CALEDONIA INVESTMENTS

Annual Report 2023

Year ended 31 March 2023

CALEDONIA INVESTMENTS

Introduction

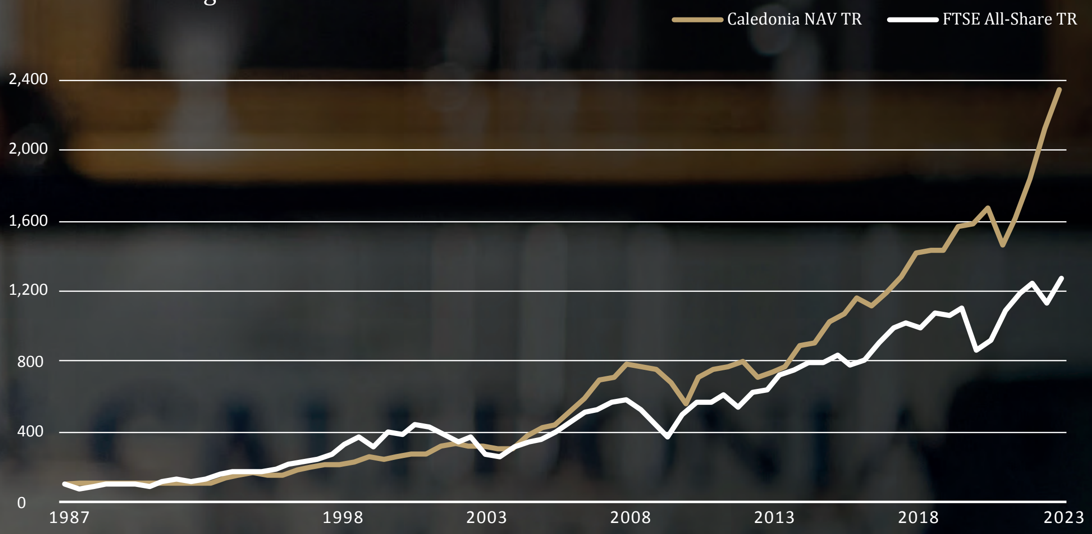
Pages 4-57 comprise the Strategic report of the company.

Image theme
Caledonia Investments Charitable Foundation.

Welcome to Caledonia

Caledonia is a self-managed investment trust company with net assets of £2.8bn. Our purpose is to grow net assets and dividends paid to shareholders over the long term, whilst managing risk to avoid permanent loss of capital. We achieve this by investing in proven, well-managed businesses that combine long-term growth characteristics with, in many cases, an ability to deliver increasing levels of income. We hold investments in both listed and private markets, covering a range of sectors and, particularly through our listed and fund investments, have a global reach. The success of this strategy can be seen in the performance of Caledonia's NAV per share total return measured against the FTSE All-Share since 1987 and a record of 56 years of increasing annual dividends.

NAV total return growth since 1987



Find out more
www.caledonia.com

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Group overview

Caledonia is a self-managed investment trust company with net assets of £2.8bn. We hold investments in both listed and private markets, a range of sectors and, particularly through our listed and fund investments, have a global reach.

All data as at 31 March 2023.

Group NAV £2,798m
(31 March 2022: £2,783m)

Quoted Equity	£837m
Private Capital	£824m
Funds	£874m
Other	£263m

Top 10 investments

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

Quoted Equity

Further detail
Turn to page 24

30-40%

Strategic asset allocation

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

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

Target 10% total annual return with no income constraint

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

Target 7% total annual return and 3.5% yield on cost

Private Capital

Further detail
Turn to page 28

25-35%

Strategic asset allocation

Majority and significant minority holdings in private companies, focusing principally on established UK businesses, led by sound management teams, where our target investment size of £50m to £150m provides a meaningful presence and growth capital.

Target 14% total return and 2.5% yield on cost

Funds

Further detail
Turn to page 32

25-35%

Strategic asset allocation

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

Target 12.5% total return

Performance highlights

For the year ended 31 March 2023

- Net asset value per share total return of 5.5%
- Annual dividend per share up 4% to 67.4p
- 56th consecutive year of annual dividend increases

Results summary

	31 March 2023	31 March 2022	Change %
NAV total return[1]	5.5%	27.9%	
NAV per share	5068p	5041p	0.5
Net assets	£2,798m	£2,783m	0.5
Annual dividend per share	67.4p	64.8p	4.0

1. Alternative performance measure APM - see page 136 for details.

Performance summary

	1 year %	3 years %	5 years %	10 years %
NAV total return[1]	5.5	69.8	72.9	179.4
Annualised:				
NAV total return[1]	5.5	19.3	11.6	10.8
Total shareholder return[1]	2.4	15.8	8.2	9.5
FTSE All-Share total return	2.9	13.8	5.0	5.8

1. Alternative performance measure APM - see page 136 for details.

Pools – annualised returns[1]

	Value £m	1 year return %	3 years return %	5 years return %
Quoted Equity	837	0.2	14.2	11.2
Private Capital	824	8.4	27.4	13.5
Funds	874	13.3	28.3	18.7
Cash and other	263			
Net assets	2,798	5.5	19.3	11.6

1. Investment and pool returns are an alternative performance measure APM - see page 136 for details.

Chair’s statement

David Stewart
Chair

Caledonia’s distinctive long-term approach to investment has produced good returns from private assets this year. These results provide modest capital growth but we remain confident in our progressive dividend approach.

Results

The NAV total return for the year ended 31 March 2023 was 5.5% which, whilst below our long-term target of inflation plus 3% to 6%, compares favourably to the FTSE All-Share return of 2.9% for the same period. This follows strong returns of 27.9% last year, 25.9% in the preceding year and 19.3% annualised over the last three years. Our private assets, in both Private Capital and Funds, generated good returns during the year, based on a mix of positive underlying performance and the advantageous impact of the 6% fall in the value of Sterling against the US dollar. In contrast, our public equity holdings were adversely impacted by volatility and weakness in global equity markets. Our balance sheet remains strong with total liquidity of £472m available at 31 March 2023, reflecting our banking facilities and £222m of cash.

Income and dividend

Investment and other income (revenue account) declined by 15% to £44m and net income was £21m. The gradual reduction in investment income was highlighted in last year’s report and we will maintain our focus on total returns rather than pure income from our portfolio. The Funds pool generated a net cash inflow of £24m which, together with net income of £21m, was sufficient to cover our proposed annual dividend. The board is recommending a final dividend of 49.2p per share, which represents a full year dividend of 67.4p, an increase of 4% when compared to the previous year. If approved by shareholders, this would represent the 56th consecutive year of increases in our annual dividend.

Board

Will Wyatt, who retired as Chief Executive at last year’s annual general meeting, continues to serve on the board as a non-executive director following re-election by shareholders. Will was succeeded by Mat Masters who has made an excellent start in his new role.

In November, Tim Livett, our Chief Financial Officer, advised the board of his intention to retire and leave the company to develop a portfolio of non-executive roles once his successor joins the board. The search for Tim’s successor very recently concluded with the appointment of Rob Memmott. Rob will join the company and the board on 1 September 2023.

Towards the end of the financial year we welcomed Farah Buckley as a new independent non-executive director. Stuart Bridges, who has served on the board since 2013, will retire at the forthcoming annual general meeting as planned. Following a period of notable change, the board has asked me to extend my tenure until the annual general meeting in 2025, subject to ongoing approval by shareholders. Further details are set out in the Nomination Committee report on page 67.

On behalf of the board, I would like to thank Tim and Stuart for their contribution to Caledonia.

Strategy

We completed a strategic review during the year. Aside from the small refinements set out in the Chief Executive Officer's report, we have not implemented any significant changes.

Annual general meeting

I look forward to once again meeting shareholders at our annual general meeting on 19 July.

Outlook

While inflation is at last showing signs of peaking, rising interest rates are a threat to global growth. The recent banking sector issues on both sides of the Atlantic reveal the economic stress lurking in the system after years of ultra-low interest rates. The high levels of government debt, built up since the last financial crisis, have accelerated significantly on the back of pandemic and energy support measures. It may well be that our attention will turn to the underlying deflationary forces from this debt once the current round of fiscal tightening is complete.

As Mat has outlined in his report, we remain confident in our strategy of selecting quality companies and funds which can deliver long-term compounding returns. However, it would not be a surprise to see increased volatility in the year ahead as the impact of rate rises becomes more apparent in the global economy.

David Stewart
Chair

The Chair's statement on pages 4 to 5, the Chief Executive Officer's report on pages 6 to 9 and additional reports on pages 10 to 57 comprise the Strategic report of the company. The Strategic report was approved by the board on 22 May 2023 and signed by Mr Masters on its behalf.

Chief Executive Officer's report

Mat Masters
Chief Executive Officer

Our approach of investing in a diversified portfolio of high-quality companies and funds has generated positive returns over the last year against a challenging market environment. We have a strong platform from which to continue to deliver our objectives of growth in net assets and dividends paid to shareholders over the long term.

Caledonia's purpose is to grow the real value of net assets and dividends paid to shareholders over the long-term, whilst managing risk to avoid the permanent loss of capital. We pursue this through a strategy of taking a long-term approach, identifying and investing directly, and indirectly via funds, into well-managed businesses. The company is self-managed and, investing from our own balance sheet, we do not seek to raise new funds so can remain focused on investing without compromising our investment process.

I succeeded Will Wyatt as Chief Executive Officer during the year, having previously held the position of Head of Quoted Equity. I am privileged to work with exceptional colleagues who share the same values of conducting business to the highest standards coupled with a long-term horizon.

Strategy and allocation

Our three investment pools provide a clear structure for managing specialist teams and risk diversification. Each investment team is able to focus on a concentrated portfolio which, in combination, provide a good level of diversification for our shareholders.

Over the course of the year, we completed a strategic review to ensure that we maintain our focus on investments capable of delivering our long-term objectives and continue to execute well via our three pools, supported by our distinctive culture. Aside from the minor adjustments outlined below, we have not implemented any significant changes.

To enable our investment teams to continue to invest in quality businesses we have reduced the overall income requirement. We have not changed Caledonia's strategic aim of growing the dividend over time but have revised the company's dividend policy. Caledonia has very high levels of retained reserves available to pay the dividend with little requirement for earned income to provide dividend cover. However, ensuring cash flow cover to meet operational costs and dividend payments without recourse to the investment portfolio is prudent. The Funds pool has reached its strategic allocation target, delivered returns above the average for the group, with a portfolio of sufficient scale to appropriately manage risk and has reached a stage of maturity where we anticipate positive cash flow. We have therefore moved from an income cover policy to one where half of Caledonia's costs and normal dividend is covered by income from the investment portfolio and the remainder from net cash inflow from the Funds pool.

In 2019 we reduced the income target for the Income portfolio from 4.5% on value to 3.5% on cost. Moving from measuring yield on value to cost enables investment in good quality companies when the market presents opportunities, without the need to sell when share prices subsequently recover. This reduction in yield requirement expanded the opportunity set and further enabled the team to focus on quality. The change led to the disposal of several potentially riskier, lower quality assets over the winter of 2019 and early 2020 before funds were reinvested into higher quality companies during the period of market volatility brought on by the Covid-19 pandemic. We have recently made a similar reduction to the income target for the Private Capital pool from 5% on value to 2.5% on cost. A summary of each pool, together with return requirement and revised income target, is shown below.

Pool name	Description	Return requirements
Caledonia Quoted Equity	Capital strategy	10% total return, no yield target
	Income strategy	7% total return, 3.5% yield (on cost)
Caledonia Private Capital	Majority and minority investments predominantly in UK mid-market companies with equity values of between £50m and £150m	14% total return, 2.5% yield (on cost)
Caledonia Funds	US and Asian private equity funds and funds of funds	12.5% total return

We have also refined the asset allocation model with the following new bandings.

	Net assets allocation targets	
Pool name	New %	Old %
Quoted Equity	30-40	35-50
Private Capital*	25-35	35-45
Funds	25-35	20-30

*Includes Cobepa

The most significant change was a reduction to Private Capital's allocation range, which supports a portfolio of six to eight holdings at an average entry equity value of around £100m, together with our existing investment in Cobepa. We also adjusted the allocation to the Funds pool to facilitate a small increase in our exposure to US lower mid-market private equity funds which have shown strong, reliable performance over time.

Results

The result for the year was a NAVTR of 5.5% which, whilst lower than our previous two years of very strong results (2021: 25.9%, 2022: 27.9%), was a good outcome given the challenging market environment. The table below shows our results over multiple time periods compared to our strategic KPIs.

Years to 31 March	1 year %	3 years %	5 years %	10 years %
NAVTR	5.5	69.8	72.9	179.4
FTSE All-Share	2.9	47.4	27.8	75.9
NAVTR v FTSE All-Share TR	+2.6	+22.4	+45.1	+103.5
Annualised performance				
NAVTR	5.5	19.3	11.6	10.8
RPI	13.5	7.9	5.7	4.0
NAVTR v RPI	-8.0	+11.4	+5.9	+6.8
FTSE All-Share TR	2.9	13.8	5.0	5.8
NAVTR v FTSE All-Share TR	+2.6	+5.5	+6.6	+5.0

The macro-economic impact can be seen, with increases in inflation and interest rates presenting a notable change to the investment environment. In most cases it is reasonable to assume that increased interest rates will reduce the rating valuation for equities. This rating change has been factored into our thinking and led to a pause in significant investment activity for much of the year.

Pool performance

Annualised NAVTR Years to 31 March	1 year %	3 years %	5 years %	10 years %
Pool name				
Quoted Equity	0.2%	14.2%	11.2%	8.8%
- Capital portfolio	1.1%	16.4%	14.1%	10.8%
- Income portfolio	-2.4%	9.2%	5.2%	4.2%
Private Capital	8.4%	27.4%	13.5%	14.5%
Funds	13.3%	28.3%	18.7%	18.4%
Portfolio	7.2%	21.9%	13.6%	12.7%

Quoted Equity

The Quoted Equity pool, a concentrated portfolio of high-quality companies, delivered a return of 0.2%, reflecting wider market performance. During the year the portfolio made selective changes to existing holdings with a net total investment of £26m. The increase in interest rates was generally reflected in equity valuations although the team made opportunistic purchases when individual companies traded at good prices.

The Capital portfolio produced a good performance relative to major international markets. Longer-term performance remains very strong, with the continued focus on high-quality companies and global developed markets, especially North America, reflected in the performance outcomes.

Chief Executive Officer's report (continued)

The Income portfolio produced weaker performance over the period. Companies in the energy and banking sectors, which generally do not meet our long-term quality criteria, were the main contributors to the positive performance of the FTSE All-Share during the year. Our investment in high-quality real estate investment trusts ('REITs'), which continued to deliver robust operational performance, were de-rated. In addition, our holding in specialist insurer Sabre materially underperformed as the insurance market recovers from the impact of Covid-19 and responds to high inflation.

Private Capital
Private Capital delivered a return of 8.4% for the year. The return reflects continued development from portfolio companies where most, by value and number, continued to make progress. Despite making good strategic and operational progress, Liberation Group (5% of Group NAV) was impacted by rising costs and weakening consumer demand.

After the year end, we acquired a majority interest in AIR-serv Europe, a leading designer and manufacturer of air, vacuum and jet wash machines which it provides as turn-key solutions to fuel station forecourt operators across Western Europe. Caledonia invested £142.5m for a 99.8% equity stake, alongside the management team. The balance of the purchase price was financed by bank debt facilities of £60.0m. We now hold five core businesses and remain disciplined as we look for future opportunities.

Funds
The Funds pool delivered a return of 13.3% for the year, which comprised the North American and Asian-based funds achieving 21.8% and 3.6% respectively. The weakening in Sterling against the US dollar over the year added 6% to performance. The divergence in the regional short-term returns reflects the profile of their respective investments and markets.

The success of North American funds (18% of Group NAV) is closely linked to the operational development of investee companies and their cash flows. There is a deep, robust market for potential divestment, either via trade sales or to other, larger private equity funds.

Asian funds invest in earlier stage companies and consequently their economic success is driven by their continued development, subsequent funding rounds and more volatile public markets. Liquidity within the Asian markets has been resilient with the A-share IPO market remaining buoyant and accounting for nearly half of global proceeds during 2022. The Shanghai Composite Index reduced in value by 9% between June and December 2022, before recovering in the period to March 2023, which provides context for performance.

Over the year the Funds pool generated £24.2m in cash (2022: £67.5m), including £10.6m from Asia, reflecting the maturing strategy and its position as a meaningful cash generator.

Liquidity and balance sheet
Caledonia ended the financial year with net cash of £221.6m having made net investments of £2.7m plus annual and special dividend payments of £130.5m. In addition, our committed bank facilities of £250m provide us with a good level of liquidity and the ability to take advantage of opportunities that may arise. Over the course of the year the absence of net investment activity reflected the challenge of investing in high quality assets at reasonable prices. The year-end commitment for the Funds pool was £423m. We aim to be conservatively funded with bank facilities and liquidity available from the Quoted Equity pool should extreme, unforeseen risks occur.

During the year we conducted a review of our North American private equity fund holdings held in our subsidiary Caledonia US Investments Ltd ('CUSIL'). We determined that a significant proportion of these holdings could be transferred from CUSIL into the parent company and therefore benefit from its investment trust tax status. The proceeds from the transfer are shown within our non-pool assets at the year end. The majority of the proceeds were loaned back to the parent entity.

Inflation measure

We have completed a review of the inflation measure used in our strategic objective of generating total returns that outperform inflation by at least 3% over the medium and long term. Retail Prices Index ('RPI'), our current inflation measure, had lost its status as a national statistic which resulted in a decision to move to Consumer Prices Index including owner occupiers' housing costs ('CPIH') from 1 April 2023.

Our annual bonus scheme assesses performance against this strategic objective and will also be adjusted to use CPIH over time. The Directors' remuneration report explains the transition in detail.

People

Our staff are, of course, our most important asset and over the course of the year we have continued to invest in their development. Our first colleague engagement survey has enabled us to receive anonymous feedback to help us better understand our employees' thoughts and areas for future improvement. We were particularly pleased that 98% of those who participated in the survey would recommend Caledonia as a great place to work.

Alan Murran and Ben Archer succeeded me as joint Co-Heads of the Quoted Equity pool, with Alan leading the Capital portfolio and Ben leading the Income portfolio. We also made a number of additions to the Private Capital team to further improve our focus on this important market and our existing portfolio. The Funds pool has also added a small number of new staff bringing additional energy, ideas, skills and resource to both the US and Asian strategies.

During the year we extended the membership and remit of our Investment Committee to increase knowledge and experience and draw on a broader, more diverse range of views.

Being a responsible investor and corporate

We have always been very engaged and attentive investors. Team members serve on the boards of companies within our Private Capital portfolio and on the majority of the advisory boards for our North American funds. The listed companies in which we invest appreciate our long-term approach and empowerment of the investment team to develop close working relationships. The Quoted Equity investment team review and determine votes for all the stocks we hold.

Over the course of the year, we have further developed our approach and systems integrating consideration of Environmental, Social and Governance ('ESG') matters into our investment process formally and established a working group to develop our thinking, provide effective coordination, monitor our activities and market developments and to share good practice. We have given further consideration to the issues associated with climate change and its potential impact on our business. A separate Taskforce on Climate-related Financial Disclosure ('TCFD') report has also been developed. Further details on our activities in this area are provided within the Sustainability section of this report on pages 48-57.

Outlook

It is clear that the current issues facing the global economy, including high levels of inflation, rising interest rates and geopolitical tensions, together with more recent concerns about the banking sector and potential recession, provides a very challenging backdrop for investment activity.

However, the team at Caledonia are well placed to operate in this environment drawing on decades of experience. Investing in good quality companies and funds operating in attractive markets, which eschew the use of risky levels of leverage to magnify returns, remains highly relevant in current conditions. We have learnt, over time, that ignoring these basic risk management principles is unwise. Our long-term mindset and current allocation provide a strong platform from which to continue to deliver our objectives of growth in net assets and dividends paid to shareholders over the long term.

Mat Masters
Chief Executive Officer

The Chair's statement on pages 4 and 5, the Chief Executive Officer's report on pages 6 to 9 and additional reports in pages 10 to 57 comprise the Strategic report of the company. The Strategic report was approved by the board on 22 May 2023 and signed by Mr Masters on its behalf.

Our business model

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

Our strategic aims

Grow net asset value

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

Pay increasing dividends

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

Manage risk

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

Exploit our strong balance sheet

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

Our business

Quoted Equity

Capital portfolio

Income portfolio

Further information
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Private Capital

Seven Investment Management

Cobehold

Stonehage Fleming

Liberation Group

Cooke Optics

Further information
Turn to page 28

Funds

North American funds

Asian funds

Further information
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We identify and invest in companies that meet our investment goals and risk appetite. We organise our portfolio into three pools, each with a strategic allocation of capital, investment strategy and return targets, with an overall balance to provide a long-term, risk-mitigated return in line with our strategic objectives.

Our operational approach

Culture and values

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

Further information
Turn to pages 18, 58 and 98

Corporate governance

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

Further information
Turn to page 62

Risk management

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

Further information
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Responsible investment

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

Further information
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Our differentiation

The Caledonia team

We aim to recruit and retain high-quality investment executives to maintain deal flow and investment continuity, who understand and can execute Caledonia's investment philosophy.

Business network

Our reputation as a supportive and constructively involved long-term investor enables us to develop our network of effective business contacts. This network enables us to identify opportunities and carry out due diligence, as well as being invaluable to the management of our investee companies.

Strong balance sheet

Our strong balance sheet, with no permanent corporate debt, allows us the flexibility to invest in both private equity and quoted opportunities over longer (ten year) timeframes, significantly reducing the investment cycle risk.

Reputation

Caledonia's heritage can be traced back to the shipping empire established by Sir Charles Cayzer in 1878 and still benefits from the backing of the Cayzer family. Caledonia has been an investment company since 1987, with investment trust status since 2003.

Our investment methodology

Investment process

Our investment process is at the heart of creating investment returns and is tailored to the nature and risk of each asset group. Investment opportunities are identified through our business network and company research. An initial review will identify opportunities with characteristics which meet our strategic risk/return appetite.

Extensive and ongoing business and financial due diligence is conducted, often using independent advisers, before a final investment decision is made. Investments are subject to a formal executive approval process and continuous performance monitoring and risk reviews.

Board approval is required for all investments and disposals over a defined threshold.

Investment risk management

We consider the following key risk areas:

- Strategic investment allocation
- Investment timing
- Portfolio construction
- Liquidity
- Sector exposures
- Geographic exposures
- ESG matters and climate change
- Resources and relationships
- Reputation
- Investee leverage
- Regulation

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

Strategic objectives

Key performance indicators

Generate total returns that outperform inflation by at least 3% over the medium and longer term

	Annualised over 5 years	Annualised over 10 years
NAVTR	**11.6%**	**10.8%**
RPI + 3%	8.7%	7.0%

Note: Inflation measure will move from the Retail Prices Index ('RPI') to the Consumer Prices Index including owner occupiers' housing costs ('CPIH') from the start of the new financial year.

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

	Annualised over 10 years
NAVTR	**10.8%**
TSR	**9.5%**
FTSE All-Share TR	5.8%

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

Annual dividend per share 67.4p

Annualised growth over:	
1 year	4.0%
5 years	3.4%
10 years	3.6%

Manage investment risk effectively for long-term wealth creation

NAV per share 5068p

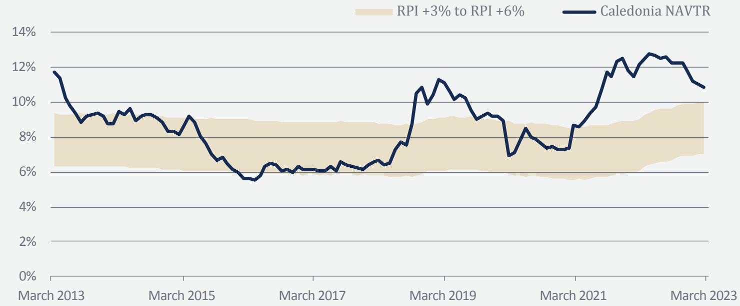
Annualised growth over:	
1 year	0.5%
5 years	9.1%
10 years	8.2%

Performance measures

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

Performance trend	Metric

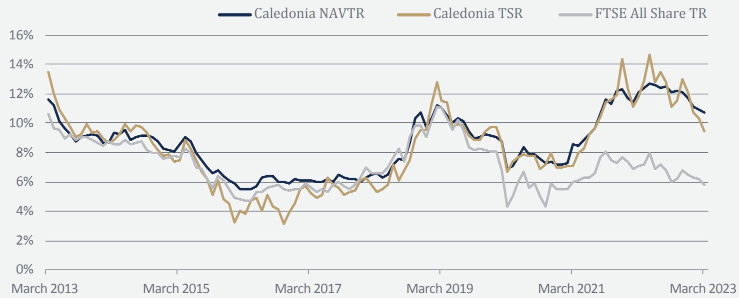
NAVTR annualised 10 year rolling performance



Net asset value total return ('NAVTR')

NAVTR is a measure of how the net asset value ('NAV') per share has performed over a period, taking account of both capital returns and dividends paid to shareholders. NAVTR is calculated as the increase in NAV per share plus the accretion from assumed dividend reinvestment over the period, detailed in note 17 of the financial statements.

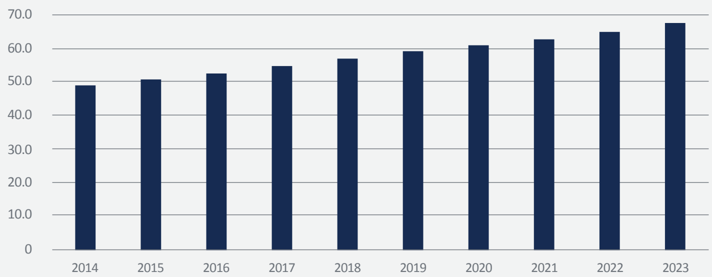
TSR annualised 10 year rolling performance



Total shareholder return ('TSR')

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

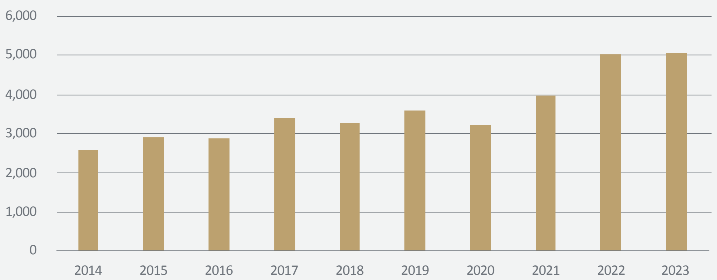
Annual dividend/share over 10 years (p)



Annual dividend

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

NAV/share over 10 years (p)



NAV per share

NAV per share is a measure of the value of the company per share, calculated by dividing net assets by the number of shares in issue, adjusting for shares held by the employee share trust and for dilution by the exercise of share awards, detailed in note 17 of the financial statements.

Section 172 statement

How we engage with stakeholders and make decisions

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

a. likely consequences of any decisions in the long term

b. interests of the company's employees

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

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

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

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

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

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

Further details on how the board operates can also be found in the governance section of this report on page 62 and at www.caledonia.com.

Key stakeholder	Importance	How we engage
Shareholders	Shareholders provide Caledonia's permanent capital and it is for their benefit that the directors are required to promote the company's success.	Our Chief Executive Officer and Chief Financial Officer hold regular meetings with institutional investors, private client stockbrokers and fund managers. The Chair and other non-executive directors are also available to attend these meetings, if requested. Any views put forward by shareholders and analysts are reported back to the board, with periodic presentations from the company's brokers on shareholder feedback and general market perception of the company. In addition, the company releases monthly NAV announcements and half-year and annual reports to keep shareholders apprised of performance. Caledonia's annual general meeting is also an important part of our shareholder communications programme. Further details on relations with controlling shareholders can be found on page 65.
Employees	Building a team of engaged and experienced employees who share our values and culture is central to delivering Caledonia's purpose.	Caledonia has a small number of employees which enables regular formal and informal access to board directors, irrespective of seniority, together with frequent colleague involvement in board and committee meetings. Formal periodic reports on staff-related matters, including any instances of concerns or grievances raised and suggestions received for improvements to the workplace culture, assist the board in understanding the views of employees. During the year we also completed our first employee engagement survey. The board believes that these arrangements, which are not one of the suggested methods for workforce engagement set out in the UK Corporate Governance Code, remain effective. Further details on our workplace can be found on page 50.

Key stakeholder	Importance	How we engage
Investee companies and private equity funds	Our investee companies, both public and private, and private equity funds provide the source of returns to our shareholders.	Our focus remains on long-term careful stewardship to create value for our shareholders. Decision making is supported by comprehensive regular reporting to the board. **Quoted Equity** We use engagement with management teams, company announcements and in-house and third party research to closely monitor the performance of companies in the Income and Capital portfolios. Meetings with management teams are also an important part of our ongoing stewardship activities. We continue to make considered use of our voting rights at all shareholder meetings. **Private Capital** Our employees serve as non-executive directors on the boards of portfolio companies in which we hold a significant investment, providing oversight and helping to ensure that our board is kept apprised of key developments and the views of a broader group of stakeholders. Our programme of regular presentations from the leadership of investee companies provides directors additional insight to assist with investment decision making. This included a deep-dive presentation from the Chief Executive Officer of Cobepa during the year, alongside regular reporting on investee companies from the Head of Private Capital. Directors also attended a conference and dinner with the management of companies within the portfolio which included presentations on individual businesses and provided them with the opportunity to meet a broader group of senior executives from investee companies. **Funds** Alongside proactive monitoring of fund performance, we are represented by employees on numerous advisory committees established by the managers of the funds in which we invest. A regular programme of meetings with fund general partners, other limited partners and investee businesses enable us to gain real insight into the ongoing management of our portfolio. Further details on our stewardship activities can be found on page 48.
Suppliers	We value long-term supplier relationships built on transparency, reliability and quality to support our investment activities.	We operate clear payment practices to ensure fair and prompt payment for goods and services. Whilst we are not a signatory of the UK Prompt Payment Code, we paid more than 98% (2022: 94%) of our supplier invoices within 30 days during the year and benefit from good relationships often built over many years with suppliers and advisers who share our values.
Community	We have established an ongoing commitment to the wider community via The Caledonia Investments Charitable Foundation and also to foster further employee involvement in the community. We have continued efforts to advance greater talent diversity in our sector.	**Charitable giving** The Foundation is the focus for Caledonia's charitable activity, providing support to many good causes each year. The company made a grant of £250,000 to the Foundation during the year from which numerous charities received varying levels of support. Notable multi-year donations were provided to The Cornwall Community Foundation which seeks to improve the lives of individuals within Cornwall, to the Maritime Volunteer Service to train its members in maritime, engineering, operations and communications skills and to purchase equipment, and to Horatio's Garden for the continued development of gardens in NHS Spinal Injury wards. Other donations included those made to Joshua Orphan and Community Care to provide food to children in rural Malawi, to The Big Yellow Foundation to support vulnerable people including ex-offenders, refugees, ex-service personnel and people living with disabilities to find employment and create a better future for themselves, and to SeeAbility to help people with learning disabilities, autism and sight loss find permanent paid work. During the year we also implemented a new volunteering policy to further encourage staff to support the Foundation, together with other charities and good causes, by providing up to two additional days of paid leave each year. **Diversity and inclusion** We continue to offer places on our annual internship programme via #10000BlackInterns, an initiative designed to help transform the horizons and prospects of young black people in the UK. We have also begun a partnership with Girls Are Investors ('GAIN') which seeks to support female and non-binary students across the UK who aspire to have a career in investment management. Further details on our community activities can be found on page 51.

How stakeholder interests have influenced decision making

Liberation Group and Cirrus Inns

Further details on Liberation Group
Turn to page 31

Liberation Group completed a merger of Cirrus Inns' portfolio of pubs into its UK pub estate during the year. Cirrus operated a 22-strong premium pub business, trading from southwest London across to the Cotswolds. The combination of the two businesses brought together a predominantly freehold estate of 137 pubs, made up of 79 managed and 58 tenanted sites, with an accommodation offering of more than 400 rooms, stretching from southwest London to Bristol and the Channel Islands. The merger transaction was supported with new capital from both Caledonia and the shareholders in Cirrus Inns.

The rationale for the merger was to create one of the UK's highest quality independent pub companies and transform Liberation's accommodation offering by a material increase in the number of bedrooms available. The geographic fit of the Cirrus Inns pub estate combined with that owned by Liberation Group was compelling, providing the potential for profit enhancement, opportunities for the employees of both businesses and was considered to be in the best interests of Caledonia's shareholders.

Dividends

Further details on dividends
Turn to page 39

In making its decisions regarding the 2022 final and special dividends and 2023 interim dividend the board considered shareholders' expectations, the net revenue generated by the company and the capacity of the company to pay dividends out of free cash flow, taking into account future dividend liquidity requirements and availability, and the disposals of Deep Sea Electronics and BioAgilytix.

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

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

Insightful & supportive

Horatio's Garden
The Caledonia Investments Charitable Foundation supports Horatio's Garden which nurtures the wellbeing of people after spinal injury in beautiful, vibrant sanctuaries within the heart of NHS spinal injury centres.
Horatio's Garden South West © Clive Nichols

Business review

Investment review

Performance

Our Private Capital and Funds investments performed strongly during the year.

Performance

NAV total return for the year was 5.5% This principally reflects a modest uplift in the valuation of our private assets. Over the longer term, Caledonia's annualised NAV total return has been in the range of 10% to 12%, significantly outperforming the FTSE All-Share over comparable periods.

