932	(932)	–	–	–	1878	1547	14		
	Compulsory	31.05.07	2,757	–	–	(2,757)	–	2158	–	–		
	Compulsory	03.06.08	4,722	–	–	(4,722)	–	1980	–	–		
	Voluntary	03.06.08	833	–	–	(833)	–	1980	–	–		
	Matching	03.06.08	833	–	–	–	833	1980	–	–		01.04.11
	Matching	29.07.08	4,722	–	–	–	4,722	1980	–	–		01.04.11
			20,389	(6,522)	–	(8,312)	5,555			101	–	
			185,826	(55,589)	(8,253)	(62,468)	59,516			866	–	

The deferred share awards shown as waived in the table above were all waived by the directors for no monetary consideration on 30 March 2010. Pursuant to a minor amendment to the rules of the deferred bonus plan approved by the Remuneration Committee on 25 March 2010, these directors were subsequently granted vested restricted share awards over an equivalent number of Caledonia shares, with sufficient shares then being sold to discharge liabilities to income tax, National Insurance and dealing costs, as set out in the table opposite. The post-tax number of shares in the vested restricted share awards must be retained until the end of the relevant retention period of the original deferred share awards to which they relate in order for the director to qualify, where applicable, for the matching awards under the deferred bonus plan. The vested restricted shares that were granted in relation to compulsory deferred awards are subject to forfeiture, together with an obligation to reimburse to the company an amount equivalent to the income tax and employee National Insurance paid on the vesting of the restricted shares, in the event that the director ceases employment with Caledonia in certain circumstances before the end of the relevant retention period.

The vested restricted shares shown in the closing balance in the table opposite are included in the relevant directors' interests in the ordinary share capital of the company shown on page 24 in the directors' report.

As entitled, directors were also paid amounts equivalent to the value of the dividends and associated tax credits that would have accrued on the shares comprised in the deferred share awards that were called or waived during the year as follows.

	Dividend equivalents paid Awards called £	Awards waived £	Total £
T C W Ingram	18,570	29,992	48,562
J H Cartwright	10,799	–	10,799
The Hon C W Cayzer	4,775	6,363	11,138
J M B Cayzer-Colvin	3,518	5,782	9,300
J M May	13,805	20,906	34,711
W P Wyatt	6,841	9,434	16,275
	58,308	72,477	130,785

Original award type	Original award date	Number of vested restricted shares Awarded	Sold	Closing balance	Original award vesting date
T C W Ingram					
Compulsory	31.05.07	4,865	(2,000)	2,865	01.04.10
Voluntary	31.05.07	4,865	(2,000)	2,865	01.04.10
Compulsory	03.06.08	10,303	(4,235)	6,068	01.04.11
Voluntary	03.06.08	6,060	(2,491)	3,569	01.04.11
		26,093	(10,726)	15,367	
The Hon C W Cayzer					
Compulsory	31.05.07	2,919	(1,200)	1,719	01.04.10
Compulsory	03.06.08	2,323	(955)	1,368	01.04.11
		5,242	(2,155)	3,087	
J M B Cayzer-Colvin					
Compulsory	31.05.07	2,363	(972)	1,391	01.04.10
Compulsory	03.06.08	2,500	(1,028)	1,472	01.04.11
		4,863	(2,000)	2,863	
J M May					
Compulsory	31.05.07	4,066	(1,671)	2,395	01.04.10
Voluntary	31.05.07	3,388	(1,393)	1,995	01.04.10
Compulsory	03.06.08	6,464	(2,657)	3,807	01.04.11
Voluntary	03.06.08	4,040	(1,661)	2,379	01.04.11
		17,958	(7,382)	10,576	
W P Wyatt					
Compulsory	31.05.07	2,757	(1,134)	1,623	01.04.10
Compulsory	03.06.08	4,722	(1,942)	2,780	01.04.11
Voluntary	03.06.08	833	(342)	491	01.04.11
		8,312	(3,418)	4,894	
		62,468	(25,681)	36,787	

1. All awards were made on 30 March 2010, when the market price was 1652p.

Statement on directors' pensions (audited)

Pension benefits accrued by directors during the year under the company's defined benefits scheme were as follows:

	Row ref	J H Cartwright £	The Hon C W Cayzer £
Accrued pension at 31 March 2010 or date of leaving	a	156,506	130,667
Increase in accrued pension during the year	b	17,443	4,667
Increase in accrued pension during the year, net of inflation	c	13,034	(938)
Transfer value of increase in accrued pension over the year, net of inflation and director's contributions	d	136,598	(25,628)
Transfer value of accrued pension at 31 March 2010 or date of leaving	e	2,044,770	1,791,350
Transfer value of accrued pension at 31 March 2009	f	1,692,501	1,570,031
Change in transfer value over the year, net of director's contributions	g	343,629	221,319

1. The accrued pension shown in row (a) for The Hon C W Cayzer is the amount which would be paid at normal retirement age, ignoring any revaluation, if he had left service at 31 March 2010. For Mr J H Cartwright, the accrued pension shown in row (a) has been calculated as at 31 December 2009, the date he ceased to be an active member of the Caledonia Pension Scheme. This includes the credit of an additional year of pensionable service provided to him as part of his leaving arrangements with the company.
2. The transfer value shown in row (d) represents the value of the increase in accrued pension (net of inflation) during the year, as set out in row (c), minus director's contributions.
3. The change in transfer value over the year shown in row (g) (calculated as row (e) less row (f) and any director's contributions) reflects the impact on transfer values of factors beyond the control of the company and the directors, such as movements in stock markets. These can cause transfer values at different points in time to fluctuate significantly. Disclosed changes in value may therefore be subject to a large degree of volatility and may even be negative.
4. The transfer value is the present value of the accrued deferred pension and associated benefits at the relevant date, calculated using the transfer basis then in force. Transfer values are calculated using the transfer value basis as determined by the trustees of the Caledonia Pension Scheme.