Total cumulative return (%)

	1 year	3 years	5 years	10 years
Caledonia NAV total return[1]	5.5	69.8	72.9	179.4
FTSE All-Share	2.9	47.4	27.8	75.9
NAVTR v FTSE All-Share	2.6	22.4	45.1	103.5

Annualised return (%)

	1 year	3 years	5 years	10 years
Caledonia NAV total return[1]	5.5	19.3	11.6	10.8
FTSE All-Share	2.9	13.8	5.0	5.8
NAVTR v FTSE All-Share	2.6	5.5	6.6	5.0

1. Alternative performance measure – see page 136 for details.

Our private assets, in both Private Capital and Funds, generated good returns during the year, based on a mix of positive underlying performance and the favourable impact of the 6% fall in the value of Sterling against the US dollar. In contrast, our public equity holdings were adversely impacted by volatility and weakness in global equity markets. The Quoted Equity pool produced a return of 0.2%, reflecting wider trends across public equity markets, with some mitigation from the movement in foreign exchange rates. The Private Capital pool produced a return of 8.4%. The return reflects continued investee company development, where all the businesses made good progress across the year, with the exception of Liberation Group which, despite positive strategic and operational progress, faced rising costs and weakening consumer demand. The Funds pool produced a return of 13.3%, generated by the positive exchange rate position and valuation growth from our North American based funds.

Investment activity

During the year £125m was invested into the Funds pool, continuing our ongoing programme of drawdown commitments. The Private Capital pool undertook some small-scale re-financing activity and the Quoted Equity pool topped up some positions to take advantage of favourable pricing.

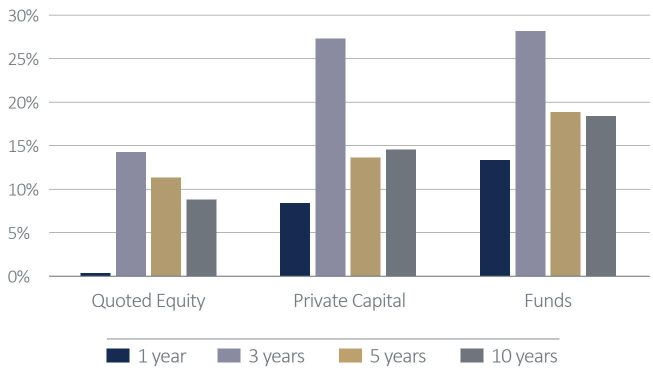
Realisations in the year totalled £191m with £148m coming from the Funds pool, the majority of which came from maturing US funds.

Investment income was down 15.3% driven by a prior-year non-recurring pre-disposal dividend from the Private Capital pool.

During the year, US private equity fund positions with a value of £273.7m were transferred from CUSIL, a non-consolidated subsidiary of the group, into the parent company, where they would benefit from its investment trust status. This transaction created a non-pool cash asset which is offset by an equal liability in the parent company.

The table below shows movements across our investments in the year.

Annualised investment pool returns



	March 2022 £	Investments £	Realisations £	Accrued income[2] £	Gains/ (losses) £	March 2023 £	Income £	Return[1] %
Pool								
Quoted Equity	830.1	54.4	(28.2)	-	(19.4)	836.9	20.8	0.2%
Private Capital	781.7	14.2	(15.3)	(0.6)	44.0	824.0	20.6	8.4%
Funds	794.4	125.3	(147.7)	-	101.8	873.8	1.8	13.3%
Total pools	2,406.2	193.9	(191.2)	(0.6)	126.4	2,534.7	43.2	7.2%
Non-pool[3]	(20.7)	274.2	0.1	-	6.6	260.2	-	
Total investments	2,385.5	468.1	(191.1)	(0.6)	133.0	2,794.9		
Net cash	341.1					221.6		
Other net liabilities	56.1					(218.5)		
Net assets	2,782.7					2,798.0		

1. Returns for investments are calculated using the Modified Dietz methodology.
2. Private Capital valuations at 31 March 2023 included accrued income of £1.1m (2022: £1.7m).
3. Non-pool investments comprise legacy investments, cash and receivables and deferred tax liabilities (see note 11 to the financial statements) in subsidiary investment entities.

Investment review (continued)

Geography

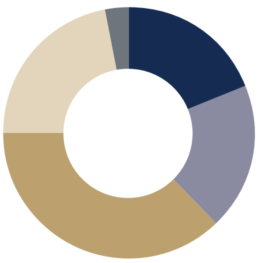
The following chart shows the distribution of net assets at 31 March 2023 between regions. The basis of this analysis is the country of listing for quoted securities, country of residence for unlisted investments and regional analysis for funds.

Geography by region

United Kingdom	15%
Channel Islands	16%
Europe	8%
North America	39%
Asia	13%
Cash and other	9%

The following chart estimates geographic analysis at 31 March 2023 by revenue generation: this demonstrates a highly diverse geographic exposure across our investments.

Geography by revenue generation



United Kingdom	19%
Europe	19%
North America	37%
Asia	22%
Other countries	3%

Asset class

The following chart shows the distribution of net assets at 31 March 2023 by asset class. Listed securities represented 30% of net assets at the year end, and unlisted investments accounted for 61%.

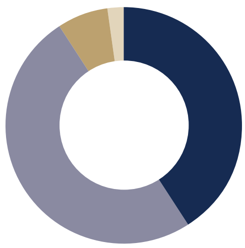
Asset class

Listed equities	30%
Private companies	30%
Private equity funds	31%
Quoted market funds	0%
Cash and other	9%

Currency

The following chart analyses net assets at 31 March 2023 by currency exposure, based on the currencies in which investments, cash or other assets are denominated or traded. During the year, Sterling weakened by 6% against the US dollar, positively impacting our annual return.

Currency exposure



Pound sterling	41%
US dollar	50%
Euro	7%
Other currencies	2%

Investments summary

Holdings over 1% of net assets 31 March 2023

Name	Pool	Geography[1]	Business	Value £m	Net assets %
Seven Investment Management	Private Capital	Jersey	Investment management	187.1	6.7
Cobehold	Private Capital	Belgium	Investment company	176.1	6.3
Stonehage Fleming	Private Capital	Jersey	Family office services	141.6	5.1
Liberation Group	Private Capital	Jersey	Pubs, bars & inns	131.9	4.7
Cooke Optics	Private Capital	UK	Cine lens manufacturer	124.5	4.4
Aberdeen US PE funds	Funds	US	Funds of funds	114.9	4.1
Axiom Asia funds	Funds	Asia	Funds of funds	84.3	3.0
Watsco	Quoted Equity	US	Ventilation products	70.4	2.5
Oracle	Quoted Equity	US	Software	70.1	2.5
Microsoft	Quoted Equity	US	Software	66.6	2.4
Texas Instruments	Quoted Equity	US	Semiconductors	61.5	2.2
Philip Morris	Quoted Equity	US	Tobacco & smoke-free products	50.0	1.8
Asia Alternatives funds	Funds	Asia	Funds of funds	48.1	1.7
Thermo Fisher Scientific	Quoted Equity	United States	Pharma & life sciences services	46.7	1.7
Fastenal	Quoted Equity	United States	Industrial supplies	39.3	1.4
Unicorn funds	Funds	Asia	Funds of funds	37.7	1.3
Charter Communications	Quoted Equity	United States	Cable communications	37.3	1.3
Stonepeak funds	Funds	United States	Private equity funds	37.1	1.3
British American Tobacco	Quoted Equity	UK	Tobacco & vaping	37.0	1.3
Sports Information Services	Private Capital	UK	Content services	36.1	1.3
CenterOak funds	Funds	United States	Private equity funds	33.5	1.2
Decheng funds	Funds	Asia	Private equity funds	33.2	1.2
Spirax Sarco	Quoted Equity	UK	Steam engineering	31.8	1.1
Hill & Smith	Quoted Equity	UK	Infrastructure	31.4	1.1
Ironbridge funds	Funds	Canada	Private equity funds	30.3	1.1
PAG Asia funds	Funds	Asia	Private equity funds	29.6	1.1
Becton Dickinson	Quoted Equity	United States	Medical technology	29.2	1.0
Other investments				717.4	25.8
Investment portfolio				2,534.7	90.6
Non-pool investments				260.2	9.3
Cash and other				3.1	0.1
Net assets				2,798.0	100.0

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

Quoted Equity

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

Annualised returns (%)

	1 year	3 years	5 years	10 years
Capital strategy	1.1	16.4	14.1	10.8
Income strategy	(2.4)	9.2	5.2	4.2
Quoted Equity	**0.2**	**14.2**	**11.2**	**8.8**

Geography by revenue generation

United Kingdom	13%
Europe	16%
North America	44%
Asia	19%
Other countries	8%

Sector

Communication services	4%
Consumer discretionary	2%
Consumer staples	17%
Financials	6%
Healthcare	9%
Industrials	19%
Information technology	24%
Materials	12%
Real estate	3%
Utilities	4%

Strategy

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

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

The Quoted Equity pool comprises two strategies, the Capital portfolio and the Income portfolio, each generally holding between 15 and 20 stocks. There are five stocks that are held in both portfolios. The Income portfolio aims to deliver an initial yield on invested cost of 3.5% with the dividend per share from these holdings growing ahead of inflation over the longer term. The Capital portfolio has no dividend target, is unconstrained and, as a consequence, should produce higher returns over time.

The portfolios are managed by a single team, with the same research methodology and operational discipline used across both.

Performance

During the year the Quoted Equity pool produced a total return of 0.2%, with the Capital and Income strategies returning 1.1% and -2.4 % respectively. The performance of the portfolios reflected wider trends across equity markets.

"Both portfolios are managed and appraised through the same quality lens and are concentrated to enable focus on the best long-term ideas. We closely monitor the companies to risk manage the portfolios appropriately and continually seek to improve the investment process over time."

Ben Archer
Co-Head of Caledonia Quoted Equity

Quoted Equity

29.9%

of net assets at 31 March 2023

Find out more
www.caledonia.com/quot

"We like to own high quality companies that will continue to provide compounding returns to shareholders over the long term. When we purchase shares in new investments or add to holdings in our existing portfolios, we always look to do so at attractive prices with a margin of safety."

Alan Murran
Co-Head of Caledonia Quoted Equity

Capital portfolio

Performance

The Capital portfolio delivered a 1.1% total return during the year to March 2023 (2022: 14.6%). The portfolio is highly concentrated with only 18 holdings and so is not explicitly managed with a benchmark in mind.

Operating performance was generally strong across the portfolio. The strongest performers in terms of share price returns were Oracle (21.2%), Philip Morris (16.4%) and Watsco (14.5%). Their performance was driven by continued strong execution of their long-term strategies, that was perhaps not fully reflected in their previous share price valuations. Our portfolio companies have also demonstrated an ability to deal with an inflationary environment through their pricing power; this is one of the qualities we seek when identifying suitable holdings for our portfolio.

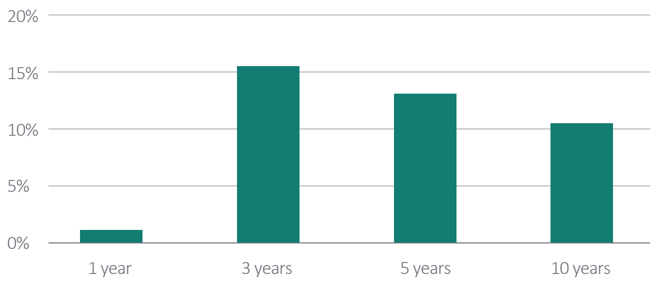
Those that fared less well in the year were Charter Communications (-28.0%), Polar Capital (-20.0%) and Croda International (-16.4%). This was partly due to the broader impact of rising interest rates upon valuations in addition to company specific dynamics. Charter, for example, has seen increased competitive threats in relation to fixed wireless access and overbuilding. We continue to closely monitor all our holdings as they navigate the current environment.

Investment activity

We reflected interest rate rises into our valuation approach, opportunistically investing an additional £34m into existing positions. We exited our holdings in AG Barr and Unilever.

Quoted Capital	**£m**
Opening value	609.3
Investments	34.5
Realisations	(17.2)
Losses	(5.6)
Transfer	(3.0)
Closing value	618.0
Investment income	12.3

Annualised pool returns - Capital



Significant pool investments

Name	Business	Geography	First invested	Value £m	Pool %	Return %
Oracle	Software	US	2014	70.1	11.3	21.2
Microsoft	Software	US	2014	66.6	10.8	1.7
Watsco	Ventilation products	US	2017	51.5	8.3	14.5
Thermo Fisher Scientific	Pharma & life science services	US	2015	46.7	7.6	3.9
Texas Instruments	Semiconductors	US	2018	45.4	7.3	10.9
Charter Communications	Cable communications	US	2017	37.3	6.0	(28.0)
Philip Morris	Tobacco & vaping	US	2016	34.9	5.6	16.4
Spirax Sarco	Steam engineering	UK	2011	31.8	5.1	(4.3)
Hill & Smith	Infrastructure	UK	2011	31.4	5.1	(5.3)
Becton Dickinson	Medical technology	US	2015	29.2	4.7	0.3
Fastenal	Industrial supplies	US	2020	28.1	4.5	(1.4)
Moody's Corporation	Financial services	US	2022	26.2	4.2	0.3
Other investments				118.8	19.5	
				618.0	100.0	1.1

Income portfolio

Performance

The Income portfolio returned -2.4% during the year to March 2023 (2022: 13.7%), and generated a yield on cost of 4.1% against a target of 3.5%. Like the Capital portfolio, the Income portfolio is highly concentrated, comprising 16 holdings and is not managed with a benchmark in mind.

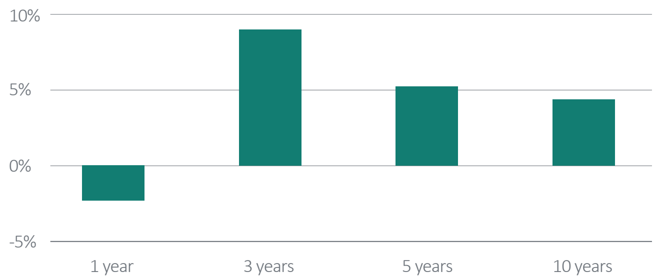
The strongest performers this year were defensive, consumer-facing businesses, including Unilever (25.0%), Imperial Brands (20.5%) and Philip Morris (14.5%). These types of consumer stocks represent around 40% of the Income portfolio and offer a core base of resilient income. There was a disappointing performance from Sabre Insurance (-48.1%) reflecting the challenging conditions in the UK motor insurance market, which are now starting to show signs of improvement, while the performance of our two REITs – LondonMetric (-28.7%) and Big Yellow (-21.0%) mainly reflects the change in the interest rate environment. We continue to view the long-term outlook and characteristics of both REITS as attractive and topped up our holdings in both during the year.

Investment activity

Activity in the year consisted of adding £23m to existing positions, topping-up holdings in response to price movements and exiting our holding in Imperial Brands.

Quoted Income	£m
Opening value	220.8
Investments	19.9
Realisations	(11.0)
Losses	(13.8)
Transfer	3.0
Closing value	218.9
Investment income	8.5

Annualised pool returns - Income



Significant pool investments

Name	Business	Geography	First invested	Value £m	Pool %	Return %
Unilever	Consumer goods	UK	2015	19.0	8.7	25.0
Watsco	Ventilation products	US	2020	18.9	8.6	14.0
Reckitt Benckiser	Consumer goods	UK	2020	18.4	8.4	9.4
Diageo	Alcoholic drinks	UK	2020	17.0	7.8	(3.4)
National Grid	Electricity	UK	2015	16.6	7.6	(1.1)
Texas Instruments	Semiconductors	US	2020	16.1	7.4	10.6
Philip Morris	Tobacco & vaping	US	2012	15.1	6.9	14.5
Fortis	Utilities	US	2020	14.8	6.8	(5.9)
SGS	Testing & certification	Europe	2020	13.6	6.2	(12.8)
LondonMetric	REIT	UK	2020	12.6	5.8	(28.7)
British American Tobacco	Tobacco & vaping	UK	2015	12.3	5.6	(4.3)
Other investments				44.5	20.2	
				218.9	100.0	(2.4)

Private Capital

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

Annualised returns (%)

	1 year	3 years	5 years	10 years
Private Capital	8.4	27.4	13.5	14.5

Rationale

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

Performance and activity

Caledonia's Private Capital portfolio is dominated by significant positions in four UK centric businesses and Cobepa, a private European investment company. These five investments represent over 90% of portfolio value. Investee companies are revalued in March and September each year. The portfolio generated a total return of 8.4% for the year. All four UK centric businesses are well-established, growing, profitable, cash generative and have strong market positions. Each is valued on an earnings multiple basis, with multiples in the range 9 to 14 times current year earnings, with the two financial services businesses at the upper end of the range. Gearing levels are modest, with net debt ranging from one to two times earnings before interest, tax, depreciation and amortisation ('EBITDA').

Seven Investment Management ('7IM'), a vertically integrated provider of discretionary fund management, multi-asset class investment management and self-invest platform services, continues to perform well. The company saw strong net fund inflows supported by new customer contracts, but the fall in global equity markets adversely impacted assets under management which declined by 5% over the year to £20bn. Earnings advanced materially, aided by savings on key supplier contracts and improved interest income. The valuation at 31 March 2023 was £187m, a return of 16% for the year.

Cobepa, the Belgium based investment company, owns a diverse global portfolio of well-developed, profitable, private investments. Following significant disposals agreed in the previous financial year, its management team has focused on deploying capital in new investments. Four new businesses were acquired in the year, covering a broad range of industries and geographies. Cobepa's portfolio continues to trade well and valuations have progressed accordingly. The valuation of Caledonia's holding in Cobehold (the holding company of Cobepa) was £176m at 31 March 2023, a return of 12% for the year.

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

Tom Leader
Head of Caledonia Private Capital

Private Capital

29.4%

of net assets at
31 March 2023

Find out more
www.caledonia.com/pcap

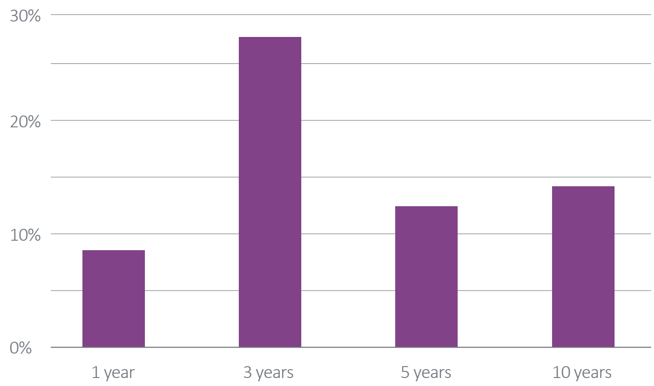
Stonehage Fleming, the international multi-family office, successfully completed the integration of the Maitland private client business acquired in January 2022 and has grown earnings year-on-year. Family office services focused on tax, legal, trust and related activity have performed well, delivering healthy earnings progression. In contrast, progress in the investment management division has been more limited with market volatility and lower public equity markets adversely impacting revenues. Acquisition activity continues with Rootstock, a South African focused investment management business, being added in March 2023. The valuation at 31 March 2023 was £142m, a return of 4% for the year.

Liberation Group, a pub, restaurant and drinks business with a pub estate stretching from South West London to Bristol and the Channel Islands traded well through the summer, but has been impacted by the more challenging trading conditions in the last six months. Whilst year-on-year earnings have grown, the weaker second half has reflected a reduction in demand, due to lower consumer discretionary spending as a result of the cost of living crisis, plus increased costs due to higher inflation, particularly energy and food costs. The business successfully completed the merger of Cirrus Inns, a portfolio of 22 quality pubs throughout London and the South of England, in December 2022. An integration process is now underway to consolidate these pubs into Liberation's UK business. The transaction was supported by a new equity investment of £12.5m from Caledonia. The valuation at 31 March 2023 was £132m, a return of -12% for the year.

Cooke Optics, a leading manufacturer of cinematography lenses, continues to trade well with a strong order book. The business has delivered good earnings progression and has been successfully addressing supply chain issues in China, which have limited an expected uplift in production levels. The business anticipates increasing production through the rest of 2023 against a market backdrop of slightly weakening demand, after a period of strong growth driven by the global demand for both streaming and cinema content. The valuation at 31 March 2023 was £125m including £24m of term debt, an equity return of 20% for the year.

Private Capital	**£m**
Opening value	781.7
Investments	14.2
Realisations	(15.3)
Gains	44.0
Accrued income	(0.6)
Closing value	824.0
Investment income	20.6

Annualised pool returns - Private Capital



Significant pool investments

Name	Business	Geography	First invested	Equity held %	Book Cost £m	Value £m	Income Revenue £m	Income Capital £m	Pool %	Return %
Seven Investment Management	Investment management	Jersey	2015	79.0	105.4	187.1	5.6	21.6	22.7	16.2
Cobehold	Investment company	Belgium	2004	5.2	32.3	176.1	2.5	16.9	21.4	12.3
Stonehage Fleming	Family office services	Guernsey	2019	33.6	89.3	141.6	4.0	1.5	17.2	4.0
Liberation Group	Pubs, bars & inns	Jersey	2016	82.4	138.1	131.9	1.2	(17.4)	16.0	(11.7)
Cooke Optics	Cine lens manufacturer	UK	2018	92.1	95.3	124.5	6.3	12.7	15.1	16.3
Other investments					53.7	62.8	1.0	8.7	7.6	
					514.1	824.0	20.6	44.0	100.0	8.4

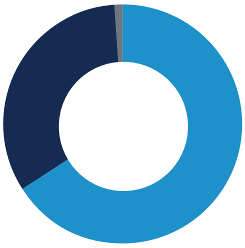
Funds

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

Annualised returns (%)

	1 year	3 years	5 years	10 years
Funds	13.3	28.3	18.7	18.4

Fund type



Private equity funds	66%
Funds of PE funds	33%
Quoted market funds	1%

Geography by region

North America	57%
Asia	43%

Rationale

The Funds pool comprises investments into private equity funds and funds of private equity funds. The funds we select are concentrated within North America and Asia, providing indirect exposure to geographies, sectors and business growth profiles, which are difficult for Caledonia to access directly.

North American fund investments focus on buyout funds in the lower-mid market, with a focus on small to medium sized, often owner-managed, established businesses. These funds normally provide the first institutional investment into these businesses, and support their professionalisation and growth, both organically and through M&A activity. The entry pricing levels are relatively modest and there is a deep, robust market for future divestment, either via trade sales or to other, larger private equity funds.

Asia fund investments focus on venture and growth in non-cyclical, new economy sectors, which are set to benefit from wider demographic trends, for example, healthcare and technology. Our funds invest into businesses in the early years of significant growth, having successfully developed their business model. Whilst focused on local markets, a number, particularly those with a healthcare focus, also invest into the US. The market is less developed than in North America with divestments, in the absence of a mature buyout market, mainly through an IPO or trade sale.

The Funds pool as at 31 March 2023 was well diversified, representing 73 funds managed by 44 managers.

Performance

During the year the Funds pool produced a return of 13.3%. This year´s performance has benefitted from the weakening of Sterling against the UK dollar; on a constant currency basis the one year return was 6.2%. Over the longer term, annualised five and ten year returns for the pool were 18.7% and 18.4%.

The North American portfolio grew from £416m to £495m in the year and now comprises 57% of the pool NAV. The largest fund manager exposure in the North American portfolio is Aberdeen US PE funds, with funds of funds totalling £115m across 5 separate funds. Aberdeen invests in a diverse range of lower mid-market US businesses and delivered a return for the year of 31.1%. Managers with particularly strong performance were KLH (64.2%) and Boyne Capital (39.5%). KLH specialises in buyouts of small services, infrastructure and distribution companies and these holdings generated strong earnings over the period. Boyne focuses on North American small and mid-size

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

Jamie Cayzer-Colvin
Head of Caledonia Funds

Funds

31.2%

of net assets at 31 March 2023

Find out more
www.caledonia.com/funds

buyout opportunities. It has seen solid performance from its most significant holdings, including a provider of ambulatory infusion services and a nutritional supplements business. Its holdings are modestly leveraged, insulating them to a degree from rising interest rates.

The Asia portfolio valuation stayed flat year on year at £375m and now comprises 43% of the pool NAV. The largest fund manager exposure in the Asia portfolio is Axiom Asia, with NAV totalling £84m across their five fund of funds holdings. Axiom invests in funds and businesses across Asia including China, Australia, Japan, and South Korea and include underlying holdings in technology, media and telecommunications, retail, consumer, media and technology, and healthcare. Managers with notably strong performance included VIG (25.7%) and Gaorong (15.7%). VIG focuses on mid-market buyouts in the South Korean market. Gaorong invests in growth companies within the Chinese consumer and technology sectors.

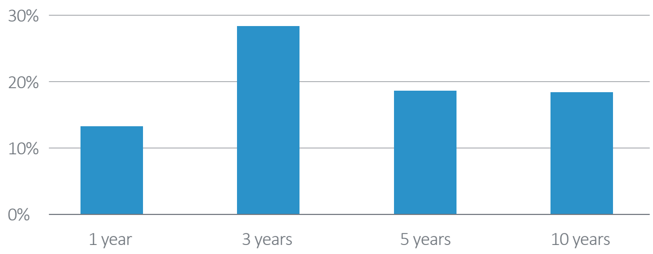
Investment activity

Drawdowns of £125m were paid out over the year across 58 funds. During the year we committed £182m to 11 funds of which £88m were to five new fund managers, encompassing North American lower mid-market funds and funds investing in the Asia region. Total undrawn commitments at the year end were £423m.

The largest distributions in the year came from North American funds of funds Aberdeen (£43m) and North American fund KLH (£11m). The latter fund's distributions included an exit from a leading turnkey service provider and distributor of equipment to the retail and commercial fuelling industry.

	Funds £m
Opening value	794.4
Investments	125.3
Realisations	(147.7)
Gains	101.8
Closing value	873.8
Investment income	1.8

Annualised pool returns - Funds



Significant pool investments

Name	Business	Geography	First invested	Book cost £m	Value £m	Income Revenue £m	Income Capital £m	Pool %	Return %
Aberdeen US PE funds	Funds of funds	US	2013	31.7	114.9	0.0	30.5	13.1	31.1
Axiom Asia funds	Funds of funds	Asia	2012	36.6	84.3	0.0	1.0	9.6	1.1
Asia Alternatives funds	Funds of funds	Asia	2012	21.9	48.1	0.0	1.1	5.5	2.2
Unicorn funds	Funds of funds	Asia	2012	21.6	37.7	0.0	2.9	4.3	8.6
Stonepeak funds	Private equity funds	US	2015	37.1	37.1	0.0	0.5	4.2	5.1
CenterOak funds	Private equity funds	US	2015	33.4	33.5	0.0	8.4	3.8	27.1
Decheng funds	Private equity funds	Asia/US	2015	19.7	33.2	0.0	(5.8)	3.8	(15.3)
Ironbridge funds	Private equity funds	Canada	2016	23.8	30.3	0.0	(1.2)	3.5	(4.5)
Other investments				345.9	454.7	1.8	64.4	52.2	
				571.7	873.8	1.8	101.8	100.0	13.3

Financial review

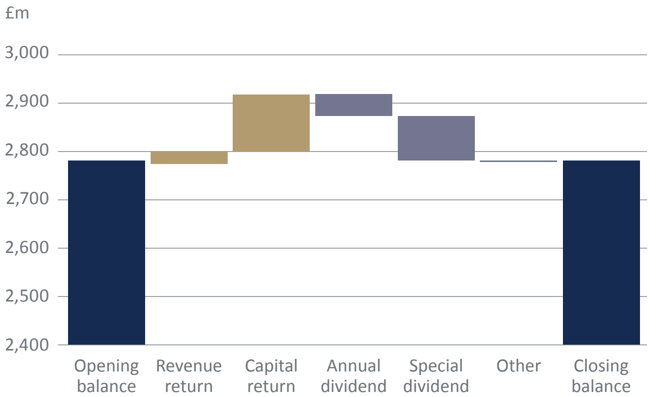
Tim Livett
Chief Financial Officer

Caledonia's net assets are significantly exposed to global equity markets. The current year has seen good valuation growth from our private assets, aided by currency movements, but with some adverse returns from our public equity holdings.

The impact of high levels of inflation, with a resulting increase in interest rates, the uncertainty created by the conflict in Ukraine plus the recent issues affecting the banking sector have created a challenging environment for investment performance over the last twelve months. Our balanced exposure to worldwide markets and asset classes is designed to manage risk. After management expenses and non-pool investments, comprising subsidiary investment entities holding cash and receivables, the overall return was 5.5%, compared with the FTSE All-Share total return of 2.9%.

Caledonia's net assets increased to £2,798m at 31 March 2023, from £2,783m at the start of the year. The uplift largely reflected capital gains from our Private Capital portfolio and our private equity fund holdings, plus investment income from across our investments. These positive movements were almost completely offset by annual and special dividend payments to our shareholders. Approximately 55% of the investment assets are denominated in US dollars and the weakening of Sterling against the US dollar by 6% over the year positively impacted the annual return by £100m, included within the capital return, or around four percentage points.

Change in net assets



Total comprehensive income

The company seeks to generate total profits from both investment income and capital growth. For the year ended 31 March 2023, the total comprehensive income was £144.0m (2022: £611.3m), of which £20.6m (2022: £39.3m) derived from income and £123.4m (2022: £572.0m) from capital.

Income statement

£m	2023 Revenue	2023 Capital	2023 Total	2022 Revenue	2022 Capital	2022 Total
Investment and other income	44.0	1.3	45.3	51.6	4.8	56.4
Net gains on investments and property	-	131.6	131.6	-	570.7	570.7
Management expenses	(21.3)	(8.6)	(29.9)	(21.0)	(11.8)	(32.8)
Net finance income/(costs)	2.2	-	2.2	(2.2)	-	(2.2)
Exchange movements	-	-	-	(0.1)	-	(0.1)
Profit before tax	24.9	124.3	149.2	28.3	563.7	592.0
Taxation and other	(4.3)	(0.9)	(5.2)	11.0	8.3	19.3
Total comprehensive income	20.6	123.4	144.0	39.3	572.0	611.3

Revenue performance

Investment and other income in the year of £44.0m was 15% lower than last year's £51.6m. Dividend income from the holdings in the Quoted Equity portfolios increased to £20.8m compared to £18.4m in the prior year; this small increase reflected limited portfolio changes plus underlying trading performance from the businesses within the portfolio. Investment income from the Private Capital businesses of £20.6m was £6.3m lower than the prior year. The non-recurrence of last year's pre-sale dividend from DSE of £12.6m was the major adverse factor; this was partially offset by a dividend of £4.5m from Cooke Optics (2022: nil), plus payments from the remaining investee businesses which delivered dividends at similar or slightly higher levels than in the prior year. Investment income from the Funds pool was £1.8m compared to the unusually high level of £5.6m in the prior year, when dividend payments were received following specific transactions within two of our Asia based fund holdings.

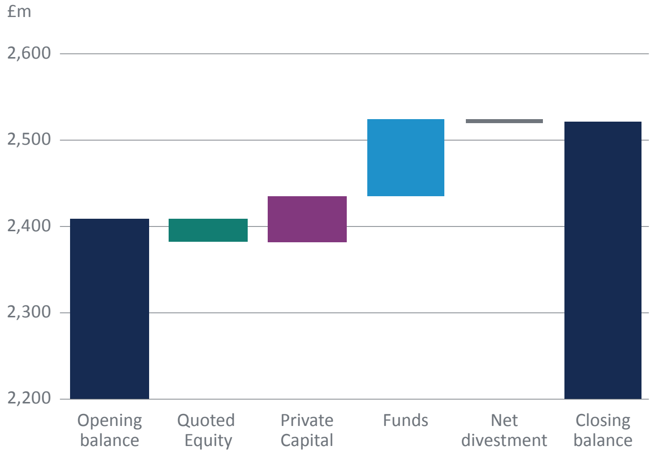
Overall, the company's revenue management expenses were 1% higher than last year at £21.3m (2022: £21.0m). This reflected a decrease in personnel expenses of £0.7m, the dominant factor being a decrease in annual bonus cost, where the lower profit level in 2023 had a direct impact, partly offset by a slightly higher salary base. Other costs increased due to higher legal and professional fees, particularly related to tax consultancy, plus additional travel and entertainment spend, reflecting a gradual return to more normal levels of business travel, and investment in systems and technology to support business operations.

The return derived from income shown in the revenue column was £20.6m. This includes a taxation charge of £4.3m, primarily relating to the reduction in the deferred tax asset, following the transfer of US private equity funds into the Caledonia Investments plc entity, partly offset by the use of current year tax losses for group relief. Last year's comparative figures showed a return of £39.3m and a taxation credit of £11.0m.

Capital performance

Valuation net gains on investments were £133.0m (2022: £567.1m), including a gain of £6.6m in non-pool assets principally relating to a reduction in the tax liability in Caledonia US Investments Ltd, a subsidiary holding US private equity funds. Overall, our investment structure continued to provide a degree of diversification, with private assets generating healthy gains over the year: Funds pool investments recorded a net gain of £101.8m and Private Capital investments a net gain of £44.0m. In contrast, Quoted Equity investments recorded a net valuation decrease of £19.4m. There was also a small write-down of £1.4m on investment property (2022: £3.6m gain), reflecting a higher yield on commercial property, following interest rate rises during the year.

Change in pool investments value



The investment loss of £19.4m on Quoted Equity investments reflected a challenging market environment during the year. Global public equity markets were impacted by a number of adverse factors, notably rising inflation and interest rate increases, together with uncertainty created by the conflict in Ukraine. These factors contributed to market volatility and a weakening in market prices, resulting in a reduction in the value of some of our holdings.

Financial review (continued)

The Private Capital portfolio delivered gains of £44.0m, reflecting good progress at a number of the main investee companies. The key valuation gains were delivered by Seven Investment Management (gain of £21m), Cobehold, the holding company of Cobepa (gain of £17m) and Cooke Optics (gain of £13m). All three businesses continue to develop and are progressing well, both from a growth and profitability perspective. The valuation of Liberation Group declined by £17m, reflecting the more challenging trading environment of a reduction in demand coupled with increased costs due to higher inflation levels.

The underlying capital gains in the private equity funds portfolio were strong throughout the year. The headline gains of £101.8m reflect the outcome of a consistent, planned approach to selecting and committing to funds over the last ten years, which mature to deliver valuation growth and cash distribution as underlying holdings are realised. The performance was generated by valuation growth across the portfolio of North American based funds, which was partially offset by valuation declines for some of our Asian based funds, together with the positive impact of the US dollar strengthening by 6% against Sterling, in a portfolio principally comprising US dollar assets.