During the year, and in accordance with his service contract, the company paid £55,208 into Mr Ingram's personal pension plan in addition to which he was paid cash in lieu of pension contributions of £68,521 (2009 – pension contributions of £132,500). In accordance with their service contracts, Mr King and Mr May elected to receive their pension entitlements by way of cash payments in lieu of pension contributions of £10,704 and £37,677 respectively (2009 – Mr May received cash payments in lieu of pension of £37,677). Mr Cayzer-Colvin is a member of the GPPP, a defined contribution scheme into which employer contributions of £30,625 (2009 – £30,625) were paid during the year on his behalf. Mr Wyatt has established his own money purchase pension arrangements, into which the company made employer contributions of £30,625 (2009 – £30,625).

Statement on directors' share options (audited)

Options to acquire ordinary shares in the company held by those directors who served during the year ended 31 March 2010 (or until date of resignation, if earlier) and gains on the exercise of share options were as shown in the following table. The options shown as lapsed are those granted on 31 May 2007 which failed to meet either of their performance targets, tested as at 31 March 2010.

		Number of options						Market	Gains on exercise			
Name	Grant date	Opening balance	Granted	Exercised	Lapsed	Closing balance	Exercise price p	price at exercise p	2010 £'000	2009 £'000	Exercisable from date	Expiry date
T C W Ingram	20.11.03	23,600	–	(23,600)	–	–	945	1631.5	162			
	26.05.04	21,800	–	(21,800)	–	–	1055	1652	130			
	19.08.05	36,075	–	–	–	36,075	1580				19.08.08	19.08.15
	01.06.06	16,773	–	–	–	16,773	1878				01.06.09	01.06.16
	31.05.07	33,364	–	–	(33,364)	–	2158					
	03.06.08	40,151	–	–	–	40,151	1980				03.06.11	03.06.18
	29.05.09	–	54,979	–	–	54,979	1446				29.05.12	29.05.19
		171,763	54,979	(45,400)	(33,364)	147,978			292	1,320		
J H Cartwright[1]	24.07.01	16,000	–	(16,000)	–	–	810	1703.5	143			
	05.07.02	2,335	–	(2,335)	–	–	782.5	1703.5	21			
	20.11.03	24,800	–	(8,266)	–	16,534	945	1703.5	63		20.11.06	31.12.10
	26.05.04	22,800	–	(7,600)	–	15,200	1055	1703.5	49		26.05.07	31.12.10
	19.08.05	23,685	–	–	–	23,685	1580				19.08.08	31.12.10
	01.06.06	10,323	–	–	–	10,323	1878				01.06.09	31.12.10
	31.05.07	19,114	–	–	–	19,114	2158				31.05.10	31.03.11
	03.06.08	21,818	–	–	–	21,818	1980				03.06.11	31.03.12
	29.05.09	–	29,875	–	–	29,875	1446				29.05.12	31.03.13
		140,875	29,875	(34,201)	–	136,549			276	–		
The Hon	24.07.01	8,500	–	(8,500)	–	–	810	1652	72			
C W Cayzer	05.07.02	2,500	–	(2,500)	–	–	782.5	1652	22			
	20.11.03	17,100	–	(17,100)	–	–	945	1652	121			
	26.05.04	16,500	–	(16,500)	–	–	1055	1652	98			
	19.08.05	18,035	–	–	–	18,035	1580				19.08.08	19.08.15
	01.06.06	8,387	–	–	–	8,387	1878				01.06.09	01.06.16
	31.05.07	15,987	–	–	(15,987)	–	2158					
	03.06.08	18,560	–	–	–	18,560	1980				03.06.11	03.06.18
	29.05.09	–	25,414	–	–	25,414	1446				29.05.12	29.05.19
		105,569	25,414	(44,600)	(15,987)	70,396			313	121		

Directors' remuneration report

Name	Grant date	Opening balance	Number of options Granted	Exercised	Lapsed	Closing balance	Exercise price p	Market price at exercise p	Gains on exercise 2010 £'000	2009 £'000	Exercisable from date	Expiry date
J M B Cayzer-Colvin	19.07.00	17,500	–	(17,500)	–	–	722.5	1522.5	140			
	24.07.01	18,000	–	(18,000)	–	–	810	1681	157			
	05.07.02	6,000	–	(6,000)	–	–	782.5	1681	54			
	20.11.03	9,000	–	(9,000)	–	–	945	1652	63			
	26.05.04	9,500	–	(9,500)	–	–	1055	1652	57			
	19.08.05	13,290	–	–	–	13,290	1580				19.08.08	19.08.15
	01.06.06	6,789	–	–	–	6,789	1878				01.06.09	01.06.16
	31.05.07	15,291	–	–	(15,291)	–	2158					
	03.06.08	18,560	–	–	–	18,560	1980				03.06.11	03.06.18
	29.05.09	–	25,414	–	–	25,414	1446				29.05.12	29.05.19
		113,930	25,414	(60,000)	(15,291)	64,053			471	–		
J M May	20.11.03	18,667	–	(18,667)	–	–	945	1619.5	126			
	20.11.03	18,667	–	(18,667)	–	–	945	1619.5	126			
	26.05.04	17,267	–	(17,267)	–	–	1055	1652	103			
	19.08.05	26,815	–	–	–	26,815	1580				19.08.08	19.08.15
	01.06.06	11,681	–	–	–	11,681	1878				01.06.09	01.06.16
	31.05.07	22,242	–	–	(22,242)	–	2158					
	03.06.08	25,757	–	–	–	25,757	1980				03.06.11	03.06.18
	29.05.09	–	35,269	–	–	35,269	1446				29.05.12	29.05.19
		141,096	35,269	(54,601)	(22,242)	99,522			355	271		
W P Wyatt	24.07.01	18,000	–	(18,000)	–	–	810	1646.5	151			
	05.07.02	6,000	–	–	–	6,000	782.5				05.07.05	05.07.12
	20.11.03	9,000	–	–	–	9,000	945				20.11.06	20.11.13
	26.05.04	9,500	–	–	–	9,500	1055				26.05.07	26.05.14
	19.08.05	13,290	–	–	–	13,290	1580				19.08.08	19.08.15
	01.06.06	6,789	–	–	–	6,789	1878				01.06.09	01.06.16
	31.05.07	15,291	–	–	(15,291)	–	2158					
	03.06.08	18,560	–	–	–	18,560	1980				03.06.11	03.06.18
	29.05.09	–	25,414	–	–	25,414	1446				29.05.12	29.05.19
		96,430	25,414	(18,000)	(15,291)	88,553			151	146		
Former director		–	–	–	–	–			–	1,213		
		769,663	196,365	(256,802)	(102,175)	607,051			1,858	3,071		

1. Mr Cartwright resigned as a director on 8 December 2009.
2. All options were issued under the company's executive share option schemes other than 18,667 options issued to Mr May on 20 November 2003, which were special options as described below.

As part of his termination arrangements, the Remuneration Committee agreed that all of the share options granted to Mr Cartwright up to 2006, which had satisfied their performance targets as at his termination date (being an aggregate of 65,742 shares), would become fully exercisable for a period of one year following his termination date. The Remuneration Committee further agreed that Mr Cartwright's options granted to him in 2007 to 2009 should, subject to satisfying their performance targets at the end of their normal three year performance measurement period, be exercisable within one year from the date on which the performance targets calculations are determined. As stated above, the performance targets for options granted in 2007 were tested as at 31 March 2010 and were not achieved. Accordingly, the options over 19,114 shares granted to Mr Cartwright on 31 May 2007 have lapsed.

There have been no changes in directors' options to acquire ordinary shares up to the date of this report.

The company currently has two executive share option schemes – a 1998 scheme under which option grants were made from September 1998 to May 2004 and a 2005 scheme under which option grants commenced in August 2005.

Under the terms of both schemes, options may be exercised between three and ten years after the date of grant, although only one-third of the shares comprised in an option may be exercised after three years from grant, with the remaining two-thirds becoming exercisable six years after grant. Options may only be exercised if the performance targets are met. On 25 March 2010, the Remuneration Committee amended the rules of the 1998 scheme such that certain options granted on 26 May 2004 (which had already met their performance targets and would ordinarily have become fully exercisable on 26 May 2010), became exercisable on or after 25 March 2010 and therefore shortly before their normal sixth anniversary date.

For options granted from 1998 to 2001 under the 1998 scheme, the target requires the company's adjusted NAV per share to outperform either the Retail Prices Index by 9%, or the average of the increases in the FTSE 250 and the FT Investment Companies indices, over any consecutive three financial years prior to expiry. For options granted in 2002 and 2003, the performance target requires the company's adjusted NAV per share to outperform either the Retail Prices Index by 9%, or the FTSE All-Share index, over any consecutive three financial years prior to expiry.

For options granted in 2004, the performance target is such that 50% of the shares comprised in an option will vest if the company's NAV per share outperforms the Retail Prices Index by at least 9% over the relevant measurement period, with the other 50% vesting if the company's NAV per share outperforms the FTSE All-Share index over the relevant measurement period. The performance measure has to be achieved either over the first three years, or over the first four years, after the date of grant. If the performance measure is not achieved four years after the date of grant, the options will lapse.

The performance target for the 2005 scheme requires that 50% of the shares comprised in an option will vest if Caledonia's NAV per share outperforms the Retail Prices Index by at least 9% over the measurement period. The other 50% of the shares comprised in the option will vest if NAV per share outperforms the FTSE All-Share index by at least 3% over the measurement period. The measurement period for these purposes is the period of three financial years measured at the end of the third financial year following the date of grant of the options. There is no re-testing of the performance targets. To the extent that the performance target is not met over this three year period, the options will lapse.

The performance targets have been met for all options granted up to 2005. For the options granted in 2006, the 50% tested by reference to the FTSE All-Share index met its performance target, whereas the 50% tested by reference to the Retail Prices Index failed to do so and accordingly lapsed. The options granted in 2007 have failed to achieve either of their performance targets and accordingly all have lapsed.

The Remuneration Committee has selected the FTSE All-Share index as the performance measure for both the company's shorter term annual bonus scheme and its longer term share plans as it believes that this is the best way to incentivise executives to deliver continued strong NAV per share performance, which underpins Caledonia's objective of achieving TSR in excess of the FTSE All-Share Total Return index over five and ten year periods. TSR itself has not been chosen as a measure of executive management performance, as this may be affected by the level of Caledonia's share price discount, which can be influenced by factors outside the company's control. The Retail Prices Index has also been chosen as a performance measure for the company's longer term incentive plans, as the Remuneration Committee believes that this is an appropriate benchmark for the company's other objective of achieving a positive total return over rolling five year periods.