The company's capital management expenses were £8.6m (2022: £11.8m), a decrease of £3.2m year on year. This primarily reflected a decrease in personnel expenses: £8.2m in the year compared with £11.4m in 2022, due to the lower levels of expected vesting of the performance share awards compared to the prior year, when investment returns were particularly strong. Transaction costs of £0.4m (2022: £0.4m) were incurred, mainly linked to due diligence work on new private equity fund investments.

Total return derived from capital was £123.4m (2022: £572.0m). The movement compared to last year was generated by the lower levels of capital gains achieved by our investments in the Funds pool and, in particular, the Private Capital pool. The Quoted Equity pool recorded a capital loss compared to a gain in the prior year.

Valuation

The company maintains a considered valuation approach to all investments, applying care in exercising judgement and making the necessary estimates. Our valuation methodology is described on pages 40 to 41. Earnings multiples are normally used for valuing unquoted companies with an established business and an identifiable stream of continuing earnings. Specific adjustments are made to multiples, where applicable, to account for points of difference between the comparators and the company being valued, including the risk a purchaser might perceive in buying a company in a state of change. Although the price of recent investment generally provides a good indication of fair value for a limited period after the date of the relevant transaction for recently acquired investments, earnings multiple models will be developed and calibrated to the transaction price.

Unlisted fund investments are based on managers' NAV which, in turn, uses recognised valuation techniques. Fund managers' NAV reports are received some time after the reporting date, typically two or three months, but sometimes up to six months. This delay creates a risk of changes or events occurring between the NAV and reporting dates which could impact valuations. This risk is carefully monitored. A review of public market movements between 31 December 2022 and 31 March 2023 was undertaken to test for significant changes that might have relevance to the valuation of our fund holdings. The review concluded that the movements for the relevant market indices were not out of line with historic precedent and that no adjustments were required.

We also reviewed the underlying valuation methodologies adopted by our fund managers and were satisfied that the techniques utilised were appropriate. The NAV of the Funds pool comprised 5% of NAV based on valuations dated 31 March 2023, 87% based on valuations dated 31 December 2022 with the remainder, mostly funds of funds holdings, dated 30 September 2022.

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

Pool assets by valuation method

Quoted price	33%
Fund NAV	41%
Earnings	26%
Net assets	-

Expenses

Caledonia allocates expenses between revenue and capital in accordance with guidance from the Association of Investment Companies and broader market practice. In addition to transaction costs, share-based payment expenses are allocated to capital. Caledonia's share-based compensation is directly linked to investment performance and is therefore viewed as an expense against gains on investments included in capital.

Caledonia's ongoing charges methodology reflects the purpose of the calculation as a measure of the ongoing costs of running funds in the absence of any purchases or sales of investments and assumes that markets remain static throughout the period. In particular, costs relating to compensation schemes that are directly linked to investment performance are excluded.

Our ongoing charges ratio for the year was 0.77% (2022: 0.84%). The ongoing charges ratio is calculated on an industry standard basis, comprising published management expenses over the monthly average net assets; full details of the calculation are provided on page 137. The costs of underlying funds are not included in the company's ongoing charges. It should be noted that the principal difference between ongoing charges and MiFID II charges, included in our Key Information Document, is that the latter includes the third party underlying costs of managing our fund interests.

Dividend

We recognise that a reliable source of growing dividends is an important part of shareholder total return over both the short and longer terms and have extended our record of growing annual dividends to 56 consecutive years.

We paid an interim dividend of 18.2p per share on 5 January 2023 and have proposed a final dividend of 49.2p. The total annual dividend for the year of 67.4p is an increase of 4.0% on last year.

Including the proposed final dividend, the dividends to be paid out of revenue earnings for the year ended 31 March 2023 total £36.6m, which was more than covered by net revenue for the year of £20.6m plus the net cash inflow of £24.2m into the Funds pool. This is in line with our revised dividend policy.

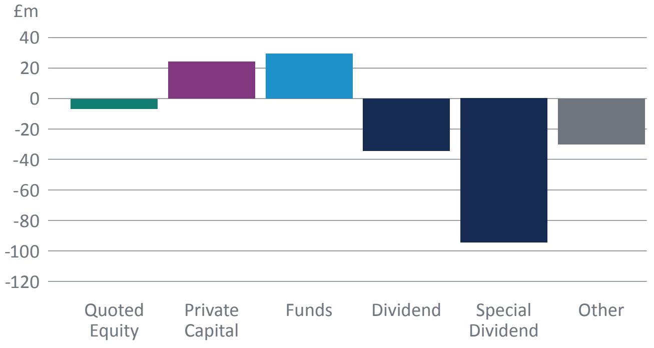
Cash flows, liquidity and facilities

Over the year we recorded a cash outflow of £119.5m, including dividend payments to shareholders of £130.5m. The remaining movement was accounted for by £468.1m paid for investment purchases, including £273.7m paid to CUSIL, a non-consolidated subsidiary of the group, relating to the purchase of US private equity fund positions. This was offset by £192.1m received from realisations, £27.5m generated by operating activities and £266.0m arising from CUSIL loaning back the majority of the proceeds from the US private equity funds transfer.

We closed the year with £221.6m of cash (2022: £341.1m), bank borrowings of nil (2022: nil) and a loan of £266.0m (2022: nil) from CUSIL, representing the majority of the proceeds of US private equity fund positions purchased by the parent from CUSIL.

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

Net cash movement



At 31 March 2023, the company had no external borrowings, the inter-company loan from CUSIL noted above and £250m of undrawn committed facilities; the total facilities comprised £112.5m from ING Group expiring in July 2025 and £137.5m from RBSI expiring in November 2027, following renegotiation during the year. In addition, the company had £25.9m of undrawn overdraft facilities, together providing total available liquid facilities of £275.9m.

Treasury management

Our treasury department provides a central service to group companies and conducts its operations in accordance with clearly defined guidelines and policies, which were fully updated and approved by the board in 2022. Treasury transactions are only undertaken as a consequence of underlying commercial transactions or exposures and do not seek to take active risk positions. It is the treasury function's role to ensure that the group has sufficient available funds to meet its needs in the foreseeable future.

The underlying assets held within the investment pools create a foreign currency exposure for the group: around 65% of the investment assets are non-sterling denominated. This risk is fully recognised by the business and considered carefully within our risk management approach.

Tim Livett
Chief Financial Officer
22 May 2023

Valuation methodology

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

Publicly traded securities

Listed investments in an active market are valued based on the closing bid price on the relevant exchange on the reporting date. When a bid price is unavailable, the price of the most recent transaction will normally be used.

Unquoted companies

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

The value of an unquoted company investment is generally crystallised through the sale or flotation of the entire business, rather than the sale of an individual instrument. Therefore, the estimation of fair value is based on the assumed realisation of the entire enterprise at the reporting date. Recognition is given to the uncertainties inherent in estimating the fair value of unquoted companies and appropriate caution is applied in exercising judgements and in making the necessary estimates.

Caledonia's valuation methodology for unquoted companies is derived from the International Private Equity and Venture Capital ('IPEV') Valuation Guidelines (December 2018). The IPEV Board published revised Valuation Guidelines in December 2022 which are effective for periods beginning from 1 January 2023. Whilst the revised Guidelines introduces no fundamental changes to the 2018 Guidelines, it features further guidance and clarification on key topics. We plan to incorporate relevant elements from this revision into our valuation methodology for the coming financial year. The valuation methodology applies the following steps:

1. determine the enterprise value using an appropriate valuation technique
2. adjust the enterprise value for factors that a market participant would take into account, such as surplus assets, excess liabilities and other contingencies
3. deduct the value of instruments ranking ahead of those held to derive the attributable value
4. apportion the attributable value between the remaining financial instruments
5. allocate the amounts derived according to the holding in each financial instrument.

Valuation methods

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

Multiples

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

Maintainable earnings are assessed using the latest available financial data. Earnings and balance sheet data are adjusted, where appropriate, for exceptional or non-recurring items and an average of more than one year's earnings may be used to estimate maintainable earnings for cyclical or volatile businesses.

The earnings multiple used is most commonly earnings before interest, tax, depreciation and amortisation ('EBITDA') and is determined by reference to market-based multiples appropriate for the business. Where possible, an average of several appropriate market multiples will be used. The aim is to identify comparator companies that are similar in terms of risk and growth prospects to the company being valued. The transaction multiples of similar comparator unquoted companies may also be considered in determining the earnings multiple.

Multiples of comparable companies may be adjusted individually or in aggregate to reflect points of difference between the comparators and the company being valued, with reference to the risk profile and earnings growth prospects that underpin the earnings multiple. Risk arises from a range of factors, including the nature of the company's operations, markets, competitive position, quality of management and employees and capital structure. Other reasons for adjustment may include the size and diversity of the entity, the rate of growth of earnings, reliance on key employees, diversity of products and customer base and the level of borrowing. Adjustment will also be considered to the extent that a prospective acquirer would take account of additional risks associated with holding an unquoted share, including their ability to drive a realisation at will.

Net assets

The net assets methodology is likely to be appropriate for a business whose value derives mainly from the underlying value of its assets rather than its ongoing earnings, such as a property holding company or an investment business. It may also be appropriate for a business that is not making an adequate return on assets and for which a greater value can be realised by liquidating the business and selling its assets. A third-party valuation may be used to give the fair value of a certain asset or group of assets, most commonly property assets.

Indicative offers

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

Calibration and backtesting

When the price of an initial investment is deemed fair value (which is generally the case if the investment is considered an orderly transaction), the valuation techniques that are expected to be used to estimate fair value in the future are calibrated by using market inputs at the date the investment was made. Calibration validates that the valuation techniques using contemporaneous market inputs will generate fair value at inception and therefore give confidence that subsequent valuations using updated market inputs will generate fair value at each future measurement date.

Backtesting enables the valuer to understand any substantive differences that legitimately occur between the exit price and the previous fair value assessment, by applying the information known at exit to the previous valuation technique. Backtesting is used to help refine the valuation process.

Fund interests

Fund interests refer to participations in externally managed investment vehicles that invest in a wider range of assets than is feasible for an individual investor to value separately.

Open-end funds, including investment companies with variable capital, typically report regular net asset values, which usually provide a reliable basis to estimate fair value. If the price reported by the fund is not available at the reporting date, the latest available price is used and may be adjusted to take account of changes or events to the reporting date, if material.

Closed-end funds include unlisted investment companies and limited partnerships. For these investments, the fair value estimate is based on a summation of the estimated fair value of the underlying investments ('fund NAV') attributable to the investor. Fund NAV may be used where there is evidence that the valuation is derived using fair value principles. Fund NAV reports are normally received some time after the reporting date, typically two or three months, but sometimes up to six months. The latest available fund NAV will normally provide the basis of a fair value estimate, adjusted for subsequent investments and realisations. Adjustment may also be necessary for features of the fund agreement not captured in the valuation report, such as performance fees or carried interest. The timing of fund NAV reports creates a risk of changes or events occurring between the fund NAV and reporting dates which impacts valuation. This issue is monitored carefully and, if of a material nature, can lead to adjustments either at the specific fund level or more broadly across the relevant funds affected by the identified change or event. If a decision has been made to sell the fund interest or portion thereof, the expected sale price would normally provide the best estimate of fair value.

Other investments

Other investments include preference shares, loan notes or facilities, options, warrants and treasury instruments that are not publicly traded and do not form part of an investment in an unlisted company. For such investments, appropriate valuation techniques are adopted and used consistently.

Risk management

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

Risk governance and structure

Risk management and its governance is the responsibility of the board, with the executive given the task of managing an effective and transparent process to ensure emerging and principal risks are identified, documented, assessed and, where appropriate, mitigated. The board sets the risk appetite within the business model and this is communicated through the executive to all those with managerial responsibilities. Risks emanate from all parts of the business and are considered by all executives as part of their work, including the origination of investments and ongoing monitoring, portfolio management, transactional activity and business operations.

The Audit and Risk Committee assesses and monitors the risk management approach and specifically reviews our controls assurance programme. This programme identifies key mitigating controls, tests their operation and reports on compliance and effectiveness. This, together with the audit findings report received from the external auditor and good practice guidance from other advisers, provides input to the board as a whole on the status of the risk management programme.

Principal risks

The board has considered a robust assessment of the principal risks facing Caledonia, including those that would threaten its business model, future performance, solvency or liquidity. Principal risks are defined as those that have the potential to materially impact the delivery of our strategic objectives. We periodically review additions or deletions from our list of principal risks, reflecting new and emerging risks arising from changes in the external environment or from within our own business activity.

During the financial year the Audit and Risk Committee considered our list of principal risks and associated risk appetite. It was concluded that this remained appropriate, and no significant new emerging risks were identified that warranted inclusion as principal risks. As noted last year, the risk associated with successful integration of ESG and climate change matters into our investment activity has become more significant and was added to our list of principal risks, reflecting growing stakeholder interest and importance of this area. The principal risk associated with a global pandemic (Covid-19) was removed last year, reflecting the largely successful mitigation actions that were implemented. However, as anticipated, we note that the repercussions of government and central bank financial activity taken to mitigate the economic impact of the pandemic, have been felt in terms of increased inflation and resulting, higher interest rates.

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

Strategic risks

As an investment business, our purpose is to grow net assets and dividends paid to shareholders over the long term, whilst managing risk to avoid permanent loss of capital. The principal risks covering our strategic approach and investment decision making are fundamental to the execution of our business model. The risk associated with ESG matters and climate change, added last year, is increasingly important to the successful implementation of our strategy.

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

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

We have assessed the change in risk status for each of our principal risks over the last year and concluded that, with the exception of market risk, the level of risk is unchanged. The decrease in market risk reflects a reduced level of volatility in public equity markets compared to this time last year, when there were significant concerns about sustained higher levels of inflation and particularly uncertainty arising from the conflict in Ukraine. Whilst the position has become clearer over the last 12 months, the underlying impact of higher interest rates and, more recently, issues affecting the banking sector are still notable and likely to influence the pricing of investment assets for some time.

Caledonia risk management activities
Caledonia operates a number of interrelated activities, illustrated here, to deliver an integrated approach to risk management which is overseen by the board, the Audit and Risk Committee, the executive and the Investment Committee. Caledonia manages business risk through a set of integrated processes to provide risk visibility.

Risk management reporting
Caledonia manages and reports risk via Investment and Operational Risk Dashboards. Both dashboards are considered by the Audit and Risk Committee at least biannually, with any major issues or changes arising from these reviews escalated to the board for further discussion.

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

The Operational Risk Dashboard considers risks associated with Caledonia's business operations and includes business continuity, IT and cyber security, regulatory, legal and financial controls.

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

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

Sustainability
- ESG approach implemented through the Responsible Investment / Responsible Corporate Working Group
- Long-term assessment of sustainability will be one key criteria in investment decision making process

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

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

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

Our purpose
- Grow net assets
- Pay increasing dividends
- Manage risk

Risk management (continued)

Principal risks	Mitigation and management	Key developments	Current risk status and movement in year to March 2023
Strategic Risks in relation to the appropriateness of the business model to deliver long-term growth in capital and income. Strategic risks include the allocation of capital between public and private equity, and in relation to geography, sector, currency, yield, liquidity.	The company's business model and strategy are reviewed periodically, against market conditions and target returns. The performance of the company and its key risks are monitored regularly by management and the board.	Strategic review completed and approved by the board. Three-pool approach retained with banding slightly amended. Dividend policy refined. Private Capital strategy amended, with lower yield target for new investments to optimise risk-adjusted returns. Funds pool increased annual commitments agreed, reflecting growing cash inflows, managed through three year vintage allocations.	⟷ MEDIUM
Investment Risks in respect of specific investment and realisation decisions. Investment risks include the appropriate research and due diligence for new investments and the timely execution of both investments and realisations for optimising value.	Investment opportunities are subject to rigorous appraisal and a multi-stage approval process. Investment managers have well-developed networks through which they attract proprietary deal flow. Opportunities to enter or exit investments are reviewed regularly, being informed by market conditions, pricing and strategic aims.	New staff added to investment teams to ensure appropriate skills and resources are in place. Investment Committee established with broader representation to approve key investment decisions / recommendations. Activity of the Private Capital team rebalanced to provide an increased focus on sourcing and transacting new investments.	⟷ MEDIUM
Market Risk of losses in value of investments arising from sudden and significant movements in public market prices, particularly in highly volatile markets. Private asset valuations have an element of judgement and could also be impacted by market fluctuations. Caledonia's principal market risks are therefore equity price volatility, foreign exchange rate movements and interest rate volatility. An explanation of these risks is included in note 23.	Market risks and sensitivities are reviewed weekly with actions taken, where appropriate, to balance risk and return. A regular review of market and portfolio volatility is conducted by the board. Reviews also consider investment concentration, currency exposure and portfolio liquidity. Portfolio construction, including use of private assets, provides some mitigation.	Market volatility remains a factor, but has reduced compared to this time last year, when it was elevated due to uncertainties arising from higher inflation and the conflict in Ukraine. The Quoted Equity team, whilst remaining long term focused, remains alert to pricing opportunities to add target holdings when appropriate. Foreign exchange exposure remains a live issue. Review undertaken during the year concluded that no hedging action would be taken at present, but the position would remain under review.	↓ MEDIUM
Liquidity Risk that liabilities, including private equity fund drawdowns, cannot be met or new investments made due to a lack of liquidity. Such risk can arise from being unable to sell an investment due to lack of a market or from not holding cash or being able to raise debt.	Detailed cash forecasting for the year ahead is updated and reviewed quarterly, including the expected drawdown of capital commitments. A weekly cash update is produced focused on the short-term cash forecast. Loan facilities are maintained to provide appropriate liquidity headroom. The liquidity of the portfolio is reviewed regularly.	ING existing £112.5m facility renewed for further three years to July 2025. Existing facilities with RBSI renewed as a single facility of £137.5m for five years to November 2027. All excess liquidity placed in AAA rated money market funds on an overnight basis. Regular counterparty reviews undertaken. No bank term deposits utilised.	⟷ LOW

Principal risks	Mitigation and management	Key developments	Current risk status and movement in year to March 2023
ESG & climate change Risks in relation to the successful incorporation of ESG matters and climate change impacts into our investment approach. Identifying opportunities to drive our approach to ESG matters, deliver strong returns and manage the risks to meet evolving stakeholder expectations.	Caledonia continues to build ESG knowledge, particularly on climate change, and develop policy and processes to integrate ESG matters into our investment approach. We anticipate that the assessment of new and existing investments will fully incorporate ESG and climate change risks and opportunities.	Responsible Investment / Responsible Corporate Working Group established under leadership of the CEO to integrate ESG matters into core business approach. New investment proposals include relevant ESG information. Biannual investment pool board reporting to include ESG information relevant to the pool's investments. Revised TCFD reporting for current year, with significantly enhanced disclosure: see pages 56 and 57.	⟷ MEDIUM
Regulatory & legal Risks arising from exposure to litigation or fraud or failure to adhere to the tax and regulatory environment. Caledonia operates across a number of jurisdictions and in an industry that is subject to significant regulatory oversight.	Caledonia has internal resources to consider regulatory and tax matters as they arise. Professional advisers are engaged, where necessary, to supplement internal knowledge in specialised areas or when new regulations are introduced. Activities supported by regular staff training. Caledonia is a member of the Association of Investment Companies and operates in line with industry standards.	Full review undertaken regarding holding structure for US private equity funds. Following detailed investigation and analysis, the legal ownership of a number of funds was transferred within the Caledonia Group in March 2023.	⟷ LOW
Operational Risks arising from inadequate or failed processes, people and systems or from external factors. Operational risks arise from the recruitment, development and retention of staff, systems and procedures and business disruption.	Systems and control procedures are developed and reviewed regularly. They are tested to ensure effective operation. Appropriate remuneration and other policies are in place to facilitate the retention of key staff. Business continuity plans are maintained and updated as the business evolves and in response to emerging threats. This includes a specific focus on cyber security.	Focus on cyber security continues. Project to assess maturity against NIST (National Institute of Standards and Technology) cyber security framework undertaken, with improvements identified and being addressed. At least annual training for all staff maintained and successful penetration testing completed. Remuneration review undertaken with external support to assess suitability and competitiveness of remuneration structure. Number of small changes to current approach recommended and being put into action. Business continuity improved with three key initiatives. Additional power protection provided for Cayzer House. Off-site back-up data centre set up and fully tested. Business interruption scenario workshop undertaken by the senior team: improvements identified and currently being implemented. New Enfusion system, covering public equity trading activity and investment accounting, successfully implemented. Oracle Net Suite selected as replacement core finance system, with 2023 implementation planned.	⟷ MEDIUM

Going concern and viability

Going concern and viability

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

A number of scenarios were considered to stress-test the robustness of the group's position to adverse events.

These scenarios were applied to a detailed three-year financial plan reviewed by the board in March 2023. The plan was extended to cover the period to May 2026 to support the viability assessment.

Going concern

The board has undertaken an assessment of the appropriateness of preparing its financial statements on a going concern basis, taking into consideration future cash flows, current cash holdings of £222m, undrawn banking facilities of £250m and readily realisable assets of £837m as part of a wider process in connection with its viability assessment. It also considered the £266m loan from CUSIL. It is anticipated that the loan will be settled following a capital restructuring and dividend payment from CUSIL to the parent company; there will be no impact on the group cash position. It has concluded that the group has sufficient cash, other liquid resources and committed bank facilities to meet existing and new investment commitments.

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. Accordingly, they continue to consider it appropriate to adopt the going concern basis in preparing the financial statements.

Viability statement

The directors have assessed the viability of the group over the period to May 2026 (three years from the date of signing the accounts), having determined that this is an appropriate period for which to provide this statement given the group's long-term investment objective, the resilience demonstrated by the stress testing and the relatively low working capital requirements of the group.

The viability assessment takes into account the group's position, its investment strategy and the potential impact of the relevant risks set out in this strategic report. In making this statement, the board is satisfied that the group operates an effective risk management process and confirms that it has conducted a robust assessment of the principal and emerging risks facing the group. This includes those that would threaten its strategic objectives, its business model, its ability to operate and its future performance, solvency or liquidity. Based on this assessment, the directors have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period to May 2026.

In making this assessment, the directors took comfort from the results of three stress tests that considered the impact of significant market downturn conditions. The first stress test addressed five discrete scenarios: a reduction of 10% in the value of the US dollar against Sterling compared to the rate at 31 March 2023 throughout the plan period; a fall in investment income of 20% versus plan; a downward correction of 20% to the market value of our public equity positions for 6 months during half 1 of the new financial year; a 25% decrease versus plan in the value of distributions from private equity fund investments; and a 12 month delay combined with a 10% fall in the anticipated value of expected realisations from the Private Capital portfolio. The second stress test combined these five scenarios. The third stress test built on the second stress test scenario and applied a full call of our outstanding private equity fund commitments at any point during period, creating a number of discrete scenarios. Through our stress testing, we were able to demonstrate the strength of the group's financial position and, in particular, its ability to settle projected liabilities as they fall due even under extremely adverse circumstances.

Sustainability

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

Introduction

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

Our investments

Acting responsibly is a key part of our investment philosophy. As an investment company, our purpose is to grow capital value and income over the long term, creating an increasing store of generational wealth for our shareholders. We believe that a responsible approach towards the businesses in which we invest is essential to our continued success and is closely aligned with the risk management considerations of a long-term investor.

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



Historically our stewardship activities have focused primarily on governance matters, most notably in our majority owned investee businesses which we seek to operate in line with industry good practice. However, we continue to build on this approach by incorporating ESG matters into our investment decision-making to ensure that a broader spectrum of issues that are important to us are formally evaluated alongside other key investment criteria. We expect our investment managers to consider these issues fully in proposing new additions to our portfolio holdings.

We know that ESG considerations are important to our shareholders and broader stakeholders. In the past year we introduced a Responsible Investment/Responsible Corporate Working Group, chaired by the CEO and involving senior representatives from each investment pool, the CFO, the Company Secretary and other key corporate managers. This group advises and assists in the continued development and implementation of Caledonia's approach to ESG matters, ensuring that there is an aligned approach across the business and that ESG matters are appropriately factored into decision-making processes. This group has also developed an increased understanding of climate-related matters and has supported the development of our reporting on this topic.

We continue to meet with our shareholders to discuss our approach to ESG matters and listen to any concerns they may have.

Quoted Equity

We aim to invest in global businesses with recognised brands, intellectual property and strong market positions, that have a good track record of delivering returns. Our approach means that we do not generally invest in capital intensive businesses or any companies directly involved in the extraction and production of coal, oil or natural gas.

We make considered use of our voting rights and vote all our stock ahead of all shareholder meetings. As a consequence of our highly selective and quality orientated investment style, we expect to vote in line with management recommendations but are prepared to abstain or vote against resolutions where we consider they are not in the interests of our own shareholders.

Private Capital

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

We introduce a high standard of corporate governance into these businesses, generally with an independent, experienced non-executive chair and formal audit and remuneration committees to support the board. Our Private Capital team take non-executive roles in these businesses and use their positions to maintain close relationships with the management teams.

Additionally, we hold frequent meetings with management which cover a wide range of subjects, including ESG matters, and regularly review performance.

Funds

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

Sustainability (continued)

Our business

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

In addition to a grievance procedure, which allows employees to raise concerns either formally or informally, there are formal whistleblowing arrangements in place, which enable members of staff to raise any issue of concern regarding possible impropriety in the conduct of the company's business, confidentially and independently of line management. Responsibility for whistleblowing procedures rests with the board, in line with the 2018 edition of the UK Corporate Governance Code.

A formal performance appraisal process, through which employees may be set objectives on an annual basis and their achievement against those objectives assessed at the end of the year, is intended to ensure that employees have a clear view of their performance and the ability to develop their potential within the company through additional training where necessary. Together with team meetings and company-wide briefings, this provides staff with the opportunity to be closely involved in the success of the business.

Equality, diversity and inclusion

We believe that a diverse workforce will create the optimum environment in which our business will thrive and grow. We are committed to creating an inclusive environment where our employees can develop and contribute fully, underpinned by modern parental leave policies and health and wellbeing support. In formulating and implementing our employment and recruitment policies, we ensure that they are at all times compliant with all relevant UK legislation. Recruitment, development and promotion are based solely on suitability for the role. We will not discriminate on the basis of gender, sexual orientation, age, race, nationality, disability or political or religious belief.

In accordance with Listing Rule 9.8.6 (9) of the FCA's Listing Rules, the table below sets out details of the diversity of the individuals serving on the board and executive management as at 31 March 2023. For the purposes of the tables below, executive management consists of members of our Investment Committee, being the most senior level of management. Data was obtained on a voluntary self-reported basis.

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	8	66.7%	4	6	85.7%
Women	4	33.3%	-	1	14.3%
Other categories	-	-	-	-	-
Not specified/prefer not to say	-	-	-	-	-

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	11	91.7%	4	7	100%
Mixed/Multiple Ethnic Groups	-	-	-	-	-
Asian/Asian British	1	8.3%	-	-	-
Black/African/Caribbean/Black British	-	-	-	-	-
Other ethnic group, including Arab	-	-	-	-	-
Other categories	-	-	-	-	-
Not specified/prefer not to say	-	-	-	-	-

For the year ended 31 March 2023, the board met the ethnicity diversity target set out in Listing Rule 9.8.6 (9) (a) but not the two gender diversity targets. These new targets were introduced last year and, given the gradual change in board membership, it will take time for the company to meet them. Caledonia is committed to increasing diversity and inclusion over time, mindful of the need for orderly succession planning and ensuring an appropriate mix of skills and experience is maintained on the board. These principles will continue to apply as new board appointments are made. Following Stuart Bridges' retirement as a director at the forthcoming annual general meeting, it is anticipated that women will comprise 36.4% of the board.

The table below provides the gender split at different levels within our business as at 31 March 2023, together with comparator data for the previous financial year.

	Male number (%)		Female number (%)	
	2023	2022	2023	2022
Board	8 (67%)	7 (64%)	4 (33%)	4 (36%)
Senior managers	12 (57%)	13 (68%)	9 (43%)	6 (32%)
All employees and board	36 (49%)	33 (50%)	38 (51%)	33 (50%)

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

	Investment staff numbers (%)		Support staff numbers (%)	
	2023	2022	2023	2022
Female	7 (32%)	5 (28%)	27 (63%)	24 (60%)
Male	15 (68%)	13 (72%)	16 (37%)	16 (40%)
Total	22	18	43	40

Caledonia operates a flatter management structure than is often found in many other companies and, for information, 56% of direct reports to members of our Investment Committee are female.

Caledonia has provided internship opportunities on an informal basis for many years. Since 2021 we have offered a formal internship programme with the support of an independent facilitator. Each year we have welcomed interns from the #10000BlackInterns initiative, which seeks to help transform the horizons and prospects of young black people in the UK, to join the business for three weeks to learn more about Caledonia, the investment management industry and build skills for their future careers. We have recently partnered with Girls Are Investors ('GAIN') to offer places on the programme to help encourage more young women to enter the investment management industry. These initiatives form part of our commitment to diversity and inclusion and help us to play our part in developing future talent for our sector.

Charitable activity

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

Climate change

Addressing the threats and consequences of climate change will require significant structural change in societies and economies. This will lead to value creation and destruction across companies, industry sectors and investment portfolios. Against this backdrop we recognise a need to support the journey to net zero. We are committed to supporting a sustainable future as we deliver investment performance for our shareholders over the longer term.

The climate challenge and the transition to net zero

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

As a company committed to sustainability, we plan to continue to reduce our operational carbon footprint with relevant targets and plans. However, our biggest environmental impact is through the companies and funds we own – emissions from our investment portfolio are orders of magnitude greater than our operational emissions. For this reason, we focus on engaging with our investee companies and funds. Our role as an active owner provides the opportunity to drive challenge and change across multiple businesses and sectors in pursuit of superior risk-adjusted returns.

Our investments

We have set an expectation that the businesses in which we invest should target net zero emissions (Scopes 1 and 2, market-based) by 2050. We recognise that the pace of planning and delivery of this commitment will vary across the businesses in our investment portfolio, and we anticipate that many businesses will achieve this target more swiftly. We will keep this commitment under review as we gain confidence in the ability of our underlying holdings to achieve the target more rapidly. We plan to implement suitable monitoring and reporting to enable us to track progress.

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

Climate change metrics and targets

We have outlined below the primary metrics used to determine the Scopes 1 and 2 GHG emissions generated by our Quoted Equity pool which form part of the overall emissions linked to our investment portfolio; prior year comparison is not provided due to data limitations. The MSCI World Index is used as a benchmark for Task Force on Climate-Related Matters ('TCFD') reporting purposes as this has a similar sector exposure to that of the Quoted Equity pool. In future years we plan to apply some of these metrics to our Private Capital and Funds pools and we are actively engaging with the underlying portfolio companies and fund managers to assess the quality and availability of their carbon emission data.

As illustrated in the table below, the Quoted Equity pool has a significantly lower total carbon footprint and WACI compared with the benchmark. This is primarily due to our careful selection process of proven, well-managed and sustainable businesses. The companies in the Quoted Equity pool tend to have a lower carbon intensity than the benchmark (even in most of the high carbon emitting sectors such as materials, energy and industrials).

Latest annual reported data (Quoted Equity pool only)	Scope	Portfolio (2023)	Benchmark (2023)	Variance	Units
Total carbon emissions	1 and 2	28,863	80,957	-64%	Tonnes CO_2e
Carbon footprint	1 and 2	27	76	-64%	Tonnes CO_2e / \$m invested
Weighted average carbon intensity ('WACI')	1 and 2	65	129	-50%	Tonnes CO_2e / \$m sales

In addition to the primary metrics, we also consider various other metrics, including green revenue exposure, plus policy and physical climate VaR, to manage our climate-related risks and opportunities and seek to ensure we are on track to achieve net zero emissions by 2050 for our Quoted Equity pool. The following table shows other key climate metrics used to monitor that the companies in our Quoted Equity pool are managing their climate risk exposure and have a decarbonisation plan.

Other metrics (Quoted Equity pool only)	Portfolio
Companies targeting net zero for Scopes 1 and 2 by 2050	93%
Companies with top quartile carbon management score	71%
Green revenue exposure	6%

Our key targets for monitoring progress are to minimise transition risk across the portfolio and for all investee businesses to develop plans, and successfully progress those plans, to achieve net zero (Scopes 1 and 2) emissions by 2050, or earlier where feasible.

Our business

Our business operations have a modest carbon footprint compared to the impact of our investment portfolio, as all our employees operate from a single office located in central London. However, we are committed to minimising our direct impact on the environment and mitigating the risks posed by climate change. We have therefore set a target to achieve net zero Scopes 1 and 2 emissions (market-based) by 2030 through the elimination of gas used for heating and further energy efficiencies. We will also continue to ensure that all our electricity is procured from renewable sources. Our Scope 3 emissions principally arise from business-related international air travel. We will monitor these emissions and look for opportunities, where appropriate, to reduce our impact.

Climate change metrics and targets including greenhouse gas emissions

Our total carbon emissions, both on a location-based and on a market-based method, have been steadily increasing over the last two years driven by growth in business travel, following the easing of international travel restrictions, post the Covid-19 pandemic. Whilst we anticipate this trend to continue, we would hope to maintain a reduction when compared with pre-pandemic levels.

During 2021 we switched to sourcing all our electricity from a renewable energy supplier which resulted in a significant reduction in our market-based Scope 2 carbon emissions. Almost all our waste is recycled, and all waste water is returned to the sewer. The resulting carbon emissions from water consumption and waste generation are captured within 'other' Scope 3 emissions in the table below and are deemed to be immaterial emission sources.

The data in the following tables has been prepared in accordance with the regulations within the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, which implement the Government's policy on Streamlined Energy and Carbon Reporting.

Electricity usage has increased since 2021 as more staff returned to the office following the lifting of Covid-19 related restrictions. In the year to 31 March 2023, the electricity usage surpassed pre-pandemic levels due to the use of immersion heaters caused by a faulty boiler. The boilers have since been replaced.

Our aim is to achieve net zero emissions for Scopes 1 and 2 (market-based) of our own operations by 2030 through the elimination of gas used for heating, further energy efficiency initiatives, particularly in areas such as lighting, cooling and IT equipment, and continuing to ensure that all electricity is procured from renewable sources.