The special options included in the table above for Mr May relate to options over 28,000 shares originally granted to him on 20 November 2003 outside the 1998 scheme and subject to special performance-related terms. As in the case of options granted under the 1998 scheme, only one-third of the shares under these special options were exercisable three years after grant, with the remaining two-thirds becoming exercisable six years after grant. The special options were subject to a stretching performance condition requiring the company's TSR to outperform the FTSE All-Share Total Return index ('Benchmark') over the measurement period, which commenced on the date of grant. Tranches vested in full if TSR exceeded that of the Benchmark by an average of at least 2% per annum over the relevant measurement period. If TSR equalled that of the Benchmark, none of that tranche would be exercisable and there would be proportionate vesting of a tranche if TSR exceeded that of the Benchmark by an average of between zero and 2% per annum. For the one-third tranche, the performance measure was to be first applied three years after grant, with two re-test opportunities four and five years after grant. The performance target for the one-third tranche was tested on 20 November 2006 and met in full, since when Mr May has exercised all of the one-third tranche, being options over 9,333 shares. For the remaining two-thirds tranche, being the options over 18,667 shares shown in the table above, the performance measure was to be first applied five years after grant, with two re-test opportunities six and seven years after grant. The performance target for the two-thirds tranche was tested on 20 November 2008 and met in full and Mr May exercised the two-thirds tranche during the year. The shares required to satisfy Mr May's special options were transferred from the Caledonia Investments plc Employee Share Trust. The remaining terms of the special options were based on the rules of the 1998 scheme, and included provisions that any benefits obtained from the special options would not be pensionable and that the terms of the special options would not normally be capable of amendment to the advantage of the option holder without the prior approval of shareholders in general meeting.

As at 31 March 2010, the market price of the company's shares was 1625p (2009 – 1289p) and the range during the year was 1267p to 1759p.

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

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

Name	Date of contract	Notice period	Unexpired term
T C W Ingram	11.06.02	12 months	4 months[1]
The Hon C W Cayzer	11.06.02	12 months	Rolling 12 months
J M B Cayzer-Colvin	19.04.05	12 months	Rolling 12 months
S A King	19.11.09	12 months	Rolling 12 months
J M May	01.09.03	12 months	Rolling 12 months
W P Wyatt	02.06.05	12 months	Rolling 12 months

1. Mr Ingram will retire after the company's annual general meeting on 21 July 2010.

Directors' service contracts contain provisions whereby the company may in its discretion terminate the contract without notice and make a lump sum payment in lieu of notice and (other than in the case of Mr King's service contract) whereby a liquidated sum is payable in the event of termination within one year following a change of control. Any such payment in lieu of notice or liquidated sum would be equivalent to no more than one year's total emoluments. Mr King's service contract also 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 that Mr King receives from any alternative employment that he takes up during the notice period.

Mr Cartwright, who resigned as a director on 8 December 2009, was employed by Caledonia Group Services Ltd under a service contract dated, 11 June 2002, which was terminable by that company on 12 months notice, or by making a lump sum payment in lieu of notice as described above. Details of amounts paid to Mr Cartwright on termination of his employment are set out above.

The service contract of The Hon C W Cayzer is also subject to a provision whereby, in the event of a payment in lieu of notice or payment of a liquidated sum on termination, he would be entitled to an increase in his pensionable service equivalent to the unexpired period of notice under his contract.

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.

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.

The directors' remuneration report was approved by the board on 19 May 2010 and signed on its behalf by:

Mark Davies
Chairman of the Remuneration Committee

Corporate governance report

Statement of compliance

The board recognises the importance of good corporate governance and this report describes how the company has applied the main principles of good corporate governance as set out in section one of the Combined Code issued in June 2008 (the 'Combined Code'). It also identifies those provisions of section one of the Combined Code with which the company did not comply throughout the year and explains why the board believes that, notwithstanding its non-compliance, the company's practices are consistent with the principles of good corporate governance to which the relevant provisions related.

Shareholders registered on the company's New Zealand branch register should note that the principles of good corporate governance set out in the Combined Code may materially differ from the New Zealand Exchange Ltd's corporate governance rules and the principles of its Corporate Governance Best Practice Code.

A copy of the Combined Code is available on the website of the Financial Reporting Council at www.frc.org.uk/corporate/combinedcode.cfm.

The board

Overall responsibility and operation

The board as a whole is collectively responsible for the success of the company. It has adopted a Schedule of Authorities which sets out those matters which it specifically reserves for its own decision and those which are delegated to board committees and to executive management. The Schedule of Authorities is reviewed annually by the board.

All directors receive detailed papers in advance of board meetings to enable them to discharge their duties and also have unlimited access to senior management should further information be required. Presentations by senior executives of investee companies are also arranged periodically to enable the board, and the non-executive directors in particular, to gain a closer understanding of some of the company's significant investments.

Appointment, induction and training

All new directors appointed by the board are required to seek election by shareholders at the next annual general meeting of the company following their appointment and subsequently all directors are required to retire by rotation at least every three years. Any non-executive director who has served on the board for over nine years is subject to annual re-election. On appointment, new directors are offered induction and training considered appropriate by the board and subsequently as necessary. The Company Secretary provides details of, and where requested arranges attendance at, external courses to assist in directors' professional development.

Board composition

The biographies of the directors appear on pages 22 and 23.

The board currently comprises twelve directors. Excluding the Chairman, six of the directors are executive and five non-executive.

The board considers all of the non-executive directors to be independent. In assessing Mr Goblet d'Alviella's independence, the board took account of his position as Chief Executive Officer of Sofina sa, which has a 4.7% shareholding in Caledonia. Mr Goblet d'Alviella's position at Sofina has not given rise to any conflicts of interest and his circumstances very much accord with the importance that Caledonia attaches to its executives having board positions at investee companies.

The roles of the Chairman, Mr Loudon, and the Chief Executive, Mr Ingram, are separated and clearly defined in the Schedule of Authorities adopted by the board. The Chairman is primarily responsible for the efficient operation of the board and the Chief Executive for the implementation of the board's strategy and policies and the management of the company's activities, other than those matters specifically reserved to the board.