Although this target timeframe does not apply to our Scope 3 emissions, we continue to monitor these emissions given their magnitude. We believe that our business benefits from staff returning to international travel to assess and monitor our overseas investments, principally in North America and Asia. Our aim is to manage travel in an informed manner, however we are reliant upon technological advancements to achieve net zero emissions from aviation. As we gain experience and knowledge around our GHG emissions we will continue to look to enhance our carbon emissions disclosures to include more of our Scope 3 indirect emissions.

Emissions data		Tonnes CO_2e			
Scope	Source of GHG emissions – year to 31 March	2020	2021	2022	2023
Scope 1 (direct emissions)	Combustion of fuel & facilities operation, including company car use	24	19	21	16
	Electricity purchased for own use (location-based)	57	47	45	52
Scope 2 (indirect emissions)	Electricity purchased for own use (market-based)	57	47	-	-
Scopes 1 and 2 - location-based		81	66	66	68
Scopes 1 and 2 - market-based		81	66	21	16
Scope 3	Business travel	371	7	94	243
(indirect emissions)	Other	-	-	-	1
Total – location-based		452	73	160	312
Total – market-based		452	73	115	260
KPI – location-based	Total emissions per full time employee	7.5	1.2	2.6	4.9
KPI – market-based	Total emissions per full time employee	7.5	1.2	1.9	4.1
FTE		60	61	61	63

Notes:
1. The conversion factors used for 2023 have been updated to the latest UK Government GHG Factors for Company Reporting.
2. Caledonia consumes water, with all its waste water currently being returned to the sewer. The resultant CO_2 emission from its use of water is <1 tonne.
3. Caledonia has a mix of recycled and general waste; the related Scope 3 GHG emission data is included under Other in the table above.
4. Location-based method reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data). The market-based method reflects emissions from 100% renewable sourced electricity that we have chosen to purchase from.
5. 100% of our reported emissions are in the UK, involving business travel primarily departing or arriving in the UK. Accordingly, this table does not include a column indicating the yearly UK proportion of global emissions.
6. The sources of GHG emissions shown in the table above are from the companies included in the consolidated financial statements. Under the SECR regime we are not required to report any emissions from companies that are not included in our consolidated financial statements.

Other metrics	Unit	2020	2021	2022	2023
Electricity usage	KWh(k)	224	199	214	270
Gas usage	KWh(k)	100	93	91	76
Water consumption	m^3	Data not available but will be tracked going forward			798
General mixed waste	tonnes				0
Mixed recycling	tonnes				0
WEEE waste	tonnes				0
Confidential waste	tonnes				2
Waste generation	tonnes				2
Waste recycled	%				99%

Task Force on Climate-Related Financial Disclosures

We recognise the importance of communicating both financial and non-financial ESG performance clearly to our stakeholders. We have made significant progress in understanding the potential impact of climate change on our business during the year. This is reflected in our reporting, which is developing to meet the recommendations of the Task Force on Climate-Related Financial Disclosures ('TCFD').

We have produced a supplementary detailed TCFD report, a copy of which can be found at www.caledonia.com. We have prepared this separate report as we recognise that the level of detail needed to comply with TCFD may not be required by all stakeholders. The following table, which should be read in conjunction with our TCFD report, summarises our response to each of the TCFD recommendations and explains how we incorporate climate-related risks and opportunities into each of the four TCFD pillars of governance, strategy, risk management and metrics and targets. As required by Listing Rule 9.8.6R (8), we consider these climate-related disclosures to be consistent with the TCFD recommendations and recommended disclosures, other than the completion of scenario analysis (strategy pillar disclosure (c)) and the development of metrics and targets for all of our investment assets (metrics and targets pillar disclosures (a), (b) and (c)). We have fully addressed the assets within our Quoted Equity pool. Due to the limitations in obtaining quality data, we anticipate incorporating disclosure on Private Capital pool assets within the next two years and on the Funds pool assets several years later.

Governance Disclose the organisation's governance around climate-related risks and opportunities. Read more on pages 4-8 of our TCFD report.	The board is collectively responsible for Caledonia's success. It sets the company's strategy, ensures that the necessary financial and human resources are in place to enable the company to meet its objectives and reviews management performance. We are embedding an assessment of climate-related risks and opportunities into our strategic approach. The board is ultimately accountable for the oversight of climate-related risks and opportunities that could impact the business. Caledonia has a well-defined governance framework, appropriate for a relatively small business, based on delegated authority. The board has adopted a formal schedule that sets out those matters which it specifically reserves for its own decision and those which are delegated to board committees and executive management. The Chief Executive Officer ('CEO') is responsible for the development and implementation of the strategy for the business. The board receives briefings on sustainability matters, including climate-related issues, through a well-defined reporting framework. Our Responsible Investment/Responsible Corporate ('RI/RC') Working Group, chaired by the CEO, advises and assists in the development and implementation of Caledonia's approach to sustainability matters, including those which are climate-related issues. The board is updated periodically on progress of the RI/RC Working Group and, from 2023, will receive sustainability updates from each of the three investment pools which will include climate-related matters and progress against climate targets. The annual bonus award for our executive directors is determined by a combination of corporate financial performance and personal objectives. The board's Remuneration Committee reviews these measures and objectives, which now include RI/RC elements, annually.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material. Read more on pages 9-21 of our TCFD report.

As a long-term asset owner, we recognise our responsibility to support the transition to a lower carbon economy. This is why we have set an expectation that the businesses in which we invest should target net zero emissions by 2050 (Scopes 1 and 2, market-based). We are developing our capability to identify and assess actual and potential impacts of climate-related risks and opportunities on our investment portfolio. This will allow us to adapt our business model, strategy and financial planning where impacts are considered to be material.

Our business is impacted by a broad range of risks and opportunities. This reflects the diverse nature of our investment portfolio, although it should be noted that our analysis shows that high carbon-emitting industries (for example oil and gas) and certain geographic regions, where Caledonia has very low exposure, are more likely to experience an elevated level of transition risks. We have considered both physical and transition risks over three time horizons. We anticipate that the businesses and funds in which we invest will develop plans to address climate-related risks and opportunities which impact their specific businesses. We expect to use this information, as it becomes available, to enhance our understanding and risk assessment activity.

The availability of robust data and quality information is a prerequisite to effective analysis. We have been able to access the most recent data and information for the constituent businesses in the Quoted Equity pool using Morgan Stanley´s ESG Manager as it offers the most comprehensive climate data suite available as at the date of writing this report. This data has been used to support a scenario analysis exercise which has provided valuable insights to confirm the resilience of the Capital and Income portfolios to both physical and transition risks, under various climate scenarios. We anticipate that similar information will be developed for the constituents of our Private Capital pool within the next two years and the Funds pool several years later, with a view to broadening our scenario analysis to cover a greater element of our overall investment portfolio.

Our business operations have a modest carbon footprint compared with the impact of our investment portfolio, as all our employees operate from a single location in central London. However, we are committed to minimising our direct impact on the environment and mitigating the risks posed by climate change. We have therefore set a target to achieve net zero Scopes 1 and 2 emissions (market-based) by 2030. We have already taken actions to reduce our energy usage and during 2021 we moved our electricity supply to 100% renewable sources.

Risk management

Disclose how the organisation identifies, assesses, and manages climate-related risks. Read more on pages 22-26 of our TCFD report.

The corporate approach to risk management is covered on pages 42-45 of this report.

To meet the challenges presented by climate change, the global economy will need to transition to a net zero alternative, the repercussions of which will raise opportunities and risks for investments within our portfolio and for our business operations. Climate change risk management is being embedded into our existing processes.

The board sets strategy and has collective responsibility for the management, direction and performance of the business. Climate-related risks are being incorporated into our strategy and, in discharging their responsibilities, the board is ultimately accountable for the oversight of climate-related risks that could impact the business.

In recognition of the importance of climate-related risks to our business, 'ESG and climate change' has been identified as one of our principal risks. This means that actions to manage and mitigate this risk, together with key developments, are reviewed by the Audit and Risk Committee at least biannually with material changes elevated to the board for consideration. This level of review seeks to ensure full visibility at board level of any emerging climate-related risk issues.

Climate-related risks are assessed and managed in accordance with our corporate risk framework and process. Each area of the business is responsible for identifying, monitoring and reporting on relevant risks and controls, with appropriate oversight from the relevant corporate departments. We recognise that climate change is a pervasive risk across many of our principal risk categories. Across the business, senior managers are responsible for identifying these climate-related risks and assessing the impacts either to their area of the investment portfolio or to their functional specialism, depending on their role.

We analyse potential climate-related risks through the lens of both physical and transition risks over the short, medium and long term and using both internal and external analysis. Many of our key processes are being, or have been, adapted to incorporate climate-related risk assessments, including our approach to investment research and decision-making, active ownership and engagement with our investee companies and funds, and ongoing assessment and monitoring of our own business operations.

Metrics and targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material. Read more on pages 27-34 of our TCFD report.

We have begun to use a number of metrics and targets to track progress to ensure that we respond appropriately to the climate-related risks and opportunities which may impact our investment portfolio and business operations.

Information on specific metrics and targets are provided on pages 53-55. In line with SECR requirements we have also listed our GHG data on the same pages.

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

Flexible & responsible

Cornwall Community Foundation
The Cornwall Community Foundation is dedicated to improving lives in Cornwall, acting as a conduit through which individuals and businesses direct their philanthropic giving to support non-profit, grassroots organisations. It has been supported by The Caledonia Investments Charitable Foundation since 2021.

Directors' report

Board of directors

1 **David Stewart**
Chair
N R

2 **Mat Masters**
Chief Executive Officer

3 **Tim Livett**
Chief Financial Officer

4 **Jamie Cayzer-Colvin**
Executive Director

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

6 **Farah Buckley**
Independent Non-Executive Director
G N R

1 David Stewart
Chair

Appointed a non-executive director of Caledonia in 2015 and Chair in 2017, David is also Chair of the Nomination Committee and a member of the Remuneration Committee. Having begun his career at Swire Pacific in 1981, he joined James Capel in 1986 and then Fidelity Investments in 1994, where he was Head of Emerging Markets and subsequently European President. From 2005 until 2013, he was Chief Executive Officer of Odey Asset Management before assuming a non-executive director role until 2014. He is a director and co-founder of IMM Associates and Chairman of Hermes Investment Management and Marathon Asset Management.

David brings to the board extensive experience of international business and asset management in the UK, Asia and emerging markets, which enable him to provide effective leadership of Caledonia's board and valuable insight and advice in relation to the company's global portfolio.

2 Mat Masters
Chief Executive Officer

Mat joined Caledonia in 2006 with a broad role across the investment portfolio. He became Head of the Capital portfolio in 2010, before taking on increased responsibility for the Income strategy in 2019 when he was promoted to Head of Quoted Equity. Appointed as Chief Executive Officer designate on 1 April 2022, he succeeded Will Wyatt in July 2022.

Mat specialised in corporate finance before joining Caledonia, helping small and mid-sized companies access private equity finance. He has served on numerous private and public company boards.

A qualified accountant, he brings to the board investment expertise, senior management, international business experience and leadership skills to enable him to execute the board's strategy.

3 Tim Livett
Chief Financial Officer

Tim was appointed as Caledonia's Chief Financial Officer in 2019, joining from the Wellcome Trust, where he had been Chief Financial Officer since 2014. Prior to this position, he worked for Virgin Atlantic for ten years, initially as Finance Director and then as Chief Financial Officer, having previously held senior financial positions at Hudson Global Resources and British Airways. He is also a non-executive director of Premier Marinas Holdings and Worldwide Healthcare Trust.

Tim brings to the board extensive commercial and financial experience, together with knowledge gained from his responsibilities for risk and performance oversight of Wellcome Trust's asset management division.

4 Jamie Cayzer-Colvin
Executive Director

Jamie joined the Caledonia group in 1995, initially working at its Amber speciality chemicals subsidiary before becoming an investment executive at Caledonia's head office in 1999. He was appointed a director in 2005 and is currently a member of the advisory committees of a number of Caledonia's fund investments. He also chairs The Caledonia Investments Charitable Foundation and the RHS Pension Scheme. He previously served as Chairman of The Henderson Smaller Companies Investment Trust and as a non-executive director of Polar Capital Holdings and Polar Capital Funds.

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

5 Stuart Bridges
Independent Non-Executive Director

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

Stuart brings to the board a wide knowledge of both the insurance and investment markets, as well as financial oversight expertise.

6 Farah Buckley
Independent Non-Executive Director

Appointed a non-executive director of Caledonia in 2023, Farah is a member of the Governance, Nomination and Remuneration Committees.

Previously the Head of Investment Solutions at asset manager Hermes GPE and the Head of UK at Adveq, the Swiss private equity investor, Farah has spent over 20 years working in financial services across audit, mergers and acquisitions and private equity. During her time at boutique corporate finance house McQueen she worked on numerous transactions within the retail, consumer and leisure sectors. A qualified chartered accountant, she gained her ACA qualification at Deloitte.

Farah is a non-executive director at Aurora Investment Trust, Apollo Syndicate Management and Leeds Building Society in addition to acting as an adviser to technology start-up Grafterr.

Farah brings extensive innovation and strategy experience to the board with a particular focus on technology and environmental, social and governance matters.

Committee membership key

A Audit G Governance N Nomination R Remuneration ■ Committee chair

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

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

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

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

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

12 **Will Wyatt**
Non-Executive Director
N

7 The Hon Charles Cayzer
Non-Executive Director

Having gained experience of merchant banking, commercial banking and corporate and project finance with Baring Brothers, Cayzer Irvine and Cayzer Ltd, Charles was appointed an executive director of Caledonia in 1985, becoming non-executive in 2012, and is also a member of the Nomination Committee. During his period as an executive director of Caledonia, he was responsible for a large number of investment acquisitions and disposals and served on the boards of many investee companies, mostly in the property and hotels sectors. He is currently Chairman of The Cayzer Trust Company and the Bedford Estates.

Charles brings to the board extensive knowledge of the commercial property sector and broad commercial management experience, which enable him to provide insight and constructive challenge across the breadth of Caledonia's investment activities.

8 Guy Davison
Senior Independent Non-Executive Director

Appointed a non-executive director of Caledonia in January 2018, Guy is Chair of the Governance Committee and is a member of the Audit and Risk and Nomination Committees. After qualifying as a chartered accountant, he spent four years at Larpent Newton before joining Cinven, the leading international private equity firm, in 1988 as a founding partner, remaining with the firm until his retirement in January 2017. During that time, he was central to the development and expansion of the business from the time of its buyout from British Coal in 1995 to an international operation which today has offices throughout Europe and North America. During his 29 years at Cinven, he represented the firm as Chairman or non-executive director at some 25 of its portfolio companies. He also served on the board of Ascot Authority (Holdings).

Guy brings to the board over 30 years' knowledge and experience of private equity investing, both in the UK and Europe, which is of particular benefit to the board and Caledonia's Private Capital team in evaluating new unquoted investment opportunities and managing its existing unquoted portfolio.

9 Anne Farlow
Independent Non-Executive Director

Appointed a non-executive director of Caledonia in 2022, Anne is Chair of the Remuneration Committee and a member of the Audit and Risk, Governance and Nomination Committees.

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

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

10 Claire Fitzalan Howard
Independent Non-Executive Director

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

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

11 Lynn Fordham
Independent Non-Executive Director

Appointed a non-executive director of Caledonia in 2022, Lynn is Chair of the Audit and Risk Committee and a member of the Governance and Nomination Committees.

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

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

12 Will Wyatt
Non-Executive Director

Will joined the Caledonia group in 1997 from Close Brothers Corporate Finance, working at Sterling Industries before transferring to Caledonia's head office in 1999 as an investment executive. He was appointed a director in 2005, serving as Chief Executive from 2010 until becoming a non-executive director in 2022. He is also a member of the Nomination Committee.

He has held board positions at numerous Caledonia investee companies and is currently a non-executive director of Cobehold. He is a trustee of the Rank Foundation and Chairman of Real Estate Investors and Newmarket Racecourses.

Will brings to the board corporate finance and investment expertise, broad senior management experience and team leadership skills, which benefit the successful delivery of the board's strategy.

Corporate governance report

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

Membership and attendance

The board held eight scheduled meetings during the year and an additional meeting was convened at short notice. Attendance of the directors was as follows:

Director	Meetings attended	Meetings eligible to attend
D C Stewart	9	9
M S D Masters	9	9
T J Livett	9	9
J M B Cayzer-Colvin	9	9
S J Bridges[1]	8	9
F A Buckley[2]	1	1
Hon C W Cayzer	9	9
G B Davison	9	9
M A Farlow	9	9
L R Fordham	9	9
C L Fitzalan Howard	9	9
S C R Jemmett-Page[3]	2	3
W P Wyatt	9	9

1. Mr Bridges was unable to attend one meeting due to a commitment which had been arranged prior to the extension of his tenure as a director.
2. Ms Buckley was appointed as a director on 28 March 2023.
3. Ms Jemmett-Page was unable to attend one meeting, which was called at short notice, due to a pre-existing commitment.

Statement of compliance

The board considers that the company has complied with the UK Corporate Governance Code ('Code') issued in July 2018 for the duration of the reporting period, other than provision 32.

Provision 32 requires that the chair of a remuneration committee should have served on a remuneration committee for at least twelve months before appointment. As part of the board's succession planning activities, Anne Farlow was appointed as an additional member of the Remuneration Committee in March 2022. As David Stewart was considered independent on appointment, he has served as a member of this committee since March 2015, alongside Claire Fitzalan Howard who has been a member since July 2019. The Code does not permit Mr Stewart to act as chair of the Remuneration Committee and Mrs Fitzalan Howard was unable to take on the additional time commitment that the role required. Following Ms Jemmett-Page's decision to step down ahead of the end of her third term of office in 2024, Ms Farlow, who brings relevant experience from her previous executive roles, agreed to succeed her as Chair of the Remuneration Committee.

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

The board

Overall responsibility and operation

The board as a whole is collectively responsible for the success of the company and for supervising its affairs. It sets the company's strategy, ensures that the necessary financial and human resources are in place to enable the company to meet its objectives and reviews management performance. It also defines the company's purpose and culture, and sets the company's values and standards to ensure that its obligations to its shareholders and other stakeholders are understood and met. It aims to provide leadership of the company within a framework of prudent and effective controls, which enables risk to be assessed and appropriately managed.

To assist its operation, the board has adopted a formal schedule that sets out those matters which it specifically reserves for its own decision and those which are delegated to board committees and to executive management. Matters reserved for the board's own decision include the following:

- responsibility for the company's strategy, values and culture
- approval of the company's half-year results, full-year results and annual report
- approval of the company's dividend policy and dividend distributions
- the appointment, re-appointment and removal of the external auditor
- the appointment and removal of directors of the company, as prescribed by the company's articles of association, and of certain other executives, including the Company Secretary
- the terms of reference of board committees and the membership thereof
- directors' remuneration and terms of appointment

- annual budgets
- the company's systems of risk management and internal control, including procedures for detection of fraud and prevention of bribery
- responsibility for the company's arrangements to enable its employees to raise any matters of concern
- treasury policies, banking counterparties and counterparty exposure limits
- significant capital transactions
- political donations.

The roles of the Chair, the Chief Executive Officer and the Senior Independent Director are separated and clearly defined in separate statements of responsibilities. The Chair is primarily responsible for the leadership of the board to ensure that it carries out its role effectively and for succession planning. The Chief Executive Officer is responsible for the implementation of the board's strategy, policies and the management of the company's activities, other than those matters specifically reserved for the board. The Senior Independent Director is responsible for providing a sounding board for the Chair and, if necessary, to serve as an intermediary for the other directors and shareholders.

The matters reserved for the board and the statements of responsibilities of the Chair, the Chief Executive Officer and the Senior Independent Director are reviewed by the board annually and published on the company's website.

Appointment, induction and training

The company complies with the recommendation of the Code that all directors of FTSE 350 companies should be subject to annual re-election by shareholders.

On appointment, new directors are offered induction and training considered appropriate by the board, and subsequently as necessary. The annual performance evaluation of the board encompasses the identification of any individual training needs of board members so that, if necessary, these can be reviewed by the Chair with the directors concerned. The directors receive briefings at board meetings on regulatory and other issues relevant to the company and its business sector and, in addition, may attend external courses to assist in their professional development.

Board composition

The biographies of the directors appear on pages 60 and 61.

The board currently comprises twelve directors. Excluding the Chair, three of the directors are executive and eight are non-executive. The board considers all of the non-executive directors to be independent other than Mr Wyatt and The Hon C W Cayzer who were executive directors prior to becoming non-executive.

The board asked Mr Bridges, an independent non-executive director, to extend his tenure until no later than this year's annual general meeting following the resignation of Ms Jemmett-Page before the expiry of her third term in office. This enabled a search for a new independent non-executive director to be completed without unnecessary time pressure and gave Ms Farlow, Ms Fordham and Mr Masters the opportunity to fully settle into their new roles on the board and to benefit from Mr Bridges' experience before further changes were made. The board recognised that service over nine years is one of the circumstances set out in the Code that is considered likely to, or could appear to, impair independence. However, following a careful assessment, including feedback obtained as part of the board evaluation process, the board concluded that Mr Bridges remained strongly independent in character and judgement. This also enabled the board to continue to satisfy the expectation in the Code that at least half of the board's members, excluding the Chair, were considered independent prior to the appointment of Ms Buckley as an independent non-executive director in March 2023. The board consulted Caledonia's largest shareholders and major investor representative bodies regarding this arrangement. Mr Bridges will retire at the forthcoming annual general meeting as planned.

Board committees

The board has delegated certain specific areas of responsibility to the following standing committees – the Nomination Committee, the Audit and Risk Committee, the Governance Committee and the Remuneration Committee. Further details of the work of each of these committees and their membership during the year are set out on pages 66 to 92.

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

Board performance evaluation

The board conducts an annual evaluation of its performance and that of its committees and, in accordance with good practice, engages an independent third party facilitator to assist in this process every three years. For the year ended 31 March 2023, the evaluation of the board as a whole and of its committees was undertaken internally, led by the Chair, and was conducted by inviting individual board members to complete questionnaires regarding the operation and effectiveness of the board and its committees. The analysis was collated by the Company Secretary and discussed by the Chair with each director separately.

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

The results of the 2023 evaluation process were considered by the board. The conclusion was that the board continued to function well in an atmosphere of open and constructive debate with a good breadth of skills, experience and viewpoints. Areas identified for development included:

- further improvement to the visibility of senior executive succession planning
- concluding the formalisation of the company's investment approach to environmental, social and governance matters, building on the progress already made.

Other committees

Various other committees have been established with responsibility for specific areas of the company's activities, other than matters reserved for the board as a whole, as follows:

- The Disclosure and Delegation Committee of the board has been established to deal with administrative matters of a routine nature requiring board approval or matters which are reserved to the board, but for which board approval has already been given in principle. It also considers potential disclosure matters as required. The Disclosure and Delegation Committee meets when required and typically comprises any two directors.
- The Investment Management Committee ordinarily meets fortnightly and considers matters relating to the company's investment portfolio. The committee is chaired by the Chief Executive Officer and other members comprise the entire investment team, the Chief Financial Officer, the Company Secretary and the Head of Financial Planning & Analysis.
- The Investment Committee considers and formally approves new investments and proposed realisations. Other matters considered include the day to day management of the company's business where not delegated elsewhere. This committee meets regularly, is chaired by the Chief Executive Officer and other members comprise the executive directors, the heads of the pools of capital and the Company Secretary. The Chair is also invited to attend meetings.
- The Valuation Committee formally reviews valuations of all of the company's investments at each half-year and full-year end. It is chaired by the Chair of the Audit and Risk Committee and other members comprise the Chief Executive Officer, the Chief Financial Officer and the Head of Financial Control. The meetings are observed by representatives from BDO LLP, with all members of the Audit and Risk Committee also invited to attend.
- The Responsible Investment/Responsible Corporate Working Group advises and assists in the development and implementation of Caledonia's approach to sustainability matters which includes climate-related issues. It meets monthly and is chaired by the Chief Executive Officer. Other members comprise senior representatives from each investment pool, the Chief Financial Officer, the Company Secretary and other key corporate managers.

Key stakeholders, engagement and board decision making

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

Directors' conflicts of interest

Each director has a duty under the Companies Act 2006 to avoid a situation where he or she has, or could have, a direct or indirect interest which conflicts, or may possibly conflict, with the company's interests. The Companies Act 2006 however allows directors of public companies to authorise conflicts and potential conflicts where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty.

There are safeguards in the company's articles which apply when the directors decide whether to authorise a conflict or potential conflict of interest. First, only independent directors, being those who have no interest in the matter being considered, are able to take the relevant decision and, second, in taking the decision, the directors must act in a way which they consider, in good faith, will be most likely to promote the success of the company. The directors are able to impose time limits or conditions when giving authorisations if they think this is appropriate.

The board has adopted procedures to address the requirements of the Companies Act 2006 in relation to directors' conflicts of interest. Each new director on appointment is required to declare any potential conflict situations, which may relate to him or her, or his or her connected persons. These are reviewed by the board and, if necessary, also by the Governance Committee, which then considers whether these situations should be authorised and, if so, whether any conditions to such authority should be attached.

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

Relations with controlling shareholders

As at 22 May 2023, being the latest practicable date prior to the publication of this annual report, the Cayzer family concert party ('Cayzer Concert Party') held 48.8% of Caledonia's voting rights.

Under the Financial Conduct Authority's Listing Rules, where a premium listed company has a controlling shareholder or shareholders (being a person or persons acting in concert who exercise or control 30% or more of the company's voting rights), the company is required to enter into a written and legally binding agreement which is intended to ensure that the controlling shareholder undertakes to comply with certain independence provisions, namely that:

- transactions and arrangements with the controlling shareholder (and/or any of its associates) will be conducted at arm's length and on normal commercial terms
- neither the controlling shareholder nor any of its associates will take any action that would have the effect of preventing the listed company from complying with its obligations under the Listing Rules
- neither the controlling shareholder nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

The board confirms that agreements specified under the Listing Rules as described above (which were required to be in place by 17 November 2014) were entered into by the company on 30 October 2014 with The Cayzer Trust Company Limited ('Cayzer Trust') and separately with the Trustee of The Caledonia Investments plc Employee Share Trust ('Employee Share Trust'), which is deemed by The Panel on Takeovers and Mergers to form part of the Cayzer Concert Party, and remain in place. Under the terms of its agreement, Cayzer Trust has undertaken to procure the compliance with the independence provisions of all of the other members of the Cayzer Concert Party, other than the Employee Share Trust.

The board confirms that, during the period under review and up to 22 May 2023, being the latest practicable date prior to the publication of this annual report:

- the company has complied with the independence provisions included in the agreements with Cayzer Trust and the Employee Share Trust
- so far as the company is aware, the independence provisions included in the agreements have been complied with by Cayzer Trust and the Employee Share Trust
- so far as the company is aware, the procurement obligation included in the agreement with Cayzer Trust has been complied with by that company.

David Stewart
Chair of the board
22 May 2023

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

Nomination Committee report

The Nomination Committee is focused on evaluating the directors and examining the skills and attributes needed of board members. It is also responsible for identifying suitable candidates for new director positions and succession planning.

The Nomination Committee is responsible for the regular review of the structure, size and composition (including the skills, knowledge, experience and diversity) of the board and for giving consideration to succession planning for directors and, if requested by the board, for other senior executives. It is responsible for identifying candidates to fill board vacancies as and when they arise, using external search consultants where necessary, making recommendations to the board in relation thereto and keeping under review the leadership needs of the company, both executive and non-executive.

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

Membership and attendance

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

	Meetings attended	Meetings eligible to attend
D C Stewart (Chair)	2	2
S J Bridges	2	2
F A Buckley[1]	-	-
Hon C W Cayzer	2	2
G B Davison	2	2
M A Farlow	2	2
C L Fitzalan Howard	2	2
L R Fordham	2	2
S C R Jemmett-Page[2]	1	1
W P Wyatt	2	2

1. No meetings took place in the period following the appointment of Ms Buckley as a member of the Committee.
2. Ms Jemmett-Page retired from the board on 31 May 2022.

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

Diversity and inclusion

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

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

Detailed gender diversity analysis in respect of the board, including progress against the targets set out in the Listing Rules, and Caledonia more broadly is provided on pages 50 and 51.

Work of the Nomination Committee

The Nomination Committee met twice during the year and the work undertaken included:

- the extension of Stuart Bridges' tenure as an independent non-executive director, beyond nine years, for an additional period until no later than the company's annual general meeting in 2023. This followed Shonaid Jemmett-Page's decision to step down as a director
- consideration of a detailed skills, experience and diversity matrix which sought to identify recruitment priorities based on identified gaps, industry and stakeholder expectations and good practice
- the creation of a working group, led by Guy Davison and supported by Anne Farlow and Will Wyatt, to progress the search for a new non-executive director which successfully concluded with the appointment of Farah Buckley
- consideration of the contributions and effectiveness of the non-executive directors seeking election and/or re-election at the 2022 annual general meeting, prior to giving recommendations to the board and shareholders for their election and/or re-election

- the renewal of The Hon Charles Cayzer's and Claire Fitzalan Howard's letters of appointment, extending their terms of office to 2025 and, following his re-election as a non-independent non-executive director, approval of Will Wyatt's letter of appointment
- the appointment of Anne Farlow as chair of the Remuneration Committee and the appointment of Farah Buckley as a member of the Governance, Nomination and Remuneration Committees.

The search for a new Chief Financial Officer recently concluded with the appointment of Rob Memmott following a comprehensive search. Rob will join the board and succeed Tim Livett on 1 September 2023.

David Stewart was appointed to the board as an independent non-executive director in March 2015, before taking on the role of chair in July 2017. The board, on the recommendation of the Nomination Committee which was chaired by Guy Davison, Caledonia's Senior Independent Director, has extended David's tenure as chair until the company's annual general meeting in 2025, subject to annual re-election by shareholders. This additional time period extends his service on the board by a little over one year which is beyond the nine years recommended in the UK Corporate Governance Code. It was considered appropriate following a period of notable board development which has included the appointment of three new non-executive directors and two executive directors since January 2022.

External consultants

Following the completion of a competitive tender exercise, Teneo People Advisory was selected to assist with the search for a new non-executive director which led to the appointment of Farah Buckley. Teneo People Advisory's parent company subsequently acquired Tulchan Communications, Caledonia's retained corporate communications advisory firm. There are no other connections between Teneo People Advisory and the company or its directors.

David Stewart
Chair of the Nomination Committee
22 May 2023

Audit and Risk Committee report

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

Membership and attendance

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

	Meetings attended	Meetings eligible to attend
L R Fordham (Chair)[1]	3	3
S J Bridges (former Chair)[2]	1	1
G B Davison	3	3
M A Farlow	3	3
S C R Jemmett-Page[3]	-	1

1. Ms Fordham succeeded Mr Bridges as Chair on 27 July 2022.
2. Mr Bridges retired as Chair and member of the Committee on 27 July 2022.
3. Ms Jemmett-Page retired from the board on 31 May 2022. She was unable to attend the May 2022 meeting due to a commitment conflict.

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

The Audit and Risk Committee is responsible for monitoring the integrity of the financial statements of the company and for reviewing any significant financial reporting judgements they contain, together with associated announcements. It reviews the company's systems of internal control and, during the year, its remit was extended to encompass consideration of risk. This incorporates Caledonia's approach to risk including strategy, risk appetite and the identification of principal and emerging risks, together with the monitoring, management and mitigation of such risks. It also oversees the relationship with the external auditor and considers annually whether an internal audit function is required.

Lynn Fordham succeeded Stuart Bridges as Chair of the Audit and Risk Committee on 27 July 2022. The Committee comprised exclusively of independent non-executive directors with significant financial and sector experience, meeting three times in the year ended 31 March 2023, in May and November 2022 and in March 2023. After the year end, it met in May 2023 to consider matters relating to the 2023 annual report and financial statements.

The Chief Executive Officer, the Chief Financial Officer, the Company Secretary and members of the finance team attended all meetings of the Committee. The company's external auditor, BDO LLP ('BDO') also attended all meetings. The Committee held a separate discussion with BDO's audit partner without management participation. Other board members and/or senior executives may also attend meetings at the invitation of the Committee Chair.

Work of the Audit and Risk Committee

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

Financial statements

The focus of meetings in May and November 2022 was the 2022 annual report and financial statements and the 2023 half-year results respectively, including evaluation of the going concern statement and, in the case of the annual report, the company's viability statement.

The March 2023 meeting considered BDO's audit plan and strategy for the 2023 annual report and financial statements.

During its May 2023 meeting, the Audit and Risk Committee reviewed the form and content of the 2023 annual report and financial statements, including reporting in respect of the Task Force on Climate-related Financial Disclosures. In conducting its review, the Audit and Risk Committee considered reports prepared by management and the external auditor. Management's reports provided an analytical review of the financial statements, comparing the current to prior year financial position and results, and detailed the judgements and sources of estimation uncertainty involved in applying the accounting policies to the financial statements. The Audit and Risk Committee also noted that there were no new accounting standards applicable for the current year. In addition, the Audit and Risk Committee considered reports prepared by management to support the going concern and viability statements and, as requested by the board, compliance with the annual report's 'fair, balanced and understandable' provisions of the UK Corporate Governance Code. The Audit and Risk Committee recommended approval of the 2023 annual report and financial statements to the board.

The significant issue the Audit and Risk Committee considered in relation to the 2023 financial statements was the valuation of unlisted investments. The key inputs into the valuation of Private Capital businesses were considered, including the broad range of factors impacting market multiples utilised in the valuation process.

The Committee is particularly cognisant that private equity funds are an increasingly material element of the company's investment portfolio. Private equity funds therefore receive an enhanced level of scrutiny and debate. Given that the majority of valuations used in the company's financial statements are based on reports by third party private equity fund managers dated on, or before, 31 December 2022, particular focus was given to the risk of outdated pricing. This resulted in the Committee receiving supporting data from management on the composition of assets within the Funds pool, with information provided on the processes used to assess the reasonableness of fund manager valuations and analysis on the level of movement in related public equity markets in the final quarter of the financial year. Guidelines were also established which set out the process for incorporating updated valuations received after the year end into the company's financial statements.

Unlisted valuations

The Audit and Risk Committee recognises that unlisted investments are a significant component of the company's assets and that their valuation is subject to considerable judgement and uncertainty.

The Chair of the Audit and Risk Committee now also chairs meetings of the Valuation Committee which scrutinises the valuation of private asset investments, adherence to the company's valuation policy and consistency of valuation methodologies over time. Reporting is provided to the Audit and Risk Committee on the quality of this review and challenge which, during the year, included two small adjustments to the valuations originally proposed by management. BDO's audit partner attends Valuation Committee meetings, with other members of the Audit and Risk Committee invited to participate.

Going concern and viability

The directors are required to make a statement in the annual report as to going concern and Caledonia's longer-term viability. The Audit and Risk Committee provides advice to the board on the form and content of this statement, including the underlying assumptions. The Audit and Risk Committee evaluated a report from management setting out its view of Caledonia's longer-term viability and the content of the proposed going concern and viability statements. This report was based on the group's base case of forecast liquidity over three years to May 2026, developed from the corporate financial plan. In making this assessment, the directors took comfort from the results of three stress tests that considered the potential impact of significant market downturn conditions.

The first stress test addressed five discrete scenarios: a reduction of 10% in the value of the US dollar against Sterling compared to the rate at 31 March 2023 throughout the corporate financial plan period; a fall in investment income of 20% versus the plan; a downward correction of 20% to the market value of the company's public equity positions for six months during the first half of the new financial year; a 25% decrease versus plan in the value of distributions from private equity fund investments; and a 12 month delay, combined with a 10% fall, in the anticipated value of potential realisations from the Private Capital portfolio. The second stress test combined each of these five scenarios. The third stress test built on the second stress test and applied a full call of the company's outstanding private equity fund commitments at any point during the period.

The three-year period was chosen as it provided a reasonable degree of certainty, based on the company's expected activities.

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

The outcome of this activity led the Audit and Risk Committee to recommend to the board to make the statement on page 46.

Fair, balanced and understandable statement

The Audit and Risk Committee reviewed the draft annual report and, taken as a whole, considered it to be fair, balanced and understandable. To assist in reaching this view, the Audit and Risk Committee considered a report prepared by management highlighting the positive and negative statements included in the annual report to ensure that they fairly reflected the results for the year. The Audit and Risk Committee recommended to the board that the statement of directors' responsibilities in respect of the annual report and the financial statements, set out on page 97, should be signed accordingly.

Internal control and risk management

The board of directors is responsible for the company's system of internal control and for reviewing its effectiveness. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year the terms of reference of the Audit and Risk Committee were amended to formally incorporate risk matters. A review of the Investment and Operational Risk Dashboards, prepared by management identifying the principal business risks impacting the company, was completed together with the mitigating controls in operation and actions identified for continuous improvement.

The Audit and Risk Committee considered the effectiveness of the company's internal control environment and the structure in place to resolve identified weaknesses. The Audit and Risk Committee reviewed reports on internal controls, including an appraisal of the management of the company's balance sheet, a review of processes to manage quoted equities and payroll. The approach to governance and the control environment of investee companies within the Private Capital pool was also subject to review. Compliance with requirements for investment trust status was also considered, together with the planned replacement of Caledonia's enterprise resource planning ('ERP') system later in 2023.

A comprehensive update on cyber security, disaster recovery and information technology matters was once again provided to the Committee which included improvements made during the year and the planned roadmap for further developments during the next twelve months. BDO, as a key third party supplier receiving large volumes of confidential data from the company, also presented on its own cyber security posture. Other members of the board were invited to attend this session for what is considered to be Caledonia's primary operational risk.

Internal audit

As the company does not have an internal audit function, the Audit and Risk Committee considers annually whether there is a need for one. The company is an investment trust and manages its non-consolidated subsidiaries as other private company investments, with each business operating its own risk management processes. The company closely monitors its control environment and those of its private company investments. The Audit and Risk Committee recommended to the board that an internal audit function was not required.

Audit effectiveness

Audit quality is reviewed continuously throughout the year by both the Chief Financial Officer and the Audit and Risk Committee. The focus is centred on the following:

- the quality and seniority of the external auditor's staff
- the use of specialist staff in areas including the valuation of unlisted assets and pensions
- the appropriateness of the planned audit methodology as applied to Caledonia's business activity
- the level of challenge and professional scepticism displayed, together with the quality of reporting to the Audit and Risk Committee.

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

- review and approval of the scope of the planned audit and delivery against plan
- the identification of control improvements
- the monitoring of the independence of the external auditor.

At the November 2022 meeting, the Audit and Risk Committee considered the Financial Reporting Council's ('FRC') Audit Quality Inspection and Supervision Report of BDO, published in July 2022, and sought assurance from the audit partner regarding BDO's response to the FRC's findings. Updates on the progress of BDO's response have been sought by the Committee.

The Audit and Risk Committee has also commenced development of a series of indicators by which to assess audit quality in future and considered the FRC's draft Minimum Standard for Audit Committees.

Non-audit work

To safeguard the auditor's independence and objectivity, the Audit and Risk Committee maintains a schedule of specific non-audit activities which may not be undertaken by the external auditor, within the broad principles that the external auditor should not audit its own work, should not make management decisions on behalf of the company, should not be put into the role of advocate for the company and that no mutuality of interest should be created between the company and the external auditor.
As a result of the rigorous review by the Audit and Risk Committee on non-audit services carried out by BDO, there is limited reliance on the auditor's internal independence controls.

The Audit and Risk Committee has in place a policy for the provision of non-audit services, meeting the requirements of the 2018 revision of the UK Corporate Governance Code and the FRC's Revised Ethical Standard 2019 which was refreshed at the May 2023 meeting. Certain non-audit services are prohibited. Permitted services are subject to approval by the Chief Financial Officer and the Audit and Risk Committee. Total fees payable for non-audit work carried out by the company's auditor are subject to limits. For the financial year ended 31 March 2023, the total fees for non-audit services were £183,500 (22% of the total audit fees), the majority of which related to BDO's independent review of the company's half-year report. The balance was incurred by Seven Investment Management in connection with regulatory reporting requirements, a covenant compliance report and CASS assurance activities. These services were closely related to the work performed by BDO during the audit or required by law or regulation. Analysis is provided in note 2 to the financial statements on page 117.

Auditor

BDO was appointed independent auditor in 2021 following the completion of a competitive tender process and completed its first audit of the company's financial statements for the year ended 31 March 2022. The lead audit partner is required to rotate every five years and other key audit engagement partners every seven years. No contractual obligations restrict the Audit and Risk Committee's choice of external auditor.

Resolutions to re-appoint BDO as auditor and to authorise the directors, acting through the Audit and Risk Committee, to determine the auditor's remuneration will be proposed at the annual general meeting on 19 July 2023.

Private meetings

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

Statement of compliance

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

Lynn Fordham
Chair of the Audit and Risk Committee
22 May 2023

Governance Committee report

The Governance Committee monitors and reviews the ability of each director to act in the interests of shareholders as a whole and to exercise independence of judgement.

Membership and attendance

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

	Meetings attended	Meetings eligible to attend
G B Davison (Chair)	2	2
F A Buckley[1]	-	-
S J Bridges	2	2
M A Farlow	2	2
C L Fitzalan Howard	2	2
L R Fordham	2	2
S C R Jemmett-Page[2]	1	1

1. No meetings took place in the period following the appointment of Ms Buckley as a member of the Committee on 28 March 2023.
2. Ms Jemmett-Page retired from the board on 31 May 2022.

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

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

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

Work of the Governance Committee

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

- the review and approval of the Corporate governance and Governance Committee reports for the year ended 31 March 2022
- the influence of the Cayzer family concert party ('Cayzer Concert Party') on Caledonia's board and whether it was in the general interest of the non-Cayzer Concert Party shareholders, with the conclusion that it was
- the review and approval, on behalf of the board, of the statements of compliance with the independence provisions of the Listing Rules relating to premium listed companies with controlling shareholders
- a review of the agreements, described on page 65, entered into by the company on 30 October 2014 with The Cayzer Trust Company Limited and separately with the Trustee of The Caledonia Investments plc Employee Share Trust, which is deemed by The Panel on Takeovers and Mergers to form part of the Cayzer Concert Party
- the review of potential conflict situations notified by directors in accordance with the Companies Act 2006 and the making of recommendations to the board in relation thereto
- its terms of reference.

Guy Davison
Chair of the Governance Committee
22 May 2023

Directors' remuneration report

Annual statement by the Chair of the Remuneration Committee

The Remuneration Committee ensures that remuneration arrangements remain closely aligned to Caledonia's business model and strategy, the ultimate aim of which is to grow the company's net assets and dividends paid to shareholders in real terms over the long term, whilst managing risk to avoid permanent loss of capital.

Membership and attendance

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

	Meetings attended	Meetings eligible to attend
M A Farlow[1] (Chair)	5	5
F A Buckley[2]	-	-
C L Fitzalan Howard	5	5
S C R Jemmett-Page[3] (former Chair)	1	1
D C Stewart	5	5

1. Ms Farlow succeeded Ms Jemmett-Page as Chair on 1 June 2022.
2. Ms Buckley was appointed as a member on 28 March 2023.
3. Ms Jemmett-Page retired from the board on 31 May 2022.

The Companies Act 2006 requires the company's auditor to report to the shareholders on certain parts of the Directors' remuneration report and to state whether, in its opinion, those parts of the report have been properly prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The parts of the Annual report on directors' remuneration that have been audited are indicated in the report. The Annual statement by the Chair of the Remuneration Committee and the remuneration policy are not subject to audit.

On behalf of the board, I am pleased to introduce Caledonia's Directors' remuneration report for the year ended 31 March 2023.

Changes to the committee during the year

I succeeded Shonaid Jemmett-Page as Chair of the Committee in June 2022. I would like to thank her for an orderly transition. We also welcomed Farah Buckley as a new member shortly before the year end.

Remuneration policy

Our remuneration policy was approved by shareholders in 2020 and therefore, in accordance with statute, must be put to shareholders for renewal at this year's annual general meeting. To ensure that it continues to motivate executives and fairly align performance and reward, we undertook a thorough review over the past year. The Committee appointed Ellason LLP as our remuneration consultant in autumn 2022 following a competitive tender exercise. We considered the remuneration policy alongside the pay and conditions of all Caledonia staff and, with the assistance of Ellason, proactively sought their input.

The Committee's overriding objectives for its remuneration policy are to motivate Caledonia's leadership team to generate sustainable long term returns with remuneration packages that are closely linked to the company's long term strategy and performance. We look to ensure that the overall quantum of pay is competitive, but not excessive, and is closely aligned to the experience of our shareholders.

We are not proposing any changes to the annual bonus and long-term incentive award levels for the executive directors or to other key aspects of the policy. The Committee believes that the current remuneration structure remains closely aligned to Caledonia's business model and strategy, the ultimate aim of which is to grow the company's net assets and dividends paid to shareholders over the long term, whilst managing risk to avoid permanent loss of capital. Specifically, we consider that the performance measures adopted for the annual bonus and performance share scheme underpin the board's aim to deliver consistent annualised returns of between 3% and 6% above inflation (currently the Retail Prices Index ('RPI')). History has shown that this strategy should lead to outperformance of most equity markets, and in particular the FTSE All-Share Total Return index, over the medium and long term.

RPI is currently used as a reference point for inflation in the overall bonus calculation. Whilst RPI is still published by the Office for National Statistics, it is a legacy measure. The Consumer Prices Index including owner occupiers' housing costs ('CPIH') is now the leading and preferred indicator of inflation in the UK. For the 2024 financial year the board will move to use CPIH in place of RPI. However, given the current differential between the two inflation rates, we intend to phase the transition from RPI to CPIH as the inflation benchmark for the bonus over the course of the three year remuneration policy period. We consulted Caledonia's largest shareholders regarding this adjustment.

The Committee remains mindful of discussion within the investor community around executive pay. We participated in training during the year to ensure that we kept abreast of evolving good practice.

Caledonia has a small number of staff based in a single location. This enables us to set the remuneration of the executive directors and senior management in context. Regular reporting to the board also provides us with wide-ranging staff analysis including attrition rates, promotion decisions and training and development. We continue to review gender pay gap analysis to ensure Caledonia maintains equal pay for work of equal value.

Notwithstanding that Caledonia is not legally required to do so, we have once again reported pay ratio information in relation to the Chief Executive Officer in accordance with The Companies (Miscellaneous Reporting) Regulations 2018. This information is set out on pages 90 and 91.

Executive director changes announced in the year

In November 2022 Tim Livett advised the board of his intention to retire as Chief Financial Officer and leave the company's employment once his successor joins the board.

Tim's service agreement provides for a twelve month notice period. On the assumption that his retirement date will be around November 2023, the Committee agreed with him that he should not receive a payment in lieu of any unserved notice period or a performance share scheme award for the 2024 financial year. He will retain an entitlement to a pro-rated bonus to reflect his employment during the 2024 financial year which will be assessed in the usual way next year. The Committee has determined that he will be a 'good leaver' under the performance share scheme and deferred bonus plan rules on his retirement. He will therefore be entitled to retain his unvested long term incentive awards subject to applicable performance conditions, albeit reduced to reflect the proportion of such performance periods that he is in employment. His unvested deferred bonus plan awards will vest on his retirement date in accordance with the plan rules. Tim will continue to hold any shares acquired through the exercise of share awards (net of tax) for two years following his retirement date until his minimum shareholding guideline has been met. Full details of the arrangements for Tim's retirement, the terms of which are in accordance with the company's remuneration policy, are set out in this year's Annual report on directors' remuneration.

Remuneration for the year ended 31 March 2023

The Annual report on directors' remuneration set out on pages 83 to 92 describes in detail how our remuneration policy has been applied for the year ended 31 March 2023. I would, however, like to highlight the following points.

Annual bonus

Half of Mat Masters' and Tim Livett's bonus is determined by reference to company performance and half subject to the delivery of individual performance objectives. For Jamie Cayzer-Colvin, who has specific responsibility for the Funds pool, 25% of his bonus was determined by reference to company performance, 25% to his pool's performance, 35% to his pool's objectives and 15% to individual performance objectives.

The threshold required to trigger a bonus in respect of company performance is the higher of actual RPI over the financial year (being 13.5%) or 3.0%. Caledonia delivered net asset value per share total return ('NAVTR') of 5.5% which, whilst ahead of the FTSE All-Share return of 2.9% for the same period, was below the target given the exceptional level of RPI in the year. The Funds pool achieved a total return over the year of 6.2% on a constant currency basis which, for Jamie Cayzer-Colvin, was above the return needed to achieve the minimum pay-out for that element of his bonus. After assessing their individual performance and, for Jamie, the attainment of pool objectives, the Remuneration Committee awarded overall bonuses to Mat and Tim of 45% of basic salary and 48% of basic salary to Jamie. Although the financial return target for company performance was not met, the Committee considered it appropriate to award bonuses based on the robust delivery of personal objectives and supported by the company's underlying performance.

Performance share scheme awards

The performance share scheme awards granted in 2018 (measured over five years) and the first one-third of the awards granted in 2020 (measured over three years) reached the end of their performance periods in March this year. In each case, the awards were measured by reference to Caledonia's annualised NAVTR over the relevant periods, which was 11.6% for the 2018 awards and 19.3% for the 2020 awards, giving full vesting of Tim Livett's 2020 award and this portion of Mat Masters' and Jamie Cayzer-Colvin's 2018 and 2020 awards.

Mat was previously Head of the Capital portfolio before taking on broader responsibility for the Income strategy in 2019 and his appointment as Chief Executive Officer in 2022. The Capital portfolio's annualised total return (relevant for 80% of his 2018 award and 53.3% of his 2020 award) was 14.4% and 16.1% respectively (excluding Polar Capital) and the Income portfolio's annualised return (relevant for 26.7% of his 2020 award) was 9.2%, meaning that these portions of his 2018 and 2020 awards also vested in full. The Funds pool's annualised total return, relevant for 60% of Jamie's 2018 and 2020 awards, was 18.7% (measured in Sterling) and 27.9% (on a constant currency basis) respectively, which resulted in this element of his 2018 and 2020 awards vesting in full.

The Committee conducted analysis before concluding that no windfall gain had arisen in connection with share price growth for performance share scheme awards which vested during the year. Further analysis is set out on page 84.

The details of the vesting scales for these awards can be found on page 84. The Remuneration Committee considers that these performance outcomes are appropriate.

The remaining two-thirds of the 2020 performance share scheme awards will be tested in March 2025.

Directors' remuneration report (continued)
Annual statement by the Chair of the Remuneration Committee

Remuneration for the year ending 31 March 2024

Looking ahead to the 2024 financial year, Mat Masters' and Jamie Cayzer-Colvin's basic salaries have been increased with effect from 1 April 2023 by 5%, which was below the increases given to staff. Tim Livett, who will retire later this year, did not receive a pay increase. Standard salary increases of 6% were awarded to senior staff and 8% to those on lower incomes in recognition that elevated levels of inflation impact them disproportionately. This latter cohort also received a small additional cost of living payment in November 2022 in response to the inflationary pressures being experienced at that time.

With effect from 1 April 2023, the basic non-executive directors' fee increased by 5%. No changes have been made to the fees paid to the chairs and members of the Audit and Risk and Remuneration committees or to the fee paid to the company's Chair.

We plan to make performance share scheme awards to Mat and Jamie following the release of our 2023 full year results in line with our normal grant cycle. These awards will be subject to the same performance measures used for the 2022 award grants, which are summarised in the notes to the Directors' share scheme interests on pages 88 and 89.

Finally, I would like to thank my colleagues on the Committee for their support and guidance during my first year as Chair.

Anne Farlow
Chair of the Remuneration Committee
22 May 2023

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

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

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

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

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

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

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

Directors' remuneration report
Remuneration policy

Implementation of the policy

The remuneration policy set out below describes the policies, principles and practices to be operated by the company for the remuneration of its directors. If approved by shareholders at the annual general meeting to be held on 19 July 2023, this policy will supersede the policy approved at the 2020 annual general meeting and take effect from that date. It will then apply until a revised remuneration policy is approved by shareholders. The company does not expect to seek shareholder approval for a revised policy until the annual general meeting in 2026.

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

Legacy arrangements

The policy is essentially forward looking in nature. In view of the long-term nature of the company's remuneration structures — including obligations under service contracts, pension arrangements and incentive schemes — a substantial number of pre-existing obligations will remain outstanding at the time that the new policy is approved, including obligations that are 'grandfathered' by virtue of being in force prior to the introduction of the binding remuneration policy regime in the UK on 27 June 2012 or which were incurred under the previous remuneration policies approved by shareholders. It is the company's policy to honour in full any pre-existing obligations that have been entered into prior to the effective date of this policy.

Objectives

The key objectives of the Remuneration Committee in setting the company's remuneration policy are as follows:

- remuneration of executive directors should be linked to the company's long-term performance and its business strategy
- performance related remuneration should seek to align the interests of executive directors with those of the shareholders
- a significant proportion of executive directors' remuneration should be linked to the performance of the company and receivable only if demanding performance targets are achieved
- remuneration packages for executive directors should be competitive, but not excessive, in terms of market practice, in order to attract, retain and motivate executive directors of the quality needed to manage and grow the company successfully.

Remuneration structure
Executive directors

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

Salary (fixed pay)

Purpose and link to strategic objectives	To support the recruitment and retention of executive directors of the calibre required to manage and grow the company successfully.
Operation	Reviewed annually.
Opportunity and recovery or withholding provisions	Salary increases are normally awarded by reference to any increase in the salaries of other Caledonia staff/the cost of living, but may take into account other factors such as external market positioning, change in the scope of the individual's responsibilities or level of experience, development in the role and levels of pay elsewhere in the company. Normally year on year increases in basic salaries will not exceed inflation by more than 5%, other than where there is a significant change in role or responsibilities or in such other circumstances as the Remuneration Committee may determine. No recovery or withholding provisions.
Performance measurement framework	Not applicable.

Directors' remuneration report (continued)
Remuneration policy

Benefits (fixed pay)

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

Short-term incentives (variable pay)

Purpose and link to strategic objectives	To reward performance on an annual basis against key financial, operational and individual objectives.
Operation	Discretionary annual bonus scheme and deferred bonus plan under which a proportion of bonus may be compulsorily deferred into shares. Bonus is not pensionable.
Opportunity and recovery or withholding provisions	The maximum potential bonus is 100% of basic salary. Any bonus over 50% of basic salary is compulsorily deferred into shares for a period of three years. Participants will also receive an amount or additional number of shares equal to the value of the dividends that would have accrued on the deferred shares. All bonus payments are subject to the overriding discretion of the Remuneration Committee, which also retains discretion to amend the proportions of bonus subject to compulsory deferral or not to require any deferral in exceptional circumstances. In order to be entitled to an annual bonus, an executive director must normally be in the group's employment and not under notice of termination (either given or received) at the time the bonus is paid. The Remuneration Committee has the right to cancel or reduce any cash bonus or deferred bonus shares granted after the effective date of this policy which have not yet been paid or vested. The Remuneration Committee also has the right to recover all or part of cash bonus paid or deferred bonus shares and dividend shares or equivalent amounts awarded after 29 July 2020 within the two years following date of payment or vesting as applicable.
Performance measurement framework	By reference to a combination of company performance against external benchmarks and individual performance against personal objectives. Executive directors with responsibility for pools of capital will have a proportion of bonus determined by reference to pool performance and objectives.

Long-term incentives (variable pay)

Purpose and link to strategic objectives	To motivate executive directors to deliver long-term shareholder value, thereby aligning the interests of management with those of shareholders. To encourage long-term retention of key executives.
Operation	A performance share scheme under which participants are granted awards (normally in the form of nil-cost options) over the company's shares.
Opportunity and recovery or withholding provisions	The maximum value of awards that may be granted in any year is 200% of basic salary, although the company's current intention is to grant annual awards of no more than 150% of basic salary. Participants will also receive an amount or additional number of shares equal to the value of the dividends that would have accrued on the shares awarded. Performance is measured over three years for one-third of awards which is subject to a post-vesting holding period, on an after-tax basis, of two years. The remaining two-thirds of awards is subject to performance over five years, with no post-vesting holding requirement. The Remuneration Committee has the right to cancel or reduce long-term incentive awards which have not yet vested. The Remuneration Committee also has the right to recover all or part of the value of long-term incentive awards and dividend equivalents received within two years of the date that such awards vested and became exercisable.
Performance measurement framework	For executive directors who are not directly responsible for a pool of capital, awards under the performance share scheme are subject to the performance of the company's annualised diluted net asset value per share total return ('NAVTR') measured over three or five years. For executive directors directly responsible for a pool of capital, the awards are subject to a combination of the performance of the company's annualised NAVTR as above and the annualised total returns achieved by the relevant pool for which he or she is responsible, again measured over three or five years. The rules of the scheme provide discretion to the Remuneration Committee to amend the performance targets or impose different performance targets and to determine the appropriate proportion of any award subject to each performance measure.

Pension related benefits (fixed pay)

Purpose and link to strategic objectives	To provide a means of retirement saving as part of a range of benefits alongside basic salary to recruit and retain high calibre executive directors.
Operation	Executive directors are offered defined contribution funding, based on a percentage of salary, to a personal pension scheme or a cash salary supplement (or a combination of both) at their choice.
Opportunity and recovery or withholding provisions	Executive directors receive the same percentage of basic salary as a pension contribution as all Caledonia's staff, currently 15%. If a director chooses to take a cash supplement in lieu of some or all of their pension entitlement, the payment is reduced by such amount as is necessary to make the cash supplement cost neutral for the company after taking into account National Insurance contributions. No recovery or withholding provisions.
Performance measurement framework	Not applicable.

Notes to the policy table

1. **Performance measures and targets**

Annual bonus

For the Chief Executive Officer and the Chief Financial Officer, a maximum of 50% of bonus is determined by reference to company performance and 50% by reference to individual performance objectives. For executive directors responsible for a specific pool of capital, 25% of bonus is determined by reference to the company's performance, 25% to pool performance, 35% to pool objectives and 15% to individual performance objectives. In all cases, the company performance element is determined by reference to the relative performance of the company's NAVTR against inflation. The inflation benchmark will transition from RPI to CPIH over the three year policy period, weighted 67:33 on RPI:CPIH for the 2024 financial year, moving to 50:50 for 2025, 33:67 for 2026 and 100% on CPIH for 2027.

Inflation is taken as the higher of the weighted RPI/CPIH benchmark over the bonus year or 3%, being broadly in line with its historic long-term average. Bonus payments for this element currently commence with a 10% pay-out if NAVTR matches the inflation benchmark, increasing incrementally to the maximum entitlement payable if outperformance of 7% or more is achieved. Pool performance is judged by the Remuneration Committee by reference to the return achieved by the pool against a set target return and by objectives such as deal flow and delivery of portfolio strategy. Individual performance is assessed by reference to personal objectives set at the start of the year, including non-financial measures such as risk management, environmental, social and governance matters, marketing of the company, team leadership and engagement, management skills and promotion of Caledonia's corporate culture and profile both internally and externally.

The Remuneration Committee retains discretion to amend or adopt alternative annual bonus targets and/or levels in future years in order to achieve better alignment with the company's strategic objectives.

Compulsory deferral of bonus

Deferred bonus plan

Shares subject to compulsory deferral will normally only vest if the director remains an employee of the Caledonia group for a three-year period commencing on the first day of the financial year in which the award is made.

Long-term incentive plans

Performance share scheme

One-third of awards granted will be measured over three years and two-thirds over five years. In all cases, shares that vest will become immediately exercisable/transferable and, if the award is structured to grant nil-cost options, will lapse if not exercised within ten years of grant.

Awards granted to the Chief Executive Officer and Chief Financial Officer will vest on a graduated basis, with vesting currently commencing at 10% on the achievement of an annualised NAVTR of 3%, rising incrementally to 100% vesting on achievement of an annualised NAVTR of 10%, measured over three and five years. For Mr Cayzer-Colvin, who is head of the Funds pool, 60% of his performance share scheme awards will be measured against the annualised total returns achieved by the Funds pool, measured over three and five years. Awards will similarly vest on a graduated basis, with vesting commencing at 10% on achievement of an annualised Funds pool total return of 6%, rising incrementally to 100% vesting on achievement of an annualised total return of 13.5%. The remaining 40% of Mr Cayzer-Colvin's performance share scheme awards will be measured against Caledonia's annualised NAVTR as above.

Malus and clawback provisions

The Remuneration Committee has the right to cancel or reduce any cash bonus or deferred bonus shares granted which have not yet been paid or vested and long-term incentive awards which have not yet vested, in the event of a material misstatement of the company's financial results, miscalculation of a participant's entitlement, individual misconduct or an event resulting in material loss or reputational damage to the company or any member of the group. The Remuneration Committee may, acting fairly and reasonably, reduce the level of vesting to take account of any matter which it considers appropriate including the broader performance of the company, the shareholder experience and the conduct of the participant.

The Remuneration Committee also has the right to recover all or part of cash bonus paid or deferred bonus shares and dividend shares or equivalent amounts awarded after 29 July 2020 within the two years following date of payment or vesting as applicable and the value of long-term incentive awards and dividend equivalents received within two years of the date that such awards vested and became exercisable, in the event of a material miscalculation of a participant's entitlement, a material misstatement or restatement of the company's financial results for the years to which the performance periods relate, or material personal misconduct that would justify summary dismissal, result in significant reputational damage to the company, have a material adverse effect on the company's financial position, or reflect a significant failure of the company's risk management or control.

Rationale for choice of performance measures for the short and long-term incentive plans

The Remuneration Committee has chosen NAVTR as the basis of performance measurement for the company for both its short-term and long-term incentive arrangements as it regards this as the best indicator of the success or failure of management decisions in terms of creating value for the company.

For the company performance element of the annual bonus scheme, the board has taken the view that benchmarking against a stock market index or indices over a short period is not relevant given Caledonia's long-term investment horizon and the nature of its portfolio. The Remuneration Committee has therefore instead chosen UK inflation, subject to a minimum of 3%, as the comparator, as on this basis executives will only be rewarded to the extent that they are able to deliver positive real returns for shareholders. The Remuneration Committee will review the rate of increase in UK inflation at the start of each financial year and may adjust the level of outperformance required for the incremental and maximum bonus payments in order to ensure that they remain a fair measure of performance.

For awards under the performance share scheme, the Remuneration Committee has chosen Caledonia's annualised NAVTR as the performance measurement, as it believes that this is the most effective method of aligning directors' rewards with the long-term strategic objective of the company of delivering annualised returns over rolling ten-year periods of between inflation +3% and inflation +6% over the medium and longer term. For Mr Cayzer-Colvin, the Remuneration Committee believes that a significant proportion of his variable pay should be weighted towards the annualised total return performance of the Funds pool of capital for which he is responsible and has therefore determined that 60% of his performance share scheme awards should be tested by reference to this.

The targets for each component of the long-term incentive plans have been set by the Remuneration Committee with the aim of delivering increasing reward for greater outperformance. The Remuneration Committee keeps these under review and may adjust the measures and levels at which incremental and maximum entitlements are earned in order to ensure that they remain sufficiently challenging and aligned with the company's strategy and key performance indicators.

2. **New components introduced into the new remuneration policy**
There are no new components included in the above policy table which were not a part of the remuneration policy previously operated for executive directors by the company.

3. **Changes to components included in the previous remuneration policy**
The only substantive change to the company's previous remuneration policy is the move to use CPIH in place of RPI as the inflation benchmark for annual bonus purposes, which will be phased in over the course of the three year remuneration policy period. Flexibility to determine the method by which dividend equivalents are calculated has also been included. Minor changes have been made to the wording of the policy to reflect evolving market trends and improve the clarity of operation.

4. **How the remuneration policy for executive directors relates to remuneration of Caledonia group employees generally**
Caledonia applies a similar reward philosophy for group employees. Executive directors' remuneration packages tend to be higher than those of other employees, but also include a higher proportion of variable pay.

Directors' remuneration report (continued)
Remuneration policy

Chair and non-executive directors

The table below sets out each component of the Chair's and the non-executive directors' remuneration and the approach taken by the company in relation thereto.

Component	Approach
Chair's and non-executive directors' fees	The Chair's fee is determined by the Remuneration Committee and the non-executive directors' fees are set by the board (excluding the non-executive directors). These are reviewed periodically taking into account the responsibilities and time commitments required and non-executive director fee levels generally. The Chair receives an annual fee, which includes their basic non-executive director's fee, but does not receive any other remuneration. Non-executive directors receive basic fees, which are subject to an aggregate annual limit for non-executive directors' ordinary remuneration contained in the articles of association, currently £600,000. In addition, special fees are paid to the chair and members of the Audit and Risk and Remuneration Committees and also for the role of Senior Independent Non-Executive Director and Chair of the Governance Committee. Additional fees may be payable for other additional board responsibilities and/or time commitment.
Additional fees payable for services to other group companies	Exceptionally, non-executive directors may receive fees in connection with subsidiary and investee companies for services provided to them. Fees for services provided to such companies are set and reviewed by the boards of those companies, but will not exceed £100,000 per annum in aggregate for any non-executive director.
Other benefits	The Chair and the non-executive directors are all covered under the company's directors' and officers' liability insurance policy and have the benefit of an indemnity under the company's articles of association. The Chair is also provided with an office and secretarial support. The company may, where appropriate, pay for the cost of spouses or partners accompanying non-executive directors on trips where there is a business reason for doing so and reimburse non-executive directors for hotel accommodation and travel expenses (in each case including payment of any tax thereon).

Remuneration policy for new appointments

Executive directors

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

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

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

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

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

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

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

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

	Date of contract	Notice period for company and director	Unexpired term
M S D Masters	15 May 2008	12 months	12 months
T J Livett	14 Nov 2018	12 months	12 months
J M B Cayzer-Colvin	19 Apr 2005	12 months	12 months

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

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

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

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

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

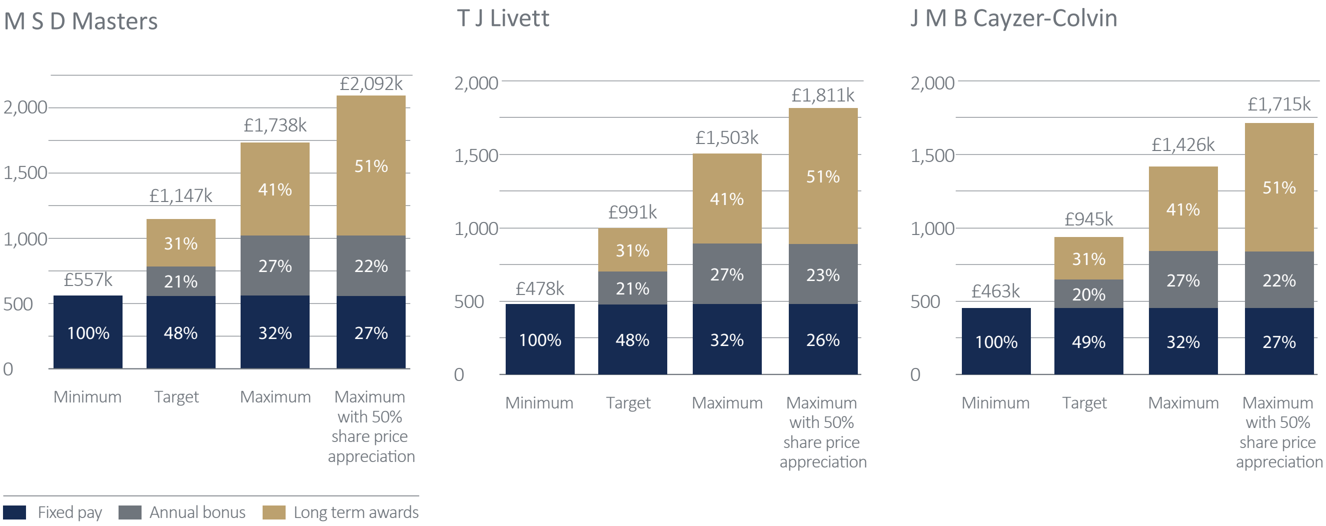
Policy on external non-executive directorships held by executive directors

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

Illustration of the application of the remuneration policy for executive directors

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

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



1. Fixed pay – comprises basic salary and pension related benefits, based on basic salary for the financial year ending 31 March 2024 and other taxable benefits taken from the table of total emoluments paid to directors for the 2023 financial year included in the Annual report on directors' remuneration.
2. Annual bonus – based on basic salary for the year ending 31 March 2024.
3. Long-term awards – for target performance and maximum receivable, an initial grant of 150% of basic salary for the year ending 31 March 2024 under the performance share scheme is assumed, as this is the current policy set by the Remuneration Committee, notwithstanding that the maximum permitted under the scheme rules is 200%. Share price growth is shown only in the maximum receivable with 50% share price appreciation column for shares vesting under the performance share scheme only. Any dividend equivalents that might accrue on share awards are not included.
4. As announced on 22 November 2022, Mr Livett has notified the company of his intention to retire. He will not be granted a long-term incentive award during the year ending 31 March 2024. The charts above assume a hypothetical grant to Mr Livett for illustrative purposes only.