The composition of the board is such that, throughout the year, the company did not comply with provision A.3.2 of the Combined Code, which requires that, excluding the Chairman, at least half of the board should comprise non-executive directors determined by the board to be independent. The board however believes that the main principle of board balance and independence set out in the Combined Code – that the board should include a balance of executive and non-executive directors, and in particular independent non-executive directors, such that no individual or small group of individuals can dominate the board's decision taking – are met.

There are six executive directors as the board believes it to be important that executives with key responsibilities within the company should be directly involved in decisions on its strategy and objectives. This number of executive directors however makes it difficult to meet the requirement of provision A.3.2 without the board becoming so large as to be unwieldy. An effective balance of power is nonetheless ensured by the fact that the board, excluding the Chairman, is comprised of three separate categories of directors – the five independent non-executive directors; three executive directors, The Hon C W Cayzer and Messrs Cayzer-Colvin and Wyatt, who are involved in the affairs of The Cayzer Trust Company Ltd ('Cayzer Trust'), Caledonia's largest shareholder; and the three other executive directors, Messrs Ingram, King and May.

In addition to the balance on the board brought by these categories, the Governance Committee, comprising solely independent non-executive directors, keeps under review corporate governance and conflict of interest issues relating to the company and the board and has authority to recommend that any director abstains from participating in any decision of the board, or any board committee, where it believes that a conflict of interest could, or could be perceived to, arise. Accordingly, whilst it recognises that it is not in strict compliance with provision A.3.2 of the Combined Code, the board believes this structure is appropriate in the context of a company with a large controlling shareholder whose stability and support is fundamental to Caledonia's business model as a long term, supportive investor, and is therefore in the best interests of all shareholders.

On 25 January 2010, the company announced that Mr Ingram would be retiring as Chief Executive at the company's annual general meeting on 21 July 2010 and that he would be succeeded by Mr Wyatt from that date. At that point, the composition of the board will comply with provision A.3.2 of the Combined Code as, excluding the Chairman, there will be five executive directors and five independent non-executive directors.

The identification of a new Chief Executive was led by the Nomination Committee, which concluded that, in view of the number of strong internal candidates, a wider search was not necessary. The choice of Mr Wyatt was based on his outstanding and sustained investment performance, his management qualities and commitment and his contribution to Caledonia's board and those of investee companies where he acts as the company's representative.

The Governance Committee also considered Mr Wyatt's proposed appointment before a formal recommendation was made by the Nomination Committee to the board, given that both he and the Chairman are members of the Cayzer concert party and he is a director of Cayzer Trust. It firmly concluded that, in view of the proportion of independent non-executive directors on the board and its own terms of reference in relation to directors' conflicts of interest, these relationships were not a bar to Mr Wyatt's candidacy and that he was the most appropriate person for the position of Chief Executive based purely on merit. Caledonia's larger shareholders were also consulted before Mr Wyatt's appointment was confirmed.

The board is therefore of the view that the principles of the Combined Code on board balance will continue to be met following the change of Chief Executive.

Board committees

The board has delegated certain specific areas of responsibility to the following standing committees, the Terms of Reference of which are reviewed annually and are available on the company's website. The current membership of these committees is noted on page 65.

Nomination Committee

The Nomination Committee, chaired by Mr Loudon, is responsible for the regular review of the structure, size and composition (including the skills, knowledge and experience) of the board and for giving consideration to succession planning for executive directors and, if requested by the board, for other senior executives. It is responsible for identifying, using external search consultants where necessary, candidates to fill board vacancies as and when they arise and for making recommendations to the board in relation thereto and for keeping under review the leadership needs of the company, both executive and non-executive. It reviews the time required of the non-executive directors and ensures that they receive formal letters of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings.

The Nomination Committee met four times during the year and the principle business undertaken included:

- a formal review of the size and composition of the board following the 2009 annual board performance evaluation and consideration of the contribution of the non-executive director retiring at the 2009 annual general meeting, prior to giving a recommendation for his re-election
- conduct of a search for an additional independent non-executive director and the recommendation to the board that Mr Gregson be appointed to this position
- the recommendation to the board that Mr King be appointed to the position of Finance Director
- succession planning for the position of Chief Executive and the recommendation to the board that Mr Wyatt be appointed to this position.

Remuneration Committee

The Remuneration Committee, chaired by Mr Davies, is responsible for the review of executive remuneration policy. Within that policy, the Remuneration Committee determines the remuneration packages of executive directors and reviews those of other senior executive management. It is also responsible for the design of, and grant of awards under, the company's share incentive schemes and for the determination of the policy for and scope of pension arrangements, service agreements, termination payments and compensation commitments for executive directors and, if requested by the board, for other senior executives.

The Remuneration Committee met seven times during the year. The matters considered by the Remuneration Committee included:

- the approval of the 2009 directors' remuneration report
- the determination of bonuses for executive directors and review of bonuses for other senior executives for the year ended 31 March 2010
- the determination of basic salaries for executive directors and review of salaries for other senior executives for the year commencing 1 April 2010
- the approval of amendments to the rules of the 1998 executive share option scheme and the deferred bonus plan to enable the early exercise of certain share options granted in May 2004 and the grant of vested restricted shares following the waiver by participants in the deferred bonus plan of existing compulsory and voluntary deferred share awards
- the approval of the terms for the termination of Mr Cartwright's employment and for the appointment of Mr King as his replacement as Finance Director
- the grant of options under the company's executive share option scheme
- the approval of amendments to the terms of Mr May's service contract.

Further information on the company's executive remuneration policy and the work of the Remuneration Committee is included in the directors' remuneration report set out on pages 52 to 59.