Policy on payments for loss of office

Executive directors

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

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

In applying the company's right to make a lump sum payment in lieu of notice, the Remuneration Committee would normally expect to prorate the lump sum for the unexpired period of notice to which the payment relates.

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

Executive directors would also be entitled under their service contracts to be paid on termination for any accrued, but untaken, holiday entitlement. The Remuneration Committee may, where it considers it appropriate in the circumstances, make payments for loss of statutory rights or waiver thereof and a contribution towards legal and outplacement fees. The Remuneration Committee may also make a payment to ensure that any restrictive covenants remain enforceable.

Where the director holds unvested awards under the company's long-term incentive schemes, the Remuneration Committee may exercise its discretions as to vesting in accordance with the relevant scheme rules. In good leaver circumstances, for example where cessation of employment is by reason of death, retirement, injury, disability, ill-health, redundancy, or such other reason as the Remuneration Committee may decide, the Remuneration Committee will normally determine the level of vesting based on the attainment of the performance targets, either at the time of cessation or at the normal test date if permitted by the scheme rules, but in the case of the former may decrease or increase the level of vesting if the Remuneration Committee considers that the targets would have been met to a lesser or greater extent at the end of the performance period. The number of shares that vest will normally be reduced to reflect the proportion of the performance period that the director was in employment, although the Remuneration Committee has discretion not to scale down the number of shares if it believes it appropriate in the circumstances. The Remuneration Committee has the discretion to assess good leaver treatment for participants should circumstances change after the date they leave but prior to vesting. Any holding period will continue to apply in respect of shares held by a leaver, unless otherwise determined by the Remuneration Committee.

Where the director holds unvested awards under the company's deferred bonus plan, the Remuneration Committee may exercise its discretion as to vesting in accordance with the relevant scheme rules. In good leaver circumstances, awards will vest on leaving employment.

Following termination, the company may continue insurance related benefits for the former employee until the end of the insurance policy period. The company's directors' and officers' liability insurance policy also provides for a six-year period of run-off cover for former directors. A director may remain in employment after ceasing to be a director for a limited period to allow time for an effective handover or for a successor to be appointed.

In the event of a change of control before the expiry of the performance measurement period of a long-term incentive award, the vesting level of the award will be determined by the Remuneration Committee based on the extent to which the Remuneration Committee considers that the performance targets have been achieved and vested shares will then be scaled down to reflect the shortened measurement period. The Remuneration Committee may modify such vesting levels if it considers that the performance target would be met to a greater or lesser degree at the testing date and/or if the application of time prorating would be inappropriate in the circumstances.

Chair and non-executive directors

The Chair and the non-executive directors have no entitlement to any compensation on termination of their appointments, although they would have the benefit of run-off cover under the directors' and officers' liability insurance policy as described above. However, in appropriate circumstances they may receive de minimis retirement gifts from the company.

Directors’ remuneration report (continued)
Remuneration policy

Executive directors’ minimum shareholding guidelines

In order to align the interests of executive directors with those of shareholders, the Remuneration Committee has adopted guidelines for minimum shareholdings, which executive directors will be expected to attain through the retention of all post-tax share awards vesting under the company’s long-term incentive plans until the minimum shareholding is met. For these purposes, shareholdings include those of connected persons and also the value, net of any exercise costs, income tax and National Insurance contributions, of unexercised awards granted under its performance share scheme for which the performance targets have been met. Also included are bonuses deferred compulsorily under the company’s deferred bonus plan, again net of income tax and National Insurance contributions.

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

For the Chief Executive Officer, the minimum guideline shareholding has been set at 200% of basic salary and for other executive directors 150% of basic salary.

Statement of consideration of employment conditions elsewhere in the group

In setting the policy for directors’ remuneration, the Remuneration Committee considered pay and employment conditions of other employees within the group. The Remuneration Committee does not however seek to apply any metrics between pay levels of different roles within the group as this would restrict flexibility in aligning reward and performance and potentially could hinder the recruitment and retention of high calibre individuals. Executive directors’ remuneration packages are however benchmarked with other senior investment executives, who participate in the same annual bonus and long-term incentive plans. Various stakeholders, including a number of employees, were consulted regarding the company’s remuneration arrangements ahead of its triennial review of policy, with their feedback considered by the Remuneration Committee when developing the proposed policy.

Statement of consideration of shareholder views

Prior to the finalisation of this policy, the Remuneration Committee consulted a number of the company’s larger shareholders through written correspondence. Shareholders were broadly supportive of the remuneration policy and did not request any changes to it. More generally, the Remuneration Committee receives copies of any correspondence from shareholders and institutional shareholder representative bodies relating to remuneration matters and the company’s annual general meeting provides shareholders with the opportunity to ask questions about directors’ remuneration.

Directors' remuneration report

Annual report on directors' remuneration

The following report sets out details and explanations of remuneration paid to directors over the financial year to 31 March 2023 and describes how Caledonia's remuneration policy will be implemented for the 2024 financial year.

Single total figure of remuneration for each director (audited)

Executive directors

The table below provides an analysis of total remuneration of each executive director for the financial year ended 31 March 2023, or date of cessation of employment in the case of Mr Wyatt, and a comparison with the previous financial year.

	M S D Masters[1]		W P Wyatt[2]		T J Livett		J M B Cayzer-Colvin	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Fixed remuneration and benefits								
Salary	450	-	176	540	410	390	367	349
Taxable benefits[3]	17	-	6	22	8	7	28	24
Pension related benefits	59	-	23	71	54	51	48	46
Total fixed remuneration	526	-	205	633	472	449	442	419
Variable remuneration								
Short-term incentives[4]	203	-	-	540	185	390	176	349
Long-term incentives[5]	539	-	981	1,153	284	258	740	704
Total variable remuneration	741	-	981	1,693	469	648	916	1,053
Total	1,268	-	1,186	2,326	940	1,097	1,358	1,472

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

1. Mr Masters was appointed to the board as Chief Executive Officer designate on 1 April 2022, succeeding Mr Wyatt on 27 July 2022.
2. Mr Wyatt ceased to be an executive director on 27 July 2022. The fees received by Mr Wyatt as a non-executive director after that date are excluded from the table above and are shown in the table of non-executive director fees on page 85.
3. **Taxable benefits**
   Taxable benefits principally comprised private medical insurance cover, a small Christmas supplement paid to all Caledonia staff and business related expense reimbursements deemed to be taxable by HMRC. The taxable benefits for Mr Masters, Mr Wyatt and Mr Cayzer-Colvin also included legacy cash allowances of £7,776, £4,889 and £15,024 respectively in lieu of a company car.

   In addition to taxable benefits, other non-taxable benefits were provided to executive directors, including death-in-service insurance (4x basic salary), permanent health and income protection insurance, directors' and officers' liability insurance and certain other benefits of minor value provided to all of Caledonia's staff.
4. **Short-term incentives**
   No bonus awarded exceeded 50% of salary therefore no amounts included in the 2023 short-term incentives row will be compulsorily deferred via the deferred bonus plan. The following amounts included in the short-term incentives row for 2022 were compulsorily deferred for a period of three years in the form of nil-cost options:

	M S D Masters		W P Wyatt		T J Livett		J M B Cayzer-Colvin	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Compulsorily deferred	-	-	-	-[a]	-	195	-	175
Cash	203	-	-	540	185	195	176	175
Total[b]	203	-	-	540	185	390	176	350

a. Mr Wyatt's 2022 bonus was not subject to compulsory deferral as any award made to him would have vested and become exercisable on his retirement on 27 July 2022.
b. Due to rounding, individual columns do not necessarily add up to the total.

For Mr Masters and Mr Livett, a maximum of 50% of bonus was determined by reference to company performance and 50% by reference to individual performance objectives. For Mr Cayzer-Colvin, who has specific responsibility for the Funds pool of capital, 25% of his bonus was determined by reference to the company's performance, 25% to his pool's performance, 35% to his pool's objectives and 15% to individual performance objectives. For the 2023 financial year, the company performance element was determined by reference to the relative performance of the company's NAV per share total return ('NAVTR') against the Retail Prices Index ('RPI'), which for bonus purposes was taken as 3%, or actual RPI if greater, with bonus payments for this element commencing with a 10% pay-out if the company's NAVTR matched RPI, increasing incrementally to the maximum entitlement payable if outperformance of 7% or more was achieved. Mr Cayzer-Colvin's pool performance was assessed by reference to the return achieved by the Funds pool over the year on a constant currency basis, with payments commencing on achievement of a total return of 6%, rising to a maximum pay-out against a total return of 13.5%, and pool objectives, by measures such as increasing Caledonia's knowledge of the Asian and US fund universe, ensuring Caledonia remains positioned with managers raising new funds, refining and executing the Funds pool strategy and cash flow. Individual performance for each executive director was assessed by reference to personal objectives set at the start of the year, including non-financial measures such as succession planning, risk management, further developing the company's approach to responsible investment, marketing of the company, team leadership, management skills, systems and controls enhancements, improvements to reporting, team development and promotion of Caledonia's corporate culture and image both internally and externally.

The company's NAVTR was 5.5% over the year against an increase in RPI (for bonus purposes) of 13.5%, giving no payment for this element. The Funds pool's return over the year was 6.2% on a constant currency basis (13.3% in Sterling), giving a payment to Mr Cayzer-Colvin of 12% of maximum for this element. In assessing Mr Cayzer-Colvin's achievement of his pool objectives, the Remuneration Committee took account of the fact that Caledonia remains well known in its target funds sectors in both the US and Asia and continues to be offered participation in new fund launches even when oversubscribed by existing limited partners. It also noted the good progress being made in implementing the strategy of increasing the pool's focus on private equity funds and the reduction in quoted market fund exposures and concluded that Mr Cayzer-Colvin should be awarded a bonus of 35% of salary for attainment of pool objectives. It further decided that Mr Cayzer-Colvin's team leadership and broader contribution in executive decision taking merited a bonus of 10% of salary for individual performance.

In terms of Mr Masters' and Mr Livett's individual performance, the Remuneration Committee assessed aspects such as succession planning, development of the company's approach to responsible investment, shareholder engagement, development and execution of the board's strategy, the ongoing development of systems and controls (including those with respect to information technology), reporting improvements, management of the executive team and peer group liaison and analysis. The Remuneration Committee decided to award bonuses for personal performance of 45% of salary for Mr Masters and Mr Livett. The Committee considered it appropriate to award bonuses on the robust delivery of personal objectives and supported by the company's underlying performance.

The total bonuses awarded to Mr Masters, Mr Livett and Mr Cayzer-Colvin for the year were therefore determined as follows:

	M S D Masters		T J Livett		J M B Cayzer-Colvin	
	Award %	Max %	Award %	Max %	Award %	Max %
Performance						
Company	-	50	-	50	-	25
Pool	n/a	n/a	n/a	n/a	3	25
Objectives						
Pool	n/a	n/a	n/a	n/a	35	35
Individual	45	50	45	50	10	15
Total	45	100	45	100	48	100

5. **Long-term incentives**

The long-term incentive awards for which performance measurement periods ended during the year were the two-thirds of the awards granted in 2018 under the performance share scheme and one-third of the awards granted under that scheme in 2020. All such awards were nil-cost options. The performance measures and outturn following testing for the awards made to Mr Masters, Mr Wyatt, Mr Livett and Mr Cayzer-Colvin were:

	Year of award	Performance measure	% of award	Performance outturn %	% vested
M S D Masters	2018	NAVTR(a)	20	11.6	100
		Capital portfolio TR(b)	80	14.4	100
	2020	NAVTR(a)	20	19.3	100
		Capital portfolio TR(b)	53.3	16.1	100
		Income portfolio TR(c)	26.7	9.2	100
W P Wyatt	2018	NAVTR(a)	100	11.6	100
	2020	NAVTR(a)	100	19.3	100
T J Livett	2020	NAVTR(a)	100	19.3	100
J M B Cayzer-Colvin	2018	NAVTR(a)	40	11.6	100
		Funds pool TR(d)	60	18.7	100
	2020	NAVTR(a)	40	19.3	100
		Funds pool TR(d)	60	27.9	100

a. Vesting on a graduated basis, commencing at 10% on achievement of an annualised NAVTR of 3%, rising incrementally to 100% vesting on an annualised NAVTR of 10% over five years for the 2018 awards and over three years for the 2020 awards.
b. Vesting on a graduated basis, commencing at 10% on achievement of an annualised total return of 4%, rising incrementally to 100% vesting on achievement of an annualised total return of 11% over five years for the 2018 awards and three years for the 2020 awards. The performance metric excluded Polar Capital which, if included, decreased the outturn for the 2018 award to 14.1% and increased the outturn for the 2020 award to 16.4%.
c. Vesting on a graduated basis, commencing at 10% on achievement of an annualised total return of 3.5%, rising incrementally to 100% vesting on achievement of an annualised total return of 7% over three years.
d. Vesting on a graduated vesting basis, commencing at 10% on achievement of an annualised total return of 6%, rising incrementally to 100% vesting on achievement of an annualised total return of 13.5% over five years for the 2018 awards and over three years for the 2020 awards. The performance metric for the 2018 award was measured on a Sterling basis (18.5% based on constant currency) and for the 2020 awards on a constant currency basis (28.3% based on Sterling).

The awards granted in 2018 will vest on 30 May 2023. The awards granted in 2020 will vest on 4 August 2023 and be subject to a post-vesting holding period of two years. The values, as reflected in the 2023 long term incentives column above, are calculated using the three-month average share price to 31 March 2023 of 3534p, together with the value of dividends that will have accrued on the shares at vesting. The overall value of the long-term incentives shown in the table above are therefore analysed as follows:

	Estimated value of long-term incentive awards at vesting £	Value of dividend equivalents at vesting £	Estimated total at vesting[a] £
M S D Masters	479,493	59,423	538,916
W P Wyatt	870,742	110,313	981,055
T J Livett	257,275	26,943	284,218
J M B Cayzer-Colvin	657,253	82,454	739,708

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

The estimated value attributable to share price appreciation since grant in 2018 and 2020, based on the three-month average share price to 3 1 March 2023, for Mr Masters, Mr Wyatt, Mr Livett and Mr Cayzer-Colvin was £115,987, £209,243, £65,083 and £158,409 respectively. No discretion was exercised by the Remuneration Committee in respect of share price appreciation. In particular, the Committee was satisfied that no windfall gain had arisen in connection with the performance share scheme awards made in 2020 at a grant calculation price which was calculated at a 2% discount to the average share price for the year (which was considered to be within normal parameters), and given that the appreciation in value lagged growth in NAVTR over the performance period.

The 2022 figures shown in the long-term incentives and total rows on page 83 have been restated to replace estimated values for performance share scheme awards included in last year's report. The estimated values, which included dividend equivalents, were £1,120,467 for Mr Wyatt, £247,327 for Mr Livett and £684,128 for Mr Cayzer-Colvin. The restated figures, which reflect the values on the vesting dates, are as follows:

	Value of long-term incentive awards at vesting £	Value of dividend equivalents at vesting £	Total at vesting £
W P Wyatt	1,047,259[a]	105,897	1,153,156
T J Livett	246,445[b]	11,900	258,345
J M B Cayzer-Colvin	639,760[c]	64,410	704,170

a. 9,278 shares granted in 2019 vested on 30 May 2022. The mid closing price was 3825p per share. 18,488 shares granted in 2017 vested on 21 July 2022. The mid closing price was 3745p per share.
b. 6,443 shares granted in 2019 vested on 30 May 2022. The mid closing price was 3825p per share.
c. 5,760 shares granted in 2019 vested on 30 May 2022. The mid closing price was 3825p per share. 11,200 shares granted in 2017 vested on 21 July 2022. The mid closing price was 3745p per share.

Chair and non-executive directors

Fees and other remuneration paid to the Chair and the non-executive directors during the year ended 31 March 2023 and the previous year were as follows:

	Fees		Taxable expenses[7]		Total[9]	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
D C Stewart	165	150	-	-	165	150
S J Bridges	48	46	-	-	48	46
F A Buckley[1]	1	-	-	-	1	-
Hon C W Cayzer[2]	50	45	-	-	50	45
G B Davison	54	47	-	-	54	47
M A Farlow[3]	55	-	-	-	55	-
C L Fitzalan Howard	47	42	-	-	47	42
L R Fordham[4]	53	11	-[8]	-	53	11
S C R Jemmett-Page[5]	9	47	-	-	9	47
W P Wyatt[6]	30	-	-	-	30	-

1. Ms Buckley was appointed as a director on 28 March 2023.
2. The Hon C W Cayzer receives an additional fee of £5,000 per annum in respect of his services as a trustee of the Caledonia Pension Scheme.
3. Ms Farlow was appointed as a director on 28 March 2022. No fee was payable in March 2022.
4. Ms Fordham was appointed as a director on 1 January 2022.
5. Ms Jemmett-Page retired as a director on 31 May 2022.
6. Mr Wyatt became a non-executive director on 27 July 2022. This table reflects the fee received in respect of his non-executive role after that date.
7. Taxable expenses include expense reimbursements relating to travel, accommodation and subsistence in connection with board and committee attendance during the year which are deemed by HMRC to be taxable in the UK. Amounts are the grossed-up cost of UK tax paid by the company. Non-taxable expense reimbursements have not been included in the table.
8. Ms Fordham incurred a taxable expense during the year in connection with travel to a meeting at a total cost, including tax, of £313. No taxable expenses were incurred by other directors.
9. Due to rounding, amounts stated do not necessarily add up to the total column.

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

Total pension entitlements (audited)

Defined contribution

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

	Pension contribution		Cash supplement		Total	
	2023 £	2022 £	2023 £	2022 £	2023 £	2022 £
M S D Masters[1]	2,813	-	56,494	-	59,307	-
W P Wyatt[2]	-	-	23,161	71,178	23,161	71,178
T J Livett	-	-	53,700	51,439	53,700	51,439
J M B Cayzer-Colvin	-	-	48,002	46,002	48,002	46,002

1. Mr Masters was appointed as a director on 1 April 2022.
2. Mr Wyatt retired as an executive director on 27 July 2022.

Defined benefit

On 26 April 2017, The Hon C W Cayzer reached his retirement age of 60 and now receives an annual pension under the Caledonia Pension Scheme, a final salary defined benefit scheme.

Scheme interests awarded during the financial year (audited)

The table below sets out the awards made to each executive director during the year under the performance share scheme and deferred bonus plan.

Scheme	Type of award	Basis of award	Date of grant	Face value of award £'000	Share price at grant	Shares comprised in award number[1]	Receivable if minimum performance achieved[2]	End of performance period[3]
M S D Masters								
Performance share scheme	Nil-cost option	150% of salary	30.05.22	675	3740p	18,048	10%	31.03.27
Deferred bonus plan	Compulsory award, nil-cost option	% of bonus in excess of 50% of salary	30.05.22	145	3740p	3,870	n/a	n/a
Total scheme interests awarded				820		21,918		
T J Livett								
Performance share scheme	Nil-cost option	150% of salary	30.05.22	615	3740p	16,444	10%	31.03.27
Deferred bonus plan	Compulsory award, nil-cost option	% of bonus in excess of 50% of salary	30.05.22	195	3740p	5,217	n/a	n/a
Total scheme interests awarded				810		21,661		
J M B Cayzer-Colvin								
Performance share scheme	Nil-cost option	150% of salary	30.05.22	550	3740p	14,699	10%	31.03.27
Deferred bonus plan	Compulsory award, nil-cost option	% of bonus in excess of 50% of salary	30.05.22	175	3740p	4,666	n/a	n/a
Total scheme interests awarded				725		19,365		

1. The number of shares comprised in the awards under the performance share scheme and the deferred bonus plan was determined by reference to the company's share price at the time that the awards were made.
2. The performance targets for awards under the performance share scheme are set out under the statement of directors' share scheme interests on pages 88 and 89. Compulsory awards under the deferred bonus plan are subject to a continued service condition only.
3. One third of the awards under the performance share scheme are subject to performance testing on 31 March 2025, followed by a two year holding period, with the remaining two thirds subject to performance testing on 31 March 2027.

External directorships

The table below sets out details of external directorships held by executive directors where it had been agreed that they could retain the fees arising therefrom.

Name	Position	Fees 2023 £'000	Fees 2022 £'000
T J Livett	Non-executive director, Premier Marinas Holdings	37.5	37.5
	Non-executive director, Worldwide Healthcare Trust	20.0	-

Payments to past executive directors (audited)

W P Wyatt

Will Wyatt retired as Caledonia's Chief Executive during the year and ceased employment with the Caledonia group on 27 July 2022. He continues to serve on the board as a non-independent non-executive director. He was employed under a service agreement dated 2 June 2005 which provided for a twelve month notice period. The Committee agreed with him that he would not receive a payment in lieu of any unserved notice period, have no entitlement to a prorated bonus to reflect his employment during the 2023 financial year or receive a performance share scheme award for the 2023 financial year.

Mr Wyatt's award under the deferred bonus plan, being compulsorily granted in 2021 over 6,092 shares, vested in full on his retirement date in accordance with plan rules. Share awards made under the performance share scheme outstanding on 27 July 2022 continue and are capable of vesting on the scheduled vesting dates, subject to their applicable performance conditions, but have been reduced to reflect the proportion of such performance period that Mr Wyatt was in employment. Mr Wyatt's vested and unvested performance share scheme awards pre- and post-reduction, are shown in the table below:

Date of grant	Number of shares pre-reduction	Number of shares post-reduction
21.07.17[1]	18,488	18,488
30.05.18	19,963	16,969
30.05.19	18,557	12,062
04.08.20	30,682	16,875
04.06.21	26,108	7,977
Total	113,798	72,371

1. Award had vested in full prior to the date of retirement.

The two-year holding period will continue to apply to the portion of performance share scheme awards granted in 2020 and 2021 that are subject to three year performance.

All of Mr Wyatt's remaining performance share scheme awards granted in 2018 and 7,670 shares granted in 2020 were subject to performance testing as at 31 March 2023, of which 16,969 shares and 7,670 shares vested respectively.

Any amounts received by Mr Wyatt in respect of future exercises of performance share scheme awards, will be disclosed in the Annual report on directors' remuneration for the year in which the receipts occur.

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

T J Livett

In November 2022 Tim Livett advised the board of his intention to retire as Chief Financial Officer and leave the company's employment once his successor joins the board. Mr Livett is employed under a service agreement dated 14 November 2018 which provides for a twelve month notice period. On the assumption that his retirement date would be around November 2023, the Committee agreed with him that he will not receive a payment in lieu of any unserved notice period or receive a performance share scheme award for the 2024 financial year. He will retain an entitlement to a prorated bonus to reflect his employment during the 2024 financial year which will be assessed in the usual way next year. Mr Livett's awards under the deferred bonus plan, being compulsorily granted in 2021 and 2022 over 4,956 shares and 5,217 shares respectively, will vest in full on his retirement date. Share awards under the performance share scheme outstanding on this date will continue and be capable of vesting on the scheduled vesting dates, subject to their applicable performance conditions, but will be reduced to reflect the proportion of such performance period that Mr Livett was in employment. The two-year holding period will continue to apply to the portion of performance share scheme awards granted in 2020, 2021 and 2022 that are subject to three year performance. Any amounts received by Mr Livett in respect of future exercises of deferred bonus plan and performance share scheme awards, will be disclosed in the Annual report on directors' remuneration for the year in which the exercise occurs. In line with Caledonia's post-cessation shareholding requirements, Mr Livett will continue to hold any shares acquired following the exercise of share awards (net of any sales to meet the tax liabilities due) until the minimum shareholding guideline of 150% of his salary on leaving has been met for the two years following his retirement date.

S A King

Stephen King, formerly Caledonia's Finance Director, ceased employment with the Caledonia group and resigned from the board on 30 November 2018.

Mr King exercised all of the vested 2017 performance share scheme awards over 4,418 shares on 5 December 2022. The award was subject to performance testing as at 31 March 2022 and vested in July 2022, at a total pre-tax value of £192,519, including £21,211 in respect of dividend equivalents.

Mr King's prorated entitlement to a performance share scheme award made in 2018 was subject to performance testing as at 31 March 2023. All 1,908 shares, from his prorated award, will vest on 30 May 2023.

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

Statement of directors' shareholdings and scheme interests (audited)

Executive directors' minimum shareholding guidelines

Executive directors' minimum shareholding guidelines are set out on page 82. Both Mr Masters and Mr Cayzer-Colvin have attained the minimum guideline shareholding as at 31 March 2023. Mr Livett, who joined the company in 2019, has begun to meet the guidelines. The values of the relevant shareholdings of each executive director as at 31 March 2023, calculated by reference to Caledonia's closing share price on that date of 3390p, and the percentage level by which the value of the minimum guideline shareholding has been achieved were as follows:

	Value of shareholding[1] £m	Attainment of guideline %
M S D Masters	2.1	236
T J Livett	0.4	68
J M B Cayzer-Colvin	9.0	1,630

1. Shareholdings include: those of connected persons; the value, net of any exercise costs, income tax and National Insurance contributions, of unexercised awards granted under the performance share scheme for which the performance targets have been met; and bonuses deferred compulsorily under the company's deferred bonus plan net of income tax and National Insurance contributions.

Directors' shareholdings

The interests of the directors who served during the year and their connected persons in the ordinary share capital of the company as at 31 March 2023 (or date of cessation in the case of Ms Jemmett-Page) were as follows:

	Beneficial		Non-beneficial	
	2023 number	2022 number	2023 number	2022 number
D C Stewart	4,072	4,072	-	-
M S D Masters[1]	50,298	n/a	-	n/a
T J Livett	3,323	-	-	-
J M B Cayzer-Colvin[2]	250,024	250,024	198,554	203,384
S J Bridges	5,309	5,309	-	-
F A Buckley[3]	-	n/a	-	n/a
Hon C W Cayzer[2]	41,092	41,092	15,500	15,500
G B Davison	8,100	8,100	-	-
M A Farlow	2,000	-	-	-
C L Fitzalan Howard	2,000	2,000	-	-
L R Fordham	1,330	-	-	-
S C R Jemmett-Page[4]	1,000	1,000	-	-
W P Wyatt[2]	1,203,005	1,163,152	93,705	91,467

1. Mr Masters was appointed as a director on 1 April 2022.
2. Mr Wyatt's beneficial interests included 1,045,524 shares (2022: 1,009,898 shares) held by The Dunchurch Lodge Stud Company and 1,900 shares (2022: nil) held by Knossington Holdings Company, both private family companies controlled by Mr Wyatt and certain of his connected persons, and 1,000 shares in which The Hon C W Cayzer had a non-beneficial interest (2021: 1,000 shares). His non-beneficial interests included 14,500 shares (2022: 14,500 shares) in which The Hon C W Cayzer also held a non-beneficial interest. The Hon C W Cayzer's beneficial interests included 5,200 shares (2022: 5,200 shares) in which Mr Wyatt and Mr Cayzer-Colvin had non-beneficial interests.
3. Ms Buckley was appointed as a director on 28 March 2023.
4. Ms Jemmett-Page retired as a director on 31 May 2022.

There have been no changes in the directors' interests shown above notified up to the date of this report.

Directors' share scheme interests

The interests of directors as at 31 March 2023 in the share-based incentive schemes operated by the company are set out in the following table. Mr Wyatt's share scheme interests are shown after reduction as described under 'Payments to past executive directors' above.

		Share price at date of award	Unvested with performance conditions[1]	Unvested without performance conditions[2]	Vested but un-exercised[3]	Total
M S D Masters	*Performance share scheme awards*					
	Granted 30.05.18 (nil-cost)	2705p	-	8,170	-	8,170
	Granted 30.05.19 (nil-cost)	2910p	7,792	-	-	7,792
	Granted 04.08.20 (nil-cost)	2640p	10,795	5,398	-	16,193
	Granted 04.06.21 (nil-cost)	3102.5p	13,997	-	-	13,997
	Granted 30.05.22 (nil-cost)	3740p	18,048	-	-	18,048
	Performance share scheme total		50,632	13,568	-	64,200
	Deferred bonus plan – compulsory award[4]					
	Granted 04.08.20 (nil-cost)	2640p	-	–	1,718	1,718
	Granted 04.06.21 (nil-cost)	3102.5p	-	4,593	-	4,593
	Granted 30.05.22 (nil-cost)	3740p	-	3,870	-	3,870
	Deferred bonus plan total		-	8,463	1,718	10,181
	Total share scheme interests		50,632	22,031	1,718	74,381

During the year, Mr Masters exercised performance share scheme and deferred bonus plan awards over a total of 15,254 shares at a pre-tax gain of £562,272 plus an additional sum of £50,509 in respect of dividend equivalents.

		Share price at date of award	Unvested with performance conditions[1]	Unvested without performance conditions[2]	Vested but un-exercised[3]	Total
W P Wyatt	*Performance share scheme awards*					
	Granted 30.05.18 (nil-cost)	2705p	-	16,969	-	16,969
	Granted 30.05.19 (nil-cost)	2910p	12,062	-	-	12,062
	Granted 04.08.20 (nil-cost)	2640p	9,205	7,670	-	16,875
	Granted 04.06.21 (nil-cost)	3102.5p	7,977	-	-	7,977
	Performance share scheme total		29,244	24,639	-	53,883
	Total share scheme interests		29,244	24,639	-	53,883

During the year, Mr Wyatt exercised performance share scheme and deferred bonus plan awards over a total of 41,418 shares at a pre-tax gain of £1,455,659 plus an additional sum of £137,266 in respect of dividend equivalents.

		Share price at date of award	Unvested with performance conditions[1]	Unvested without performance conditions[2]	Vested but un-exercised[3]	Total
T J Livett	*Performance share scheme awards*					
	Granted 30.05.19 (nil-cost)	2910p	12,887	-	-	12,887
	Granted 04.08.20 (nil-cost)	2640p	14,561	7,280	-	21,841
	Granted 04.06.21 (nil-cost)	3102.5p	18,868	-	-	18,868
	Granted 30.05.22 (nil-cost)	3740p	16,444	-	-	16,444
	Performance share scheme total		62,760	7,280	-	70,040
	Deferred bonus plan – compulsory awards[4]					
	Granted 04.06.21 (nil-cost)	3102.5p	-	4,956	-	4,956
	Granted 30.05.22 (nil-cost)	3740p	-	5,217	-	5,217
	Deferred bonus plan total		-	10,173	-	10,173
	Total share scheme interests		62,760	17,453	-	80,213

During the year, Mr Livett exercised performance share scheme awards over a total of 6,443 shares at a pre-tax gain of £246,606 plus an additional sum of £11,900 in respect of dividend equivalents.

		Share price at date of award	Unvested with performance conditions[1]	Unvested without performance conditions[2]	Vested but un-exercised[3]	Total
J M B Cayzer-Colvin	*Performance share scheme awards*					
	Granted 30.05.18 (nil-cost)	2705p	-	12,088	-	12,088
	Granted 30.05.19 (nil-cost)	2910p	11,520	-	-	11,520
	Granted 04.08.20 (nil-cost)	2640p	13,018	6,510	-	19,528
	Granted 04.06.21 (nil-cost)	3102.5p	16,873	-	-	16,873
	Granted 30.05.22 (nil-cost)	3740p	14,699	-	-	14,699
	Performance share scheme total		56,110	18,598	-	74,708
	Deferred bonus plan – compulsory awards[4]					
	Granted 04.06.21 (nil-cost)	3102.5p	-	4,431	-	4,431
	Granted 30.05.22 (nil-cost)	3740p	-	4,666	-	4,666
	Deferred bonus plan total		-	9,097	-	9,097
	Total share scheme interests		56,110	27,695	-	83,805

During the year, Mr Cayzer-Colvin exercised performance share scheme and deferred bonus plan awards over a total of 22,579 shares at a pre-tax gain of £795,421 plus an additional sum of £74,788 in respect of dividend equivalents.

1. **Performance conditions**
Performance share scheme
Of the awards shown as unvested with performance conditions, for nil-cost options granted to Mr Wyatt and Mr Livett on 30 May 2019, 4 August 2020 and 4 June 2021 and to Mr Masters and Mr Livett on 30 May 2022 shares will vest on a graduated basis, with vesting commencing at 10% if the company achieves an annualised NAVTR of 3%, rising incrementally to 100% vesting on achievement of an annualised NAVTR of 10%. For Mr Cayzer-Colvin, who is Head of the Funds pool, 60% of his performance share scheme awards granted on these dates will be measured against the annualised total returns achieved by the Funds pool. Awards will similarly vest on a graduated basis, with vesting commencing at 10% on achievement of an annualised Funds pool total return of 6%, rising incrementally to 100% vesting on achievement of an annualised total return of 13.5%. The remaining 40% of Mr Cayzer-Colvin's performance share scheme awards for these grants will be measured against Caledonia's NAVTR as above.

Mr Masters was previously Head of the Capital portfolio before taking on broader responsibility for the Income portfolio from 2019 until his appointment as Chief Executive Officer. For nil-cost options granted on 30 May 2019, 80% of his performance share scheme will be measured against the annualised total returns achieved by the Capital portfolio. Awards vest on a graduated basis, commencing at 10% on achievement of an annualised Quoted portfolio total return of 4%, rising incrementally to 100% vesting on achievement of an annualised total return of 11%. For the awards granted on 4 August 2020 and 4 June 2021, 53.3% will be measured by reference to the annualised total return achieved by the Capital portfolio over the performance measurement period as above, with 26.7% measured by reference to the annualised total return achieved by the Income portfolio over the performance measurement period, with graduated vesting commencing at 10% on achievement of an annualised total return of 3.5%, rising incrementally to 100% vesting on achievement of an annualised total return of 7%. The remaining 20% of Mr Masters' performance share scheme awards for these grants will be measured against Caledonia's NAVTR as above.