Audit Committee

The Audit Committee, chaired by Mr Allen-Jones, is responsible for the monitoring of the integrity of the financial statements of the company and any announcements relating to the company's financial performance and for reviewing any significant financial reporting judgements contained therein. It also reviews the company's systems of internal control and risk management procedures and considers annually whether an internal audit function is required. The Audit Committee believes that, in the context of the company's business as an investment trust, the key issues on which it has to satisfy itself are the integrity of the application of the company's policy for the valuation of its investments, particularly those which are unquoted, and the robustness of the group's internal controls. The valuations of the company's unquoted investments are subject to formal six monthly reviews by an internal Challenge Committee, independent of the relevant investment executives, whose meetings are also attended by the auditors. The Audit Committee then selects a number of valuations for review. A formal report on the effectiveness of the group's internal controls and risk management procedures is prepared annually for the board by the company's Risk Manager. It is the Audit Committee's current opinion that, in view of these control processes, the size of the entities controlled by Caledonia and the relatively straightforward control considerations in relation to other investments, a separate internal audit function is not necessary.

It is also the Audit Committee's responsibility to review and monitor the independence and objectivity of the external auditors and the effectiveness of the audit process and to develop and implement policy on the engagement of the external auditors to supply non-audit services. In this regard, the Audit Committee has approved a schedule of specific non-audit activities which may not be undertaken by the external auditors, within the broad principles that the external auditors should not audit their 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 auditors. The Audit Committee believes that, by applying these principles, the objectivity and independence of the auditors is maintained, notwithstanding that non-audit work may be undertaken. On an annual basis, the Audit Committee considers and makes a recommendation to the board as to the appointment, re-appointment or removal of the external auditors. The Audit Committee is also responsible for the company's formal whistle blowing arrangements, whereby members of staff may raise any issues of concern regarding possible impropriety in the conduct of the company's business and whereby any such concerns are properly investigated and appropriate action taken.

The Combined Code recommends that at least one member of the Audit Committee should have recent and relevant financial experience. The Audit Committee considers that Mr Allen-Jones has such financial experience, given his extensive involvement in financial transactions as a corporate lawyer and that he is a member of the Financial Reporting Review Panel and was previously a member of the Financial Reporting Council.

Corporate governance report

The Audit Committee met four times during the year, and three of the meetings included a discussion with the auditors without any of the executive directors present. During the year, the business undertaken by the Audit Committee included:

- a review of the performance of the external auditors, Deloitte LLP, and the level of fees charged for their services
- consideration of the scope of the 2010 annual audit and agreement with the external auditors of the key areas of focus
- scrutiny of valuations of unquoted investments selected by the Audit Committee in accordance with its adopted criteria
- consideration of the reports from the external auditors concerning their audit of the 2009 annual financial statements of the company and their review of the 2009 half-year report
- consideration of the financial disclosures contained in the 2009 annual and half-year reports to shareholders and financial reporting issues for the 2010 annual report
- the review of reports from the company's Risk Manager on the effectiveness of the group's internal controls and risk management procedures for the year ended 31 March 2010, and in particular in relation to liquidity risk within investee companies
- consideration of the need or otherwise for an internal audit function
- a review of the independence and objectivity of the external auditors, including their system of quality controls and the level and nature of non-audit services provided by them
- an evaluation of the performance of the Audit Committee itself including a review of its role and responsibilities
- assurance of the company's compliance with the requirements for approval as an investment trust.

Governance Committee

The Governance Committee, chaired by Mr Allen-Jones, 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 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 (the 'Act') 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 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.

The Governance Committee met three times during the year, principally to review and approve the corporate governance report for the year ended 31 March 2009, to review potential conflict situations notified by directors in accordance with the Act and to make recommendations to the board in relation thereto and to consider the Nomination Committee's proposed recommendation that Mr Wyatt be appointed for the company's next Chief Executive, in the context of his membership of the Cayzer concert party.

Attendance at meetings

The following table identifies the number of board and committee meetings held in the year to 31 March 2010 and the attendance record of individual directors.

	Board	Nomination Committee	Remuneration Committee	Audit Committee	Governance Committee
Number of meetings in the year	11[1]	4	7	4	3
Attendance by					
J R H Loudon	11	4	–	–	–
T C W Ingram	11	–	–	–	–
J H Cartwright[2]	7	–	–	–	–
S A King[3]	4	–	–	–	–
The Hon C W Cayzer	10	–	–	–	–
J M B Cayzer-Colvin	10	–	–	–	–
J M May	11	–	–	–	–
W P Wyatt	11	–	–	–	–
C M Allen-Jones	11	4	7	4	3
M E T Davies	11	4	7	–	3
R Goblet d'Alviella	8	–	–	4	–
C H Gregson[4]	7	–	3	1	–
D G F Thompson	11	4	7	4	3

1. Scheduled board meetings.
2. Mr Cartwright resigned as a director on 8 December 2009, but attended all board meetings held prior to that date.
3. Mr King was appointed a director on 9 December 2009 and attended all board meetings held after that date.
4. Mr Gregson was appointed a director on 16 September 2009 and attended all board meetings held on or after that date. He was appointed a member of the Audit and Remuneration Committees on 17 December 2009 and a member of the Governance and Nomination Committees on 19 January 2010. He attended all meetings, if any, of these committees following his appointments to them.

Board performance evaluation

The board conducts an annual formal evaluation of its performance and that of its committees and individual directors. For the year ended 31 March 2010, the evaluation of the board as a whole and of its committees was led by the Chairman and was conducted by inviting individual board members to complete a questionnaire regarding the operation and effectiveness of the board as a whole and of its committees, the responses from which were collated by the Company Secretary and discussed. The evaluation of the performance of the Chairman was led by the Senior Independent Non-Executive Director and involved individual private discussions with all other members of the board (and, in particular, members of the Governance Committee) on his performance, the results of which were then considered at a meeting of the non-executive directors, without the Chairman present. The evaluation of the performance of the Chief Executive was undertaken by the Chairman and the non-executive directors. The performance of the non-executive directors was reviewed by the Chairman, the Chief Executive and the Senior Independent Non-Executive Director, with the Senior Independent Non-Executive Director absent in respect of his own performance appraisal. As part of this review, non-executive directors were invited to complete self-assessment questionnaires in relation to their own effectiveness. The performance of the executive directors, which included further consideration of that of the Chief Executive, was undertaken by the Remuneration Committee as part of the annual executive salary review process.