The relevant performance conditions will be tested over three years for one-third of the shares comprised in an award and over five years for the remaining two-thirds of the shares comprised in an award.

The nil-cost options granted on 30 May 2018, shown as unvested without performance conditions, were performance tested against their relevant target as at 31 March 2023 and achieved a vesting level of 100% for those measured against Caledonia's NAVTR. The proportion of Mr Masters' and Mr Cayzer-Colvin's nil-cost options awarded at that date measured against the Funds pool's and Capital portfolio's return respectively achieved a 100% vesting level. The awards will vest on 30 May 2023.

The one-third of the shares comprised in the nil-cost options granted on 4 August 2020, also shown as unvested without performance conditions, subject to three-year performance testing was tested as at 31 March 2023 and achieved a vesting level of 100% for those measured against Caledonia's NAVTR. The proportion of Mr Masters' and Mr Cayzer-Colvin's nil-cost options awarded at that date measured against the Capital/Income portfolios' and Funds pool's return respectively achieved a 100% vesting level. The awards will vest on 4 August 2023.

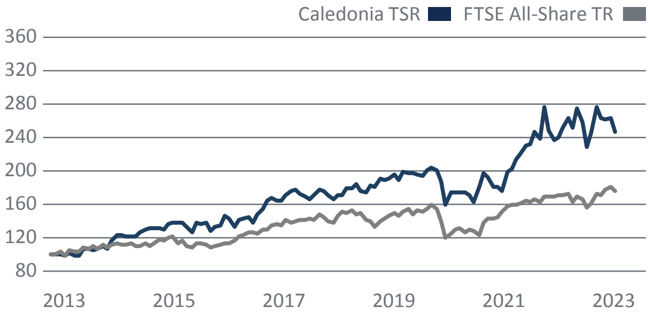
Other exercise conditions

2. **Performance share scheme**
Nil-cost options that vest following the three or five year performance testing become immediately exercisable on the third or fifth anniversary of grant, as applicable.
3. **Vested but unexercised**
Shares vested but unexercised represent those awards that are immediately exercisable without any conditions.
4. **Deferred bonus plan**
Compulsory awards under the deferred bonus plan normally vest if the director remains an employee of the Caledonia group for a three year period commencing on the first day of the financial year in which the award is made.

Performance graph of total shareholder return and table of Chief Executive Officer's total remuneration

The graph below shows the company's total shareholder return ('TSR') against that of the FTSE All-Share Total Return index for the ten financial years ending on 31 March 2023. TSR has been calculated assuming that all dividends are reinvested on their ex-dividend dates. The FTSE All-Share Total Return index has been chosen as it is the benchmark by which the company measures its delivery of value over the longer term.

TSR growth over ten years



The table below shows the total remuneration received by the Chief Executive Officer in each of the ten years to 31 March 2023, prepared on the same basis as in the single total figure in the table on page 83, and the percentage of the maximum potential short and long-term incentives received in those years.

			Incentives vested as a percentage of maximum	
Years ended 31 March	Chief Executive Officer	Total remuneration £'000	Short-term %	Long-term %
2014	W P Wyatt	1,196	100.0	10.1
2015	W P Wyatt	2,285	100.0	100.0
2016	W P Wyatt	1,648	45.0	100.0
2017	W P Wyatt	1,799	100.0	85.0
2018	W P Wyatt	1,795	40.0	84.7
2019	W P Wyatt	1,864	90.7	94.7
2020	W P Wyatt	805	-	20.9
2021	W P Wyatt	1,896	85.0	87.9
2022	W P Wyatt	2,326[1]	100.0	100.0
2023	W P Wyatt[2]	1,186	-	100.0
2023	M S D Masters[2]	1,268	45.0	100.0

1. Restated from last year's single total figure table to reflect the company's share price on the vesting date of the 2017 and 2019 performance share scheme awards.
2. Mr Masters succeeded Mr Wyatt as Chief Executive Officer on 27 July 2022.

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

Percentage change in remuneration of the directors

The following table shows the percentage change in the basic salary/fees, value of taxable benefits and short-term incentives paid to directors in the year to 31 March 2023 against the previous two financial years, compared with the average percentage changes in those components of pay of Caledonia's other staff, excluding directors, on a per capita basis.

The per capita percentage increase in basic salary for staff shown in the table is higher than the standard award of 5% from 1 April 2022 due to the effect of non-standard increases awarded for promotions, increased responsibilities or other such adjustments.

The average per capita percentage change for staff taxable benefits increased over the year principally due to changes in benefit cover for certain staff members under the company's private medical insurance plan and small variances in employee benefits. Mr Livett and Mr Cayzer-Colvin were awarded bonuses of 45% and 48% respectively, compared with bonuses of 100% in the previous financial year. Certain members of Caledonia's staff were awarded bonuses of varying levels in each year depending on company performance, investment pool performance (where relevant) and individual performance. Increases in non-executive fees include any changes to responsibilities made during the year.

	2023			2022			2021		
	Basic salary/ fees %	Taxable benefits/ expenses %	Short-term incentives %	Basic salary/ fees %	Taxable benefits/ expenses %	Short-term incentives %	Basic salary/ fees %	Taxable benefits/ expenses %	Short-term incentives %
Executive directors									
M S D Masters[1]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
W P Wyatt[2]	(67.5)	(70.7)	(100)	-	(4.1)	17.7	-	12.9	100
T J Livett	5.1	6.3	(52.7)	1.5	22.8	12.8	2.5	23.6	100
J M B Cayzer-Colvin	5.0	15.6	(49.6)	1.5	8.9	12.8	2.5	6.2	100
Chair and non-executive directors									
D C Stewart	10.0	-	n/a	-	-	n/a	-	-	n/a
S J Bridges	6.1	-	n/a	-	-	n/a	-	-	n/a
F A Buckley[1]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Hon C W Cayzer	11.4	-	n/a	-	-	n/a	6.6	-	n/a
G B Davison	13.1	-	n/a	-	(100)	n/a	3.5	100	n/a
M A Farlow	n/a	-	n/a	-	-	n/a	n/a	n/a	n/a
L R Fordham[3]	10.7	100	n/a	n/a	-	n/a	n/a	n/a	n/a
C L Fitzalan Howard	13.3	-	n/a	-	-	n/a	43.8	-	n/a
S C R Jemmett-Page[4]	(80.4)	-	n/a	-	-	n/a	2.2	-	n/a
W P Wyatt[2]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Staff per capita (excluding directors)	10.2	17.5	(43.2)	4.0	7.5	22.9	7.4	5.2	157.5

1. Mr Masters and Ms Buckley were appointed during the year and therefore have no prior year comparison.
2. Mr Wyatt served as Chief Executive until 27 July 2022 and has served as a non-executive director since 27 July 2022.
3. Ms Fordham served for three months in the year ended 31 March 2022. To enable a meaningful year-on-year comparison to be made, the percentage change has been calculated using a hypothetical annualised fee for the full financial year.
4. Ms Jemmett-Page retired from the board on 31 May 2022.

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

With less than 250 UK employees, Caledonia is not required to disclose Chief Executive Officer to employee pay ratios under The Companies (Miscellaneous Reporting) Regulations 2018. However, as recommended by the Investment Association, the Remuneration Committee has decided voluntarily to publish the information below. The ratios compare the total remuneration of the Chief Executive Officer, as set out on page 83, against the lower quartile, median and upper quartile total remuneration of the company's employees as at 31 March 2023. This disclosure will build up over time to cover a rolling ten year period.

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

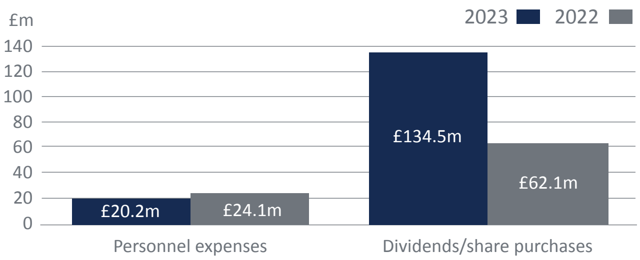
In order to provide further context, the table includes ratios based on basic salary only to demonstrate over time that the underlying pay structures do not show a divergent trend between the Chief Executive Officer's pay and that of employees generally and also that employees are paid fairly.

Year	Methodology	Pay ratios P25 (lower quartile)	P50 (median)	P75 (upper quartile)	Basis	Remuneration values Chief Executive Officer	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2019	*Option A*	32:1	13:1	5:1	Total remuneration (£'000)	1,864	58	140	403
	Salary only	13:1	6:1	4:1	Salary only (£'000)	540	42	88	150
2020	*Option A*	14:1	9:1	4:1	Total remuneration (£'000)	814	57	94	217
	Salary only	12:1	7:1	4:1	Salary only (£'000)	540	46	73	144
2021	*Option A*	30:1	15:1	6:1	Total remuneration (£'000)	1,828	61	122	329
	Salary only	12:1	7:1	4:1	Salary only (£'000)	540	46	78	138
2022	*Option A*	42:1	19:1	6:1	Total remuneration (£'000)	2,294	54	122	392
	Salary only	12:1	7:1	4:1	Salary only (£'000)	540	45	76	138
2023	*Option A*	20:1	14:1	6:1	Total remuneration (£'000)	1,268	63	91	227
	Salary only	9:1	6:1	3:1	Salary only (£'000)	450	50	70	135

1. The employees at the lower, median and upper quartiles were determined as at 31 March in the relevant year.
2. 'Option A' methodology, as set out in The Companies (Miscellaneous Reporting) Regulations 2018, which requires determination of the total full-time equivalent earnings of all UK employees for the relevant financial year, has been used as this is considered the most statistically accurate under the reporting regulations.
3. To determine full time equivalent earnings, joiners during the year are assumed to have worked for the full year with salary, benefits and bonus prorated accordingly. Reduced hours employees similarly have been assumed to have worked on a full-time basis. No adjustments have been made to the value of share-based incentives that vested during the year for relevant employees, other than that awards held by reduced hours employees have been recalculated to reflect the number of shares that would have been granted based on the full-time equivalent salary of the participant at the time of grant.
4. The remuneration of Mr Masters has been used for 2023, who was appointed Chief Executive Officer designate on 1 April 2022, as it is more representative than using the remuneration of Mr Wyatt who served for part of the year.

Relative importance of spend on pay

The graph below shows the personnel expenses for the year of group companies consolidated under IFRS 10, compared with amounts distributed to Caledonia's shareholders by way of dividends and share purchases.



Dividends paid in 2023 include a special dividend of £1.75 per ordinary share paid on 4 August 2022.

Statement of implementation of remuneration policy in the 2024 financial year

If approved by shareholders at the annual general meeting on 19 July 2023, the company expects to operate the remuneration policy as described on pages 75 to 82 without any changes in the financial year ending 31 March 2024.

Basic salaries of executive directors

For the 2024 financial year, the Remuneration Committee has awarded an increase in basic salary of 5% to Mr Masters and Mr Cayzer-Colvin, below staff increases. Mr Livett, who will retire later this year, did not receive a salary increase. Standard salary increases of 6% were awarded to senior staff and 8% to those on lower incomes in recognition that elevated levels of inflation impact them disproportionately. This latter cohort also received a small additional cost of living payment in November 2022 in response to the inflationary pressures being experienced at that time.

The executive directors' salaries for the 2024 financial year are as follows:

	Salary for year to 31 March 2024 £	2023 £
M S D Masters	472,500	450,000
T J Livett	410,000	410,000
J M B Cayzer-Colvin	385,000	366,500

Chair's and non-executive directors' fees

The Chair's fee will be unchanged for the year ahead. The basic non-executive directors' fee has been increased by 5%. No changes have been made to the fees paid for chairing and membership of the Audit and Risk and Remuneration Committees or to the fee paid to the Senior Independent Director.

The fees are as follows:

	Fees for year to 31 March 2024 £	2023 £
Chair	165,000	165,000
Non-executive director basic fee	47,250	45,000
Chair of the Audit and Risk Committee	10,000	10,000
Member of the Audit and Risk Committee	2,500	2,500
Chair of the Remuneration Committee	8,000	8,000
Member of the Remuneration Committee	2,000	2,000
Senior Independent Director/Chair of the Governance Committee	6,000	6,000

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

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

Annual bonus scheme and long-term incentive schemes

RPI is currently used as a reference point for inflation in the overall bonus calculation. Whilst RPI is still published by the Office for National Statistics, it is recognised that the Consumer Prices Index including owner occupiers' housing costs ('CPIH') is now the leading and preferred indicator of inflation in the UK. As reflected in the proposed remuneration policy, for the 2024 financial year the board will move to use CPIH in place of RPI but, given the current differential between the two inflation rates, the Remuneration Committee intends to phase the transition from RPI to CPIH as the inflation benchmark for the bonus over the course of the three year remuneration policy period. The inflation benchmark will be weighted 67:33 on RPI:CPIH for the 2024 financial year, moving to 50:50 for 2025, 33:67 for 2026 and 100% on CPIH for 2027.

No other changes to the performance metrics or award opportunities for the company's annual bonus or long-term incentive schemes are anticipated for the 2024 financial year.

Approach

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

Consideration by the directors of matters relating to directors' remuneration

The current members of the Remuneration Committee are Anne Farlow (Chair), Farah Buckley, Claire Fitzalan Howard and David Stewart. Shonaid Jemmett-Page served as Chair until her retirement from the board on 31 May 2022 when she was succeeded by Ms Farlow. Ms Buckley was appointed as a member on 28 March 2023.

During the year, the Remuneration Committee received advice from Freshfields Bruckhaus Deringer LLP, the company's main legal advisers, which included the preparation of the directors' remuneration report, share plans and the arrangements for Mr Livett's retirement. Ellason LLP, appointed by the Committee following a formal tender process completed in 2022, assisted with a comprehensive review of remuneration policy. The Committee is satisfied that advice received was objective and independent. It has no connection with individual directors. Ellason is a member of the Remuneration Consultants Group (the professional body for remuneration consultants) and adheres to its code of conduct. The fees for Ellason for work relating to the Committee for 2023, including support regarding the remuneration policy review, were £72,690. Fees incurred are charged on the basis of each firm's standard terms of business. Ellason did not provide any other services to the company. The Committee assesses the performance of its advisers, the associated level of fees and reviews the quality of advice provided to ensure that it is objective and independent of any support provided to management.

The Remuneration Committee also consulted with the Chief Executive Officer in relation to the remuneration of the executive directors and other senior executives and internal support was provided to the Remuneration Committee by the Company Secretary. No executive participates in discussions in respect of their own remuneration. Given the composition of the Remuneration Committee and this requirement, we are comfortable that no conflicts are arising in respect of decision-making by the Remuneration Committee.

Statement of voting at general meetings

At the annual general meeting of the company held on 27 July 2022, the votes lodged for the resolution relating to directors' remuneration were as follows:

	Number	%
To approve the 2022 Directors' remuneration report (other than the directors' remuneration policy)		
Votes in favour	34,484,361	99.8
Votes against	61,612	0.2
Total votes cast	34,545,973	
Votes withheld	104,744	

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

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

This report was approved by the board on 22 May 2023 and signed on its behalf by:

Anne Farlow
Chair of the Remuneration Committee

Other governance matters

Registered office and number

The registered office of the company is at: Cayzer House, 30 Buckingham Gate, London SW1E 6NN. The company is registered in England under number 235481.

Dividend policy

The company's policy is to pay an increasing annual dividend per share in real terms, which it has now done for 56 consecutive years. In addition, the company may supplement the annual dividend with special dividends when the board considers it appropriate, for example if the company has surplus cash reserves in excess of its strategic investment plans.

The board has historically aimed for the annual dividend to be fully covered by net revenue for the relevant financial year in a period of normal trading. However, in light of the growing scale of the private equity funds portfolio and lower yields for Private Capital businesses, the board has determined that the approach should be modified to reduce the strategic level of net revenue cover from fully covered to around 0.5x and to also factor in net cash inflow from the maturing funds portfolio. The expectation is that this will provide an aggregate cash flow cover for the dividend of at least 1x. The company has available distributable reserves of £2,163m, broadly equivalent to 59 years' payment of the current annual dividend, which may be used to smooth a net revenue shortfall in any particular year.

2023 dividend distributions

An interim dividend of 18.2p per share (2022: 17.5p) was paid on 5 January 2023 and the board has recommended a final dividend of 49.2p per share (2022: 47.3p), giving total annual dividends for the year of 67.4p per share (2022: 64.8p). In 2022, the board also recommended the payment of a special dividend of 175.0p per share.

Share capital structure

The company has two classes of share capital – ordinary shares of 5p each and deferred ordinary shares of 5p each.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All voting rights are however suspended in respect of any of the company's shares that are held in treasury or by group companies.

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

At 31 March 2023, 54,663,662 ordinary shares and 8,000,000 deferred ordinary shares were in issue. The ordinary shares therefore represented approximately 87% and the deferred ordinary shares approximately 13% of the total issued share capital by nominal value. Of the ordinary shares in issue at 31 March 2023, 3,000 shares were held by a group company. As stated above, all voting rights are suspended on these shares.

The company did not purchase any of its ordinary shares during the year and accordingly the company's issued share capital as at 22 May 2023, being the latest practicable date prior to signature of these accounts, was 54,663,662 ordinary shares and 8,000,000 deferred ordinary shares.

Restrictions on the transfer of shares

There are no specific restrictions on the transfer of the company's shares, although the articles of association contain provisions whereby the directors may refuse to register a transfer of a certificated share which is not fully paid, provided that such refusal does not prevent dealings in the share from taking place on an open and proper basis. The directors may also refuse to register the transfer of a certificated share unless it is (a) lodged, duly stamped, at the registered office or at such other place as the directors may appoint, accompanied by the certificate for the shares to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer; (b) in respect of only one class of shares; and (c) in favour of not more than four transferees.

The directors may refuse to register a transfer of shares if a shareholder has not supplied information to the company in default of a request duly served under section 793 of the Companies Act 2006 and such shares represent at least 0.25% of the class of shares concerned.

Substantial interests

As at 31 March 2023, the company had received formal notifications of the following holdings in its ordinary shares in accordance with the requirements of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules ('DTRs'):

	Number of voting rights	Percentage of voting rights
The Cayzer Trust Company Ltd	19,292,364	35.03%[a]

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

Employee Share Trust

The Caledonia Investments plc Employee Share Trust acquires and holds ordinary shares in the company for subsequent transfer to employees exercising options under the company's performance share scheme or calling for awards vesting under the company's deferred bonus plan. The voting rights of shares held by the trust are exercisable by the independent trustee. The trust is financed by an interest free loan facility from Caledonia and the trustee has waived all dividends payable in respect of the ordinary shares held by the trust, except to the extent of 0.0001% of such dividends.

At 31 March 2023, the trust held 337,962 ordinary shares, representing 0.62% of the total issued voting share capital.

Other governance matters (continued)

Restrictions on voting rights

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

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

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

Authority to allot and purchase shares

At the annual general meeting of the company held on 27 July 2022, shareholders granted to the directors authority to allot ordinary shares up to a nominal amount of £911,000, representing approximately one-third of the ordinary share capital then in issue, with authority to allot additional ordinary shares up to a nominal value of £911,000, representing approximately a further one-third of the ordinary share capital then in issue, by way of pre-emptive rights issues only, in accordance with guidance issued at that time by the Investment Association. The directors were further authorised to issue ordinary shares up to a nominal amount of £136,659 other than pro rata to existing ordinary shareholders. These authorities last until 27 October 2023 or, if earlier, the conclusion of the next annual general meeting.

At the annual general meeting held on 27 July 2022, shareholders also granted authority for the company to make market purchases of up to 5,466,300 of its own ordinary shares, being approximately 10% of the ordinary share capital then in issue, at a price not more than the higher of (a) 5% greater than the average of the middle market quotations for such ordinary shares during the five business days preceding any such purchase; and (b) the higher of (i) the price of the last independent trade in such ordinary shares; and (ii) the highest current independent bid relating thereto on the trading venue where the purchase is carried out, nor at a price less than 5p, being the nominal value of an ordinary share. This authority lasts until 27 October 2023 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 27 October 2023 or, if earlier, the conclusion of the next annual general meeting.

Due to the level of the shareholding of the Cayzer Concert Party and the maximum percentage of voting rights permitted to be held by it under the Rule 9 waiver, the board has only limited scope to utilise the authority to purchase the company's shares. It will however consider using the authority when it considers it in the company's and shareholders' best interests to do so, for example when it believes that the shares represent good value in terms of the level of the discount to net asset value, and taking into account anticipated future cash requirements.

Change of control rights

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

Awards granted under the company's performance share scheme and its deferred bonus plan may become exercisable or vest as a result of a change of control, although the number of shares comprised in those awards may be reduced. The service contracts of certain directors and other senior executives also contain provisions whereby a liquidated sum is payable by the company in the event of termination within one year following a change of control.

Further details of these change of control rights are set out in the Directors' remuneration report.

Investment trust status

Caledonia has been accepted as an approved investment trust by HM Revenue & Customs, subject to continuing to meet eligibility conditions. The directors are of the opinion that the company has conducted its affairs in a manner which will satisfy the conditions for continued approval as an investment trust under section 1158 of the Corporation Tax Act 2010.

Annual general meeting

The ninety-fourth annual general meeting of the company will be held at Cayzer House, 30 Buckingham Gate, London SW1E 6NN on Wednesday, 19 July 2023 at 11.30am. The notice of the annual general meeting and details of all of the resolutions to be put to shareholders are set out in a separate circular published at the same time as this annual report.

Directors

The directors of the company are shown on pages 60 and 61. All of the directors served throughout the year, other than Ms F A Buckley, who was appointed on 28 March 2023. Ms S C R Jemmett-Page also served as a director for part of the year until 31 May 2022.

Directors' indemnity

Each of the directors has the benefit, under the company's articles of association, of an indemnity, to the extent permitted by the Companies Act 2006, against any liability incurred by him or her for negligence, default, breach of duty or breach of trust in relation to the affairs of the company.

Appointment and removal of directors

The appointment and removal of directors is governed by the company's articles of association and prevailing company law.

The articles of association provide that at every annual general meeting one-third of the directors, or if not a multiple of three, the number nearest to one-third, shall retire by rotation and therefore be required to seek re-election by shareholders. New directors may be appointed by the board, but are subject to election by shareholders at the next annual general meeting of the company following their appointment. However, to comply with the provisions of the UK Corporate Governance Code, the company requires that all directors should be subject to annual election by shareholders. Shareholders may also appoint new directors by ordinary resolution. The articles of association limit the number of directors to not less than two and not more than twelve, unless the shareholders resolve otherwise.

In accordance with the Financial Conduct Authority's Listing Rules, the election of those directors determined by the board to be independent under the UK Corporate Governance Code must be subject to the approval of both all shareholders of the company and separately those shareholders who are not controlling shareholders, being the Cayzer Concert Party.

Customers and suppliers

The group's policy in relation to all of its suppliers is to settle the terms of payment when agreeing the terms of the transaction. The group will abide by those terms on condition that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The group does not follow any code or statement on payment practice.

Information included in the Strategic report

In accordance with the requirements of section 414C (11) of the Companies Act 2006, the following information required to be included in the Directors' report has been included in the Strategic report: information on exposure to liquidity risk (page 44); likely future developments in the business (pages 5 and 9); and greenhouse gas emissions (pages 54 and 55).

Post balance sheet events

On 20 April 2023, the company acquired a 99.8% equity stake in Airvending Limited and AIR-serv Netherlands B.V. for £142.5m, alongside a £0.5m investment from its management team for the remaining equity.

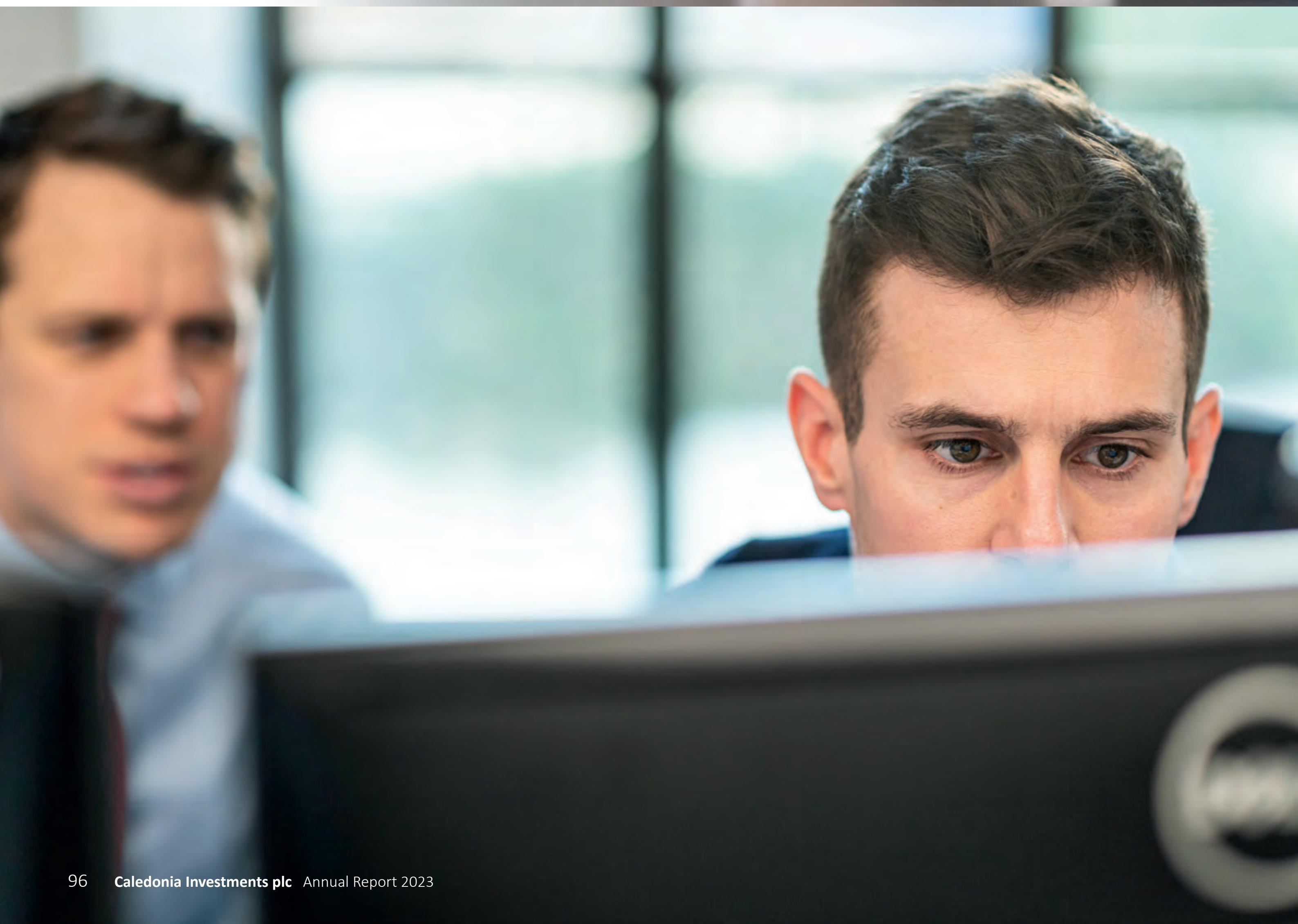
The reports on pages 60 to 97 comprise the Directors' report of the company. The Directors' report was approved by the board on 22 May 2023 and signed on its behalf by:

Richard Webster
Company Secretary

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

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

Listing Rule	Required information	Location
9.8.4 R (12)	Details of any arrangement under which a shareholder has waived or agreed to waive any dividends.	Other governance matters – page 93. Waiver of all dividends by the trustee of The Caledonia Investments plc Employee Share Trust, except to the extent of 0.0001% of such dividends.
9.8.6 R (13)	Where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to dividends which are payable during the period under review.	As above.
9.8.4 R (14)(a)	A statement made by the board that the listed company has entered into an agreement with a controlling shareholder under Listing Rule 9.2.2 AD R (1).	Corporate governance report – page 65. Relations with controlling shareholders.
9.8.4 R (14)(c)	A statement made by the board that: 1. the listed company has complied with the independence provisions included in any agreement with a controlling shareholder entered into under Listing Rule 9.2.2 AD R (1) 2. so far as the listed company is aware, the independence provisions included in any agreement with a controlling shareholder entered into under Listing Rule 9.2.2 AR R (1) have been complied with during the period under review by the controlling shareholder or any of its associates 3. so far as the listed company is aware, the procurement obligation (as set out in Listing Rule 9.2.2 BR (2)(a) included in any agreement entered into under Listing Rule 9.2.2 AD R (1) has been complied with during the period under review by a controlling shareholder.	As above.



Responsibility statements

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report and financial statements in accordance with UK adopted international accounting standards and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the group and parent company financial statements in accordance with UK adopted international accounting standards. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether they have been prepared in accordance with UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business
- prepare a directors' report, a strategic report and directors' remuneration report which comply with the requirements of the Companies Act 2006 (the 'Act').

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Act. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Website publication

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

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

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

1. so far as the director is aware, there is no relevant information of which the company's auditor is unaware
2. the director has taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Act.

Responsibility statements under the Disclosure Guidance and Transparency Rules and the UK Corporate Governance Code

Each of the directors, whose names and functions are listed on pages 60 and 61 confirm that, to the best of their knowledge:

1. the group and parent company financial statements, which have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole
2. the Strategic report contained on pages 4 to 57 and Directors' report contained on pages 60 to 97 include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the board by:

Mat Masters
Chief Executive Officer
22 May 2023

Tim Livett
Chief Financial Officer
22 May 2023

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

Considered & long-term

Joshua Orphan and Community Care
The Caledonia Investments Charitable Foundation supported Joshua Orphan & Community Care during the year. Joshua's objective is the relief of poverty among orphans, vulnerable children and their families in the Blantyre region of Malawi. This includes improving their educational prospects and basic health care and provides opportunities for income generating activities.

Financial statements

Other information

Independent auditor's report

to the members of Caledonia Investments plc

Statutory Auditor
BDO LLP
22 May 2023

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Caledonia Investments plc (the 'Parent Company') and its consolidated subsidiaries (the 'Group') for the year ended 31 March 2023 which comprise the Group statement of comprehensive income, the Group and Company Statement of financial position, the Group and Company Statement of changes in equity, the Group and Company Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

Independence

Following the recommendation of the audit committee, we were appointed by Members on 21 July 2021 to audit the financial statements for the year ended 31 March 2022 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is two years, covering the years ended 31 March 2022 to 31 March 2023. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

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

- Obtaining the Directors' assessment of the going concern status and long term viability of the Company;
- Checking the accuracy of the underlying models used in the Directors' assessment; and
- Challenging management's assumptions and judgements made with regards to stress-testing forecasts.

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

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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

Overview

Coverage	100% (2022: 100%) of Group profit before tax 100% (2022: 100%) of Group revenue 100% (2022: 100%) of Group total assets		
Key audit matters (KAMs)		2023	2022
	KAM 1 -Valuation of Unquoted Private Capital Investments	•	•
	KAM 2- Valuation of Fund investments	•	•
	KAM 3- Valuation and ownership of listed investments*	x	•
	KAM 4- Revenue Recognition*	x	•
	*KAMs 3 & 4 are no longer considered to be key audit matters following the completion of risk assessment procedures for the current year.		
Materiality	*Group financial statements as a whole* £41.8m (2022: £41.5m) based on 1.5% (2022: 1.5%) of Net Assets		

An overview of the scope of our audit

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

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

- Caledonia Investments plc
- Caledonia Group Services Ltd
- Caledonia Treasury Ltd
- Buckingham Gate Ltd

The Group team performed the audit of the Group as if it was a single aggregated set of financial information using the Group materiality levels set out above.

Climate change

Our work on the assessment of potential impacts on climate-related risks on the Group's operations and financial statements included:

- Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report; and
- Reviewing minutes of Board and Audit Committee meetings and performing a risk assessment as to how climate change may impact on the financial statements.

We challenged the extent to which climate-related considerations have been reflected, where appropriate, in management's going concern assessment and viability assessment.