The results of the evaluation of the board as a whole and of its committees for the year ended 31 March 2010 were presented in a report to the board. The key conclusions from the evaluation process were that the board could benefit from periodic external views on macro-economic issues and that more resource should be committed to the identification of potential investment opportunities in sectors in which the company does not currently have exposure.

The Governance Committee also formally considered whether the influence of the Cayzer Concert Party on Caledonia's board was in the general interest of the non-Concert Party shareholders and concluded that it was.

The Nomination Committee reviewed the size, structure and composition of the board in the light of the report to the board.

Directors' conflicts of interest

Each director has a duty under the Act to avoid a situation where he has, or could have, a direct or indirect interest which conflicts, or may possibly conflict, with the company's interests. The Act however allows directors of public companies to authorise conflicts and potential conflicts where the articles of association contain a provision to this effect. The Act 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 Act in relation to directors' conflicts of interest. Each director is required to declare any potential conflict situations which may relate to him and his connected persons. If necessary, these are then reviewed by the Governance Committee (with each member taking no part in the consideration of his own declaration), which then puts forward recommendations to the board as to whether these situations should be authorised and, if so, whether any conditions to such authority should be attached. The board then considers and approves these recommendations, again with each director taking no part in relation to his own conflict situations.

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

Internal control

The board has overall responsibility for the group's systems of risk management and internal control, although the review of risk management procedures and internal controls is delegated to the Audit Committee. The group's system of internal control is designed to manage, rather than eliminate, risk of failure to achieve business objectives. It is recognised that such a system can only provide reasonable, but not absolute, assurance against material misstatement or loss. The board confirms that the system of internal control operated by the group accords with the Turnbull Guidance 2005 and has been in place throughout the year and up to the date of approval of these financial statements.

Major business risks facing group companies and key investments are identified and assessed by local management and procedures are agreed to address these as appropriate. The boards of these companies review business risk and controls regularly to ensure the system of risk management operates effectively. Caledonia's investment executives then confirm, through Caledonia's Risk Manager, to the Audit Committee that the system of risk management is operating effectively for these group companies and key investments.

Key risks identified are regularly monitored at company level by members of the Executive or Investment Management Committees, who have clear mandates to assess and report on risk in their particular areas of responsibility. From these assessments, an ongoing risk profile of the company's activities is updated half-yearly and reviewed by the board. The board is also provided quarterly with a list of the key risk issues identified by executive management at that particular time. All of the company's significant investments are reviewed at least annually by the board and the smaller portfolio holdings reviewed at least annually by the Investment Management Committee. The Risk Manager reports to the Audit Committee on specific risk areas as requested.

Specific control procedures are in place to ensure that the company continually monitors and complies with the requirements for investment trust status. The board receives monthly compliance reports evidencing that the company is meeting the various tests for investment trust status and also confirming that the investment activities undertaken by executive management are within the policy limits set by the board. A Compliance Committee, comprising the Company Secretary (Chairman), the Finance Director, three associate directors and the Group Financial Controller/Risk Manager, meets weekly to review the company's ongoing compliance with its investment trust status and to monitor and approve all investment activity from an investment trust compliance perspective.

Financial performance is continuously measured by comparing total shareholder returns and net asset value movements against the FTSE All-Share index. Performance statistics are reported monthly to the board. Income and expenses are monitored by the board against an approved annual budget and regularly updated forecasts. Valuations of unquoted investments are subject to a rigorous six monthly review process undertaken by a Challenge Committee independent of the relevant investment executives, whose meetings are also attended by the auditors, and a selection of valuations are then reviewed by the Audit Committee. Where appropriate, adjustments are made to the valuations of unquoted investments on a monthly basis.

Since the year end, the directors have concluded their annual review of the operation and effectiveness of the group's system of internal control. No material control failings or weaknesses were identified, although it was agreed that the format of risk management reports to the board should be reviewed.

Relations with shareholders

The company welcomes dialogue with institutional shareholders in order to achieve a mutual understanding of objectives. The Chief Executive and the Finance Director seek meetings with larger institutional shareholders and private client stockbrokers after the announcement of year end and half-year results. The Senior Independent Non-Executive Director attends some of these meetings. The annual general meeting also provides a forum for shareholders to meet the directors, both formally and informally.

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

Information for shareholders

Dividends, change of address and other shareholder services

UK registered shareholders

Shareholders on the UK register who wish to have dividends paid directly into a bank account, rather than by cheque to their registered address, can complete a mandate form for this purpose. Mandates may be obtained from Capita Registrars. Where dividends are paid directly into shareholders' bank accounts, dividend tax vouchers are sent directly to shareholders' registered addresses.

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment, shareholders on the UK register should notify Capita Registrars, under the signature of the registered holder, or where there is more than one registered holder, under the signature of the first named holder.

Post and telephone contact details for Capita Registrars are shown on the opposite page. Capita Registrars also provide an online facility to enable shareholders to manage securely their shareholdings via the internet. By registering to use the facility, shareholders can access a range of online services, including viewing shareholding details, transaction and dividend histories, change of address and bank mandate and use of the online proxy voting service. The online facility is available at www.capitashareportal.com.

Capita Registrars also offer a share dealing service and dividend reinvestment plan for existing shareholders. The share dealing service is available online at www.capitadeal.com or by telephone on 0871 664 0384 (calls cost 10p per minute including VAT plus network extras, with lines open Monday to Friday 8.00am to 4.30pm).

The dividend reinvestment plan provides a convenient way for shareholders to build up their shareholdings by using cash dividends to buy more shares in the company. An application form for the dividend reinvestment plan is available online at www.capitashareportal.com or by telephone from Capita IRG Trustees Ltd on 0871 664 0381 (calls cost 10p per minute including VAT, plus network extras, or +44 20 8639 3402 if calling from overseas). In each case lines are open from Monday to Friday 8.30am to 5.30pm. Alternatively an application form can be requested by email from shares@capitaregistrars.com.

New Zealand registered shareholders

Shareholders on the New Zealand register may arrange to receive their dividends by direct credit to a specified New Zealand bank account. New Zealand registered shareholders should contact Computershare Investor Services if they wish to set up such an arrangement.

Shareholders on the New Zealand register should also notify Computershare Investor Services if they have changed their address, but where there is more than one registered holder, all holders should sign the notification.

The contact details for Computershare Investor Services are shown on the opposite page. New Zealand registered shareholders may also change their addresses, update payment instructions and view their shareholdings, including transactions, online at www.computershare.co.nz/investorcentre. General enquiries can be directed to enquiry@computershare.co.nz. It will assist Computershare Investor Services if the CSN or shareholder number is quoted in any communication with them.

Share prices

The company's ordinary shares are 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.

The company's ordinary shares are also listed on the New Zealand Exchange under the security code of CDN. Shareholders in New Zealand are able to trade their shares locally and receive dividends in New Zealand dollars.

The ISIN code for Caledonia's ordinary shares is GB0001639920.

Monthly net asset value

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

Financial calendar

Provisional dates for the company's financial events over the coming year are as follows:

Final results announced	19 May 2010
Annual report published	15 June 2010
Annual general meeting	21 July 2010
Half-year results announced	23 November 2010
Half-year report published	7 December 2010
Interim dividend paid	6 January 2011

Caledonia Investments ISA

The Caledonia Investments Individual Savings Account ('ISA') is a tax efficient savings account that allows participants to invest up to £10,200 each tax year. Lump sum payments or regular monthly deposits can be made into the ISA.

The plan manager of the ISA is Capita Financial Nominees Ltd, which can be contacted at Capita Financial Group, 2 The Boulevard, City West One Office Park, Gelderd Road, Leeds LS12 6NT, or telephoned on 0845 922 0044 (calls cost 10p per minute including VAT, plus network extras).

Documentation for the ISA is also available on Caledonia's website.

Caledonia Investments Share Savings Scheme

The Caledonia Investments Share Savings Scheme is a plan that aims to provide a simple and flexible way for investors to purchase shares in Caledonia. Lump sum payments or regular monthly deposits can be made into the Share Savings Scheme.

The Share Savings Scheme is provided by Capita IRG Trustees Ltd, which can be contacted at Caledonia Share Savings Scheme, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, or telephoned on 0870 162 3135 (calls cost 10p per minute including VAT, plus network extras).

Documentation for the Share Savings Scheme is also available on Caledonia's website.

PEPs and ISAs

Caledonia's shares can be treated as qualifying investments for the purposes of the PEP and ISA rules.

Chairman
James R H Loudon[2]

Executive directors
Timothy C W Ingram (Chief Executive)
Stephen A King (Finance Director)
Jamie M B Cayzer-Colvin
The Hon Charles W Cayzer
John M May
William P Wyatt

Non-executive directors
Charles M Allen-Jones (Senior Independent)[1,2,3,4]
Mark E T Davies[2,3,4]
Charles H Gregson[1,2,3,4]
Richard Goblet d'Alviella[1]
David G F Thompson[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

Associate directors
Graeme P Denison
Jonathan R Hale
Anthony E G Hambro
Mathew S D Masters
Sheena D McNeill
Paul M Whiteley

Secretary
Graeme P Denison

Registered office
Cayzer House
30 Buckingham Gate
London SW1E 6NN

Registered number
Registered in England no 235481

Auditors
Deloitte LLP
2 New Street Square
London EC4A 3BZ

Registrars
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: 0871 664 0300 (calls cost 10p per minute including VAT, plus network extras)
or: +44 20 8639 3399 if calling from overseas

Computershare Investor Services Ltd
Private Bag 92119
Auckland 1142
New Zealand
Tel: +64 9 488 8777

Brokers
J.P. Morgan Cazenove
20 Moorgate
London EC2R 6DA

First NZ Capital Securities
PO Box 3394
Level 10, Fujitsu Tower
282-292 Lambton Quay
Wellington 6140
New Zealand

Solicitors
Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HS

The Association of
Investment Companies

Mixed Sources
Product group from well-managed forests, controlled sources and recycled wood or fibre
www.fsc.org Cert no. TT-COC-002228
© 1996 Forest Stewardship Council
FSC

This report has been printed in the UK by Royle Corporate Print. Under the framework of ISO 14001, Royle takes a structured approach to measure, improve and audit their environmental status on an ongoing basis. The main areas targeted for continual reduction arise from the use of solvents, energy consumption and waste generation. Royle is a Carbon Neutral printing company and also Forestry Stewardship Council (FSC) Chain of Custody Certified. All inks used are vegetable based. This paper is environmentally-friendly ECF (elemental chlorine free), wood free and with a high content of selected pre-consumer recycled material. The mill is fully FSC certified. The paper is also completely bio-degradable and recyclable.

Designed and produced by The College
www.thecollege.uk.com

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

tel 020 7802 8080
fax 020 7802 8090
email enquiries@caledonia.com
web www.caledonia.com