We also assessed the consistency of managements disclosures included as 'Other Information'/'Statutory Other Information' within the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Overview

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation of unquoted private capital investments *The Group's accounting policy for Valuation is described in the Significant accounting policies (Investments) and Note 8 to the financial statements.* The unquoted private capital investments total £824.0m (2022: £781.7), representing 32.5% (2022: 32.5%) of the total value of investments at Fair Value through Profit and Loss.	We consider that the valuation of the private capital investments is one of the audit areas subject to a significant risk of material misstatement. The main risk factor in the investment valuations, relates to the lack of observable inputs on the basis that these investments are 'Level 3', as well as the level of estimation uncertainty involved in valuing these investments. We therefore consider this area to be a key audit matter.	We have responded to this matter by testing the valuation of 99% of the portfolio of unquoted private capital investments. We performed the following procedures: • Considered the appropriateness of the valuation methodology under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines; • Discussed valuations with management and understood management's assumptions included in the valuations and assessed whether the assumptions applied were appropriate in terms of the context of the group as well as market conditions; • Challenged and corroborated the inputs to the valuation with reference to management information provided by investee companies, market data and our own understanding and assessed the impact of the estimation uncertainty concerning these assumptions; • Assessed changes in valuation inputs which drove the movements in valuations between 31 March 2022 and 31 March 2023; • Considered the economic environment in which the investment operates to identify factors that impacted the investment valuation, particularly in relation to the current economic circumstances and the ongoing crisis in Ukraine and any related sanctions; • Consulted with our internal valuation experts on the appropriateness of methodology, assumptions and inputs; and • Gained comfort on ownership through direct confirmation, available third party documentation such as share purchase agreements, share certificates, annual accounts and companies house documentation, where relevant. **Key observations:** Based on our procedures performed we did not identify any material exceptions with regards to valuation of unquoted private capital investments. We deem the assumptions and judgements applied by management in the valuation of unquoted private capital investments to be reasonable.
Valuation of fund investments *The Group's accounting policy for Valuation is described in the Significant accounting policies (Investments) and Note 8 to the financial statements.* The unquoted fund Investments total £867.1m (2022: £794.4m), representing 31.1% (2022: 33.0%) of the total value of the investments at Fair Value through Profit and Loss.	There is a level of estimation uncertainty involved in the underlying general partner valuations and as such, there is a significant risk over the valuation of fund investments. There is a risk of 'stale pricing' due to the availability of NAV statements and the time lag between the date that statements relate to and the balance sheet date. We therefore consider this area to be a key audit matter.	We performed the following procedures: • Considered the appropriateness of the overall valuation methodologies followed by underlying GP fund managers in line with the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines; • Agreed fund valuations to the most recent NAV statements received; • Tested cash roll forwards on a sample basis by agreeing movements such as additions and disposals to bank; • Agreed a sample of GP statements to audited accounts for the coterminous period to check for accuracy; • Understood and considered whether any adjustments made to GP valuations above our materiality threshold were appropriate; • Considered the economic environment in which the investee operates to identify factors that could impact the investment valuation, particularly in respect of the impact on 'stale pricing' caused by current economic volatility; • Inspected whether final NAV statements received over the course of the review period up to the date of approving the financial statements had a material impact on the valuations of fund investments; and • Tested the operating effectiveness of controls in place regarding the due diligence performed prior to making initial investments in new funds. **Key observations:** Based on our procedures performed, we consider the judgements applied by management to be appropriate. We consider the valuation of fund investments to be reflective of fair value as at year end.

Our application of materiality

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

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

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

	Group financial statements		Parent company financial statements	
Key audit matter	2023 £m	2022 £m	2023 £m	2022 £m
Materiality	41.8	41.5	39.7	39.4
Basis for determining materiality	1.5% of Net Assets	1.5% of Net Assets	95% of Group materiality	95% of Group materiality
Rationale for the benchmark applied	As an investment trust, the net asset value is the key measure of performance.		We considered aggregation risk within the Group and set the materiality as a percentage of the Group's level.	
Performance materiality	31.4	27.0	29.8	25.6
Basis for determining performance materiality	75% of Materiality based on our risk assessment and consideration of the control environment. We also considered the aggregation effect of planned nature of testing and the overall size complexity of the entity. Furthermore we considered the expected total value of likely misstatements and the level of transactions in the year.	65% of Materiality based on our risk assessment and consideration of the control environment. We also considered the aggregation effect of planned nature of testing and the overall size complexity of the entity, as well as the fact that this is our first year as auditors. Materiality based on our risk assessment and consideration of the control environment. We also considered the aggregation effect of planned nature of testing and the overall size complexity of the entity, as well as the fact that this is our first year as auditors.	75% of Materiality based on our risk assessment and consideration of the control environment. We also considered the aggregation effect of planned nature of testing and the overall size complexity of the entity. Furthermore we considered the expected total value of likely misstatements and the level of transactions in the year.	65% of Materiality based on our risk assessment and consideration of the control environment. We also considered the aggregation effect of planned nature of testing and the overall size complexity of the entity, as well as the fact that this is our first year as auditors.

Lower testing threshold

We determined that for those items impacting revenue return, a misstatement of less than materiality for the financial statements as a whole could influence users of the financial statements. As a result, we determined a lower testing threshold (2022: specific materiality level) for those items impacting revenue return of £1.2m (2022: £1.4m) based on 5% of revenue return before tax (2022: 5% of revenue return before tax).

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £1m (2022: £1m) We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

We have nothing to report in this regard.

Independent auditor's report (continued)

Corporate governance statement

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

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

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and • The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate.
Other Code provisions	• Directors' statement on fair, balanced and understandable. • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and • The section describing the work of the audit committee set out on pages 68-70.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Non-compliance with laws and regulation

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations

We considered the significant laws and regulations to be compliance with UK Adopted IFRS, UK tax legislation, and the Listing Rules.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations.

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

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review and challenge of management's consideration of the Group's compliance with the Investment Trust rules under UK tax legislation.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Independent auditor's report (continued)

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and valuation of investments.

Our procedures in respect of the above included:

- agreement of the financial statement disclosures to underlying supporting documentation;
- testing the appropriateness of a sample of the journal entries in the general ledger by agreeing to supporting documentation and adjustments made in the preparation of the financial statements, reviewing and assessing the accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that are outside the normal course of the business for the Group and those that appear to be unusual;
- challenging management on judgemental areas, in particular the valuation of unquoted investments; and
- the procedures set out in the Key Audit Matters section above.

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

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

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

Use of our report

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

Peter Smith
Senior Statutory Auditor

For and on behalf of BDO LLP, Statutory Auditor

London, UK
22 May 2023






Group statement of comprehensive income
for the year ended 31 March 2023

		2023			2022		
	Note	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m
Revenue							
Investment income	1	43.2	–	43.2	51.0	4.8	55.8
Other income	1	0.8	1.3	2.1	0.6	–	0.6
Net gains on fair value investments	8	–	133.0	133.0	–	567.1	567.1
Net (losses)/gains on fair value property	9,10	–	(1.4)	(1.4)	–	3.6	3.6
Total revenue		44.0	132.9	176.9	51.6	575.5	627.1
Management expenses	2	(21.3)	(8.6)	(29.9)	(21.0)	(11.8)	(32.8)
Profit before finance costs		22.7	124.3	147.0	30.6	563.7	594.3
Treasury interest receivable	3	4.6	–	4.6	0.1	–	0.1
Finance costs	4	(2.4)	–	(2.4)	(2.3)	–	(2.3)
Exchange movements		–	–	–	(0.1)	–	(0.1)
Profit before tax		24.9	124.3	149.2	28.3	563.7	592.0
Taxation	5	(4.3)	(2.0)	(6.3)	11.0	8.2	19.2
Profit for the year		20.6	122.3	142.9	39.3	571.9	611.2
Other comprehensive income items never to be reclassified to profit or loss							
Re-measurements of defined benefit pension schemes	25	–	1.4	1.4	–	(1.4)	(1.4)
Tax on other comprehensive income	5	–	(0.3)	(0.3)	–	1.5	1.5
Total comprehensive income		20.6	123.4	144.0	39.3	572.0	611.3
Basic earnings per share	7	37.9p	225.3p	263.2p	72.1p	1049.3p	1121.4p
Diluted earnings per share	7	37.3p	221.7p	259.0p	70.8p	1030.7p	1101.5p

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

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

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

The accounting policies and notes on pages 112 to 135 are an integral part of these financial statements.

Statement of financial position
at 31 March 2023

	Note	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Non-current assets					
Investments held at fair value through profit or loss	8	2,794.9	2,385.4	2,803.2	2,394.6
Investments in subsidiaries held at cost	8	–	–	0.9	0.9
Investment property	9	15.1	16.0	–	–
Property, plant and equipment	10	27.9	29.2	–	–
Deferred tax assets	11	5.7	24.2	–	18.1
Other receivables	12	–	–	37.1	37.3
Employee benefits	25	4.0	2.3	–	–
Non-current assets		2,847.6	2,457.1	2,841.2	2,450.9
Current assets					
Trade and other receivables	12	6.9	7.5	3.1	3.8
Current tax assets	5	19.3	8.9	20.3	9.8
Cash and cash equivalents	13	221.6	341.1	221.1	341.0
Current assets		247.8	357.5	244.5	354.6
Total assets		3,095.4	2,814.6	3,085.7	2,805.5
Current liabilities					
Interest bearing loans and borrowings	14	(266.0)	–	(266.0)	–
Trade and other payables	15	(22.1)	(22.4)	(33.8)	(35.6)
Employee benefits	25	(2.4)	(3.6)	–	–
Current tax liabilities		–	(0.1)	–	(0.1)
Current liabilities		(290.5)	(26.1)	(299.8)	(35.7)
Non-current liabilities					
Employee benefits	25	(5.1)	(4.7)	–	–
Deferred tax liabilities	11	(1.8)	(1.1)	–	–
Non-current liabilities		(6.9)	(5.8)	–	–
Total liabilities		(297.4)	(31.9)	(299.8)	(35.7)
Net assets		2,798.0	2,782.7	2,785.9	2,769.8
Equity					
Share capital	16	3.1	3.1	3.1	3.1
Share premium	16	1.3	1.3	1.3	1.3
Capital redemption reserve		1.4	1.4	1.4	1.4
Capital reserve		2,555.4	2,527.0	2,554.3	2,526.0
Retained earnings		247.4	263.2	236.4	251.3
Own shares		(10.6)	(13.3)	(10.6)	(13.3)
Total equity		2,798.0	2,782.7	2,785.9	2,769.8
Undiluted net asset value	17	5150p	5133p		
Diluted net asset value	17	5068p	5041p		

The Company profit for the year ended 31 March 2023 was £144.8m (2022: £608.2m)

The financial statements on pages 108 to 135 were approved by the board and authorised for issue on 22 May 2023 and were signed on its behalf by:

Mat Masters
Chief Executive Officer

Tim Livett
Chief Financial Officer

The accounting policies and notes on pages 112 to 135 are an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 March 2023

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Capital reserve £m	Retained earnings £m	Own shares £m	Total equity £m
Group								
Balance at 31 March 2021		3.2	1.3	1.3	1,979.1	254.3	(13.9)	2,225.3
Total comprehensive income								
Profit for the year		–	–	–	571.9	39.3	–	611.2
Other comprehensive income		–	–	–	0.1	–	–	0.1
Total comprehensive income		–	–	–	572.0	39.3	–	611.3
Transactions with owners of the company								
Contributions by and distributions to owners								
Share-based payments		–	–	–	–	8.2	–	8.2
Transfer of shares to employees		–	–	–	–	(4.0)	4.0	–
Own shares purchased and cancelled		(0.1)	–	0.1	(24.1)	–	–	(24.1)
Own shares purchased		–	–	–	–	–	(3.4)	(3.4)
Dividends paid	6	–	–	–	–	(34.6)	–	(34.6)
Total transactions with owners		(0.1)	–	0.1	(24.1)	(30.4)	0.6	(53.9)
Balance at 31 March 2022		3.1	1.3	1.4	2,527.0	263.2	(13.3)	2,782.7
Total comprehensive income								
Profit for the year		–	–	–	122.3	20.6	–	142.9
Other comprehensive income		–	–	–	1.1	–	–	1.1
Total comprehensive income		–	–	–	123.4	20.6	–	144.0
Transactions with owners of the company								
Contributions by and distributions to owners								
Share-based payments		–	–	–	–	5.8	–	5.8
Transfer of shares to employees		–	–	–	–	(6.7)	6.7	–
Own shares purchased		–	–	–	–	–	(4.0)	(4.0)
Dividends paid	6	–	–	–	(95.0)	(35.5)	–	(130.5)
Total transactions with owners		–	–	–	(95.0)	(36.4)	2.7	(128.7)
Balance at 31 March 2023		3.1	1.3	1.4	2,555.4	247.4	(10.6)	2,798.0

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Capital reserve £m	Retained earnings £m	Own shares £m	Total equity £m
Company								
Balance at 31 March 2021		3.2	1.3	1.3	1,979.8	243.8	(13.9)	2,215.5
Profit and total comprehensive income		–	–	–	570.3	37.9	–	608.2
Transactions with owners of the company								
Contributions by and distributions to owners								
Share-based payments		–	–	–	–	8.2	–	8.2
Transfer of shares to employees		–	–	–	–	(4.0)	4.0	–
Own shares purchased and cancelled		(0.1)	–	0.1	(24.1)	–	–	(24.1)
Own shares purchased		–	–	–	–	–	(3.4)	(3.4)
Dividends paid	6	–	–	–	–	(34.6)	–	(34.6)
Total transactions with owners		(0.1)	–	0.1	(24.1)	(30.4)	0.6	(53.9)
Balance at 31 March 2022		3.1	1.3	1.4	2,526.0	251.3	(13.3)	2,769.8
Profit and total comprehensive income		–	–	–	123.3	21.5	–	144.8
Transactions with owners of the company								
Contributions by and distributions to owners								
Share-based payments		–	–	–	–	5.8	–	5.8
Transfer of shares to employees		–	–	–	–	(6.7)	6.7	–
Own shares purchased		–	–	–	–	–	(4.0)	(4.0)
Dividends paid	6	–	–	–	(95.0)	(35.5)	–	(130.5)
Total transactions with owners		–	–	–	(95.0)	(36.4)	2.7	(128.7)
Balance at 31 March 2023		3.1	1.3	1.4	2,554.3	236.4	(10.6)	2,785.9

The accounting policies and notes on pages 112 to 135 are an integral part of these financial statements.

Statement of cash flows
for the year ended 31 March 2023

	Note	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Operating activities					
Dividends received		41.6	52.9	44.5	52.9
Interest received		6.5	1.7	6.5	1.7
Cash received from customers		2.6	0.5	1.8	–
Cash paid to suppliers and employees		(25.3)	(20.4)	(28.2)	(21.0)
Taxes received		0.1	0.1	0.1	0.1
Taxes paid		–	(0.1)	–	(0.1)
Group tax relief received		2.0	1.4	2.1	1.4
Group tax relief paid		–	–	(0.1)	–
Net cash flow from operating activities		27.5	36.1	26.7	35.0
Investing activities					
Purchases of investments		(468.1)	(226.9)	(468.1)	(226.9)
Proceeds from disposal of investments		192.1	602.2	192.1	602.2
Purchases of property, plant and equipment		(0.3)	(0.4)	–	–
Net cash flow (used in)/from investing activities		(276.3)	374.9	(276.0)	375.3
Financing activities					
Interest paid		(2.2)	(2.6)	(2.0)	(2.3)
Dividends paid to owners of the company		(130.5)	(34.6)	(130.5)	(34.6)
Proceeds from group borrowings		266.0	–	283.7	–
Repayment of bank borrowings		–	(15.0)	–	(15.0)
Loan payments to subsidiaries		–	(4.4)	(17.8)	(4.4)
Purchases of own shares		(4.0)	(27.5)	(4.0)	(27.5)
Net cash flow from/(used in) financing activities		129.3	(84.1)	129.4	(83.8)
Net (decrease)/increase in cash and cash equivalents		(119.5)	326.9	(119.9)	326.5
Cash and cash equivalents at year start		341.1	14.2	341.0	14.5
Cash and cash equivalents at year end	13	221.6	341.1	221.1	341.0

The accounting policies and notes on pages 112 to 135 are an integral part of these financial statements.

Significant accounting policies

General information

Caledonia Investments plc is an investment trust company domiciled in the United Kingdom and incorporated in England in 1928, under number 235481. The address of its registered office is Cayzer House, 30 Buckingham Gate, London SW1E 6NN. The ordinary shares of the company are premium listed on the London Stock Exchange.

These financial statements were authorised for issue by the directors on 22 May 2023.

These financial statements are presented in pounds sterling, as this is the currency of the primary economic environment in which Caledonia operates.

Significant accounting policies

Critical accounting judgements and estimates

Critical judgements

In the course of preparing the financial statements, one judgement has been made in the process of applying the group's accounting policies, other than those involving estimations, that has had a significant effect on the amounts recognised in the financial statements as follows:

1. Assessment as an investment entity

The board has concluded that the company continues to meet the definition of an investment entity, as its strategic objective of investing in a portfolio of investments for the purpose of generating returns in the form of income and capital appreciation remains unchanged. The Company is exempt from UK corporation tax on capital gains provided it meets the HM Revenue & Customs criteria for an investment company set out in Section 1158 of the Corporation Tax Act 2010.

Critical estimates

In addition to this significant judgement the directors have made one estimate, which they deem to have a significant risk of resulting in a material adjustment to the amounts recognised in the financial statements within the next financial year. The details of the estimate was as follows:

1. Fair values of private equity financial instruments

For directly owned private investments (Private Capital investments), totalling £824.0m (2022: £781.7m) valuation techniques using a range of internally and externally developed unobservable inputs are used to estimate fair value. Valuation techniques make maximum use of market inputs, including reference to the current fair values of instruments that are substantially the same (subject to appropriate adjustments). Private Capital assets have been disaggregated into categories and sensitised according to the degree of uncertainty attached to their estimation in note 22.

For private equity fund investments (unlisted Funds Pool investments), totalling £869.0m (2022: £784.7 m) held through externally managed fund vehicles, the estimated fair value is based on the most recent valuation provided by the external manager, usually received within 3-6 months of the relevant valuation date. Where required, valuations are adjusted for investments and distributions between the valuation date and the reporting date.

This delay in manager NAV receipts creates a risk of changes or events occurring between the NAV and reporting dates which could impact valuations. We reviewed the underlying valuation methodologies adopted by our fund managers and were satisfied that the techniques utilised were appropriate.

Fair value estimates for the above private assets are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision.

Other judgement

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

Going concern

As at 31 March 2023 the group holds £1,058m of liquid assets and has access to £250m of undrawn committed banking facilities, £112.5m of which expires in July 2025 and £137.5m of which expires in November 2027. The Directors therefore believe the group will be able to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements.

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

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

Basis of accounting

These Group and parent company financial statements were prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. IFRSs comprise accounting standards issued by the International Accounting Standards Board and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee and its predecessor body.

The financial statements have been prepared on an historical cost basis, except for the revaluation of certain financial instruments and properties. Where presentational guidance set out in the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ('SORP') issued by the Association of Investment Companies in October 2019 is consistent with the requirements of UK adopted international accounting standards, the directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The Statement of comprehensive income of the company has been omitted from these financial statements in accordance with section 408 of the Companies Act 2006.

Under the UK Corporate Governance Code and applicable regulations, the directors are required to satisfy themselves that it is reasonable to presume that the company is a going concern. After reviewing the company's performance projections for a period of at least 12 months, the directors are satisfied that in taking account of reasonably possible downsides the company has adequate access to resources to enable it to meet its obligations as they fall due for at least 12 months from the date of approval of the financial statements. Accordingly, the directors have adopted the going concern basis in preparing these financial statements.

Adopted IFRSs and IFRSs not yet applied

In the current year, the group has not adopted any new standards or interpretations. Amendments to IFRS adopted in the year have not had a material impact on the group.

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

- IFRS 17 *Insurance Contracts*

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

Assessment as investment entity

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

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

An investment entity is one which:

- obtains funds from investors for the purpose of providing them with investment management services
- invests funds solely for returns from capital appreciation and/or investment income, and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

Basis of consolidation

In accordance with the IFRS 10/IAS 28 *Investment entities amendments,* the consolidated financial statements include the financial statements of the company and service entities controlled by the company made up to the reporting date. Control is achieved where the company has the power over the potential investee as a result of voting or other rights, has rights to positive or negative variable returns from its involvement with the investee and has the ability to use its power over the investee to affect significantly the amount of its returns.

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

- Caledonia Group Services Ltd
- Caledonia Treasury Ltd
- Buckingham Gate Ltd

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at the reporting date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to the functional currency using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair values were determined.

In the financial statements, foreign exchange gains or losses are recognised in capital or revenue reserve depending on whether the gain or loss is of a capital or revenue nature respectively.

Significant accounting policies (continued)

Income

Dividends receivable on equity shares are recognised as revenue when the shareholders' right to receive payment has been established, normally the ex-dividend date. Where no ex-dividend date is available, dividends receivable on or before the period end, are treated as revenue. Provision is made for any dividends not expected to be received.

The fixed returns on debt securities, loans and non-equity shares are recognised on an effective interest rate basis, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income is recognised on a straight-line basis over the lease term.

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

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

Expenses

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

Leases

Lessor

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

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

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

Lessee

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

Employee benefits

Pension schemes

Payments to defined contribution schemes are charged as an expense as they fall due.

For defined benefit schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. Re-measurement gains and losses are recognised in full in the period in which they occur in other comprehensive income.

Past service cost is recognised immediately in the period of a plan amendment.

The retirement benefit obligation recognised in the Statement of financial position represents the present value of the defined benefit obligations as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Profit sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based payments

The group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant and the fair value is expensed on a straight-line basis over the vesting period, based on the group's estimate of the number of shares that will eventually vest.

As part of the share-based payment arrangements, the group pays a cash amount to employees on exercise of options, equating to the dividend entitlement on the option shares between grant and vesting dates. This payment is treated as a cash-settled share-based payment and is expensed on a straight-line basis over the vesting period, based on the group's estimate of the number of shares that will eventually vest and a re-estimate of the fair value of the dividend entitlement.

Where employees of a subsidiary are granted rights to the equity instruments of its parent as consideration for the services provided to the subsidiary, the subsidiary recognises an equity-settled share-based payment transaction expense with a corresponding intercompany balance with the parent. In addition, the parent recognises an increase in equity and an increase in intercompany balance for the amount of the share-based payment transaction.

An employee share trust is used for distributing shares awarded to employees under Caledonia's share remuneration schemes. The trustee purchases shares with money lent interest free by Caledonia and transfers shares to participating employees on exercise.

The transactions the employee share trust undertakes are considered to be performed by the trust as an agent for Caledonia. The transactions of the employee share trust are included in the separate financial statements of the parent company and, following the requirements of IFRS 10, in the consolidated financial statements as if they arose in that company. Own shares held by the employee share trust as at the reporting date are accounted for as treasury shares.

National Insurance on share-based payment awards

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

Taxation

The tax expense represents the sum of tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the Statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that were applicable at the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Investment trust companies that have approval as such under section 1159 of the Corporation Tax Act 2010 are not liable for taxation on capital gains.

The carrying amount of deferred tax assets is reviewed at each reporting date and adjusted to the extent that it is probable that sufficient future taxable profits will be available to allow all or part of the assets to be recovered.

Dividend distribution

Dividends are recognised in the period in which they are appropriately authorised and no longer at the discretion of the entity. For interim dividends, this will normally mean the date on which they are paid and, for final dividends, the date on which they are approved in general meeting.

Investments

Investments are recognised and derecognised on the date when their purchase or sale is subject to a relevant contract and the associated risks and rewards have been transferred. Where a purchase or sale is made under a contract whose terms require delivery within the timeframe established by the market concerned, transactions are recognised on the trade date.

Investments held as part of the group's business of investing in financial assets are designated as held at fair value through profit or loss in both the consolidated financial statements and the company financial statements.

Investments designated as held at fair value through profit or loss are measured at subsequent reporting dates at fair value. Gains or losses arising from changes in the value of investments designated as held at fair value through profit or loss, including foreign exchange movements, are included in net profit or loss for the period as a capital return.

Listed investments are valued at bid price or the last traded price when a bid price is not available. Unlisted investments are valued using recognised valuation methodologies, based on the International Private Equity and Venture Capital Valuation Guidelines, which reflect the amount for which an asset could be exchanged between knowledgeable, willing parties on an arm's length basis. The portfolio valuation methodology is detailed on pages 40 to 41.

Distributions from investment limited partnerships are treated as disposal proceeds or income in accordance with the nature of the distribution. Any surplus capital distributions after repaying partner's capital are treated as realised gains.

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

Capital reserve

The company maintains a capital reserve. The following items are transferred into the capital reserve from profit or loss:

- gains and losses on investments held at fair value through profit or loss
- gains and losses on derivatives used to hedge the fair value of investments
- fees and share-based payment expenses linked to investment performance
- expenses and finance costs incurred directly in relation to capital transactions
- actuarial gains and losses on defined benefit pension schemes
- taxation on items recognised in the capital reserve.

Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value.

The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

Any gain or loss arising from a change in fair value is recognised in profit or loss. Rental income is recognised on a straight-line basis over the lease term.

Significant accounting policies (continued)

Property, plant and equipment

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

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

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

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

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

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

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

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

Impairment of assets

At each reporting date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Receivables

Receivables do not carry any interest and are stated at their nominal value as reduced by expected credit losses ('ECL') arising from an annual ECL assessment of recoverable amounts. The company has applied the three-stage model to intercompany receivables and determined that they are not impaired on a stage one basis because credit risk has not increased significantly since initial recognition.

Cash and cash equivalents

Cash comprises cash in hand, demand deposits and money market funds. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Borrowings

Interest-bearing bank loans and overdrafts are recorded at the fair value of proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the Statement of comprehensive income using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. The effective interest method allocates the interest expense over the life of the instrument so as to reflect a constant return on the carrying amount of the liability.

Payables

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

Provisions

A provision is recognised in the Statement of financial position when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

In the financial statements, provisions recognised for investments are included in the Statement of comprehensive income as a capital return.

Share capital

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

Where The Caledonia Investments plc Employee Share Trust purchases the company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's owners until the shares are transferred. Where such shares are subsequently transferred, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's owners.

Operating segments

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

Notes to the financial statements

1. Revenue

Investment income

	2023 £m	2022 £m
Income statement revenue column		
Income from pool investments		
Dividends from UK listed companies	11.2	11.2
Dividends from overseas listed companies	9.6	7.2
Dividends from unlisted companies	18.8	25.4
Distributions from limited partnerships	1.8	5.6
Interest on loan facilities	1.8	1.6
	43.2	51.0
Income statement capital column		
Dividends from UK listed companies	–	4.8
	43.2	55.8

Other income

	2023 £m	2022 £m
Income statement revenue column		
Property income	0.8	0.6
Income statement capital column		
US limited partnerships tax refunds	1.3	–

2. Expenses

Management expenses

	2023 £m	2022 £m
Income statement revenue column		
Personnel expenses	12.0	12.7
Depreciation	1.1	1.2
Auditor's remuneration	0.4	0.3
Other administrative expenses	8.7	7.6
Directors' fees and disbursements recharged	(0.8)	(0.7)
Management fees and recharges	(0.1)	(0.1)
	21.3	21.0
Income statement capital column		
Personnel expenses	8.2	11.4
Transaction costs	0.4	0.4
	8.6	11.8
	29.9	32.8

Further information

Auditor's remuneration

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

	2023 £m	2022 £m
Audit services		
Annual report	0.3	0.2
Other services		
Other assurance, due diligence and tax compliance	0.1	0.1
	0.4	0.3

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

	2023 £m	2022 £m
Audit services		
Annual report	0.5	0.3
Other services		
Other assurance, due diligence and tax compliance	0.1	0.1
	0.6	0.4

Personnel expenses

	2023 £m	2022 £m
Income statement revenue column		
Wages and salaries	9.7	10.4
Compulsory social security contributions	1.5	1.5
Contributions to defined contribution plans	1.0	0.7
Defined benefit pension plans expense (note 25)	(0.2)	0.1
	12.0	12.7
Income statement capital column		
Share-based payments (note 24)	7.4	9.0
National Insurance on share awards	0.8	2.4
	8.2	11.4
	20.2	24.1

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

	2023 No	2022 No
Average number of employees	62	60

Total directors' remuneration expensed for the year was £4.8m (2022: £3.9m), as follows:

	Group 2023 £m	Group 2022 £m
Short-term employee benefits	2.7	2.5
Gains on exercise of share awards	2.1	1.4
	4.8	3.9

3. Treasury interest receivable

	2023 £m	2022 £m
Interest on bank deposits and liquidity funds	4.6	0.1

4. Finance costs

	2023 £m	2022 £m
Interest on bank loans and overdrafts	2.3	2.3
On loans from group companies	0.1	–
	2.4	2.3

5. Taxation

Recognised in profit for the year

	2023 £m	2022 £m
Current tax income		
Current year	13.4	3.0
Adjustments for prior years	(1.3)	1.6
	12.1	4.6
Deferred tax (expense)/income		
Origination and reversal of temporary differences	(25.6)	17.1
Adjustments for prior years	7.2	(2.5)
	(18.4)	14.6
Total tax (expense)/income	(6.3)	19.2

Adjustments for prior years represented settlement of prior year tax loss relief surrendered to group companies, finalised in the year.

Reconciliation of effective tax expense

	2023 £m	2022 £m
Profit before tax	149.2	592.0
Tax expense at the domestic rate of 19%	(28.4)	(112.5)
Non-deductible expenses	0.1	(0.5)
(Derecognition)/recognition of losses	(19.3)	14.4
Non-taxable gains on investments[1]	25.1	109.5
Non-taxable dividend income	9.0	8.3
Other temporary differences	1.3	0.9
Adjustments for prior years	5.9	(0.9)
Tax (expense)/income	(6.3)	19.2

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

Recognised in other comprehensive income

	2023 £m	2022 £m
Current tax income		
Current year	0.5	–
Deferred tax (expense)/income		
On re-measurements of defined benefit pension schemes	(0.5)	0.5
On share options and awards	(0.3)	1.0
Total tax (expense)/income	(0.3)	1.5

Current tax assets

Current tax assets of £19.3m in the group and £20.3m in the company represented tax loss relief surrender for settlement (2022: £8.8m in the group and £9.7m in the company).

6. Dividends

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

	2023		2022	
	p/share	£m	p/share	£m
Final dividend for the year ended 31 March 2022 (2021)	47.3	25.6	45.9	25.1
Special dividend for the year ended 31 March 2022	175.0	95.0		
Interim dividend for the year ended 31 March 2023 (2022)	18.2	9.9	17.5	9.5
	240.5	130.5	63.4	34.6

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

Proposed final dividend for the year ended 31 March 2023	49.2	26.7		

The proposed final dividend for the year ended 31 March 2023 was not included as a liability in these financial statements. The dividend, if approved by shareholders at the annual general meeting to be held on 19 July 2023, will be payable on 3 August 2023 to holders of shares on the register on 30 June 2023. The ex-dividend date will be 29 June 2023. The deadline for elections under the dividend reinvestment plan offered by Link Group will be the close of business on 13 July 2023.

For the purposes of section 1158 of the Corporation Tax Act 2010 and associated regulations, the dividends payable for the year ended 31 March 2023 are the interim and final dividends for that year, amounting to £36.6m (2022: £130.1m).

7. Earnings per share

Basic and diluted earnings per share

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

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

	2023 £m	2022 £m
Revenue	20.6	39.3
Capital	122.3	571.9
Total	142.9	611.2

The weighted average number of shares was as follows:

	2023 000's	2022 000's
Issued shares at the year start	55,664	55,374
Effect of shares cancelled	–	(404)
Effect of shares held by the employee share trust	(376)	(468)
Basic weighted average number of shares in the year	54,288	54,502
Effect of performance shares, share options and deferred bonus awards	881	987
Diluted weighted average number of shares in the year	55,169	55,489

8. Investments

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Investments held at fair value through profit or loss				
Investments listed on a recognised stock exchange	836.9	830.1	836.9	830.1
Unlisted investments	1,958.0	1,555.3	1,966.3	1,564.5
	2,794.9	2,385.4	2,803.2	2,394.6
Investments held at cost				
Service subsidiaries	–	–	0.9	0.9
	2,794.9	2,385.4	2,804.1	2,395.5

The movements in non-current investments were as follows:

	Listed equity £m	Unlisted equity[1] £m	Unlisted debt £m	Total £m
Group				
Balance at 31 March 2021	719.4	1,440.3	34.3	2,194.0
Purchases at cost	72.5	145.1	9.3	226.9
Disposal proceeds	(39.5)	(550.3)	(13.6)	(603.4)
Gains/losses on investments	77.7	489.4	–	567.1
Accrued income	–	0.8	–	0.8
Balance at 31 March 2022	830.1	1,525.3	30.0	2,385.4
Transfers	–	(1.6)	1.6	–
Purchases at cost	54.4	413.7	–	468.1
Disposal proceeds	(28.2)	(156.8)	(6.0)	(191.0)
Gains/losses on investments	(19.4)	152.4	–	133.0
Accrued income	–	(0.6)	–	(0.6)
Balance at 31 March 2023	836.9	1,932.4	25.6	2,794.9
Company				
Balance at 31 March 2021	719.4	1,446.1	34.3	2,199.8
Purchases at cost	72.5	145.1	9.3	226.9
Disposal proceeds	(39.5)	(550.3)	(13.6)	(603.4)
Gains/losses on investments	77.7	493.7	–	571.4
Accrued income	–	0.8	–	0.8
Balance at 31 March 2022	830.1	1,535.4	30.0	2,395.5
Transfers	–	(1.6)	1.6	–
Purchases at cost	54.4	413.7	–	468.1
Disposal proceeds	(28.2)	(156.8)	(6.0)	(191.0)
Gains/losses on investments	(19.4)	151.5	–	132.1
Accrued income	–	(0.6)	–	(0.6)
Balance at 31 March 2023	836.9	1,941.6	25.6	2,804.1

1. Unlisted equity included limited partnership and open ended fund investments, including a loan facility to a wholly owned investment subsidiary investing in US PE funds. It also included £260.2m of non-pool investments (2022 – £20.7m non-pool provisions).

9. Investment property

	Freehold property £m
Cost	
Balance at 31 March 2021	19.4
Acquisitions	0.3
Balance at 31 March 2022	19.7
Acquisitions	0.1
Balance at 31 March 2023	19.8
Revaluation	
Balance at 31 March 2021	(6.1)
Revaluation in the year	2.4
Balance at 31 March 2022	(3.7)
Revaluation in the year	(1.0)
Balance at 31 March 2023	(4.7)
Carrying amounts	
At 31 March 2021	13.3
At 31 March 2022	16.0
At 31 March 2023	15.1

At 31 March 2023, the group held one property classified as investment property, comprising that part of its head office building occupied by a third party tenant.

The fair value of the investment property was determined by Tuckerman, an external, independent property valuer, holding recognised and relevant professional qualifications and with recent experience in the location and category of the property being valued. The valuation conforms to the Royal Institution of Chartered Surveyors ('RICS') Valuation Professional Standards. Fees paid to the valuer are based on a fixed price contract.

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

The investment property held by the group is classified as Level 3 under the fair value hierarchy (see page 127).

Property	Market value £m	Valuation technique	Key unobservable inputs	Range (weighted average)
Buckingham Gate	15.1	Residual development value	Rent per sq ft pa	£38.00 – £85.00 (£73.78)
			Rent-free period	0.5 yrs
			Capitalisation rate	4.75%
			Purchaser's costs	6.8%

An increased capitalisation rate of 0.25% would result in a decreased asset valuation of £0.8m and a decrease of 0.25% would result in an increased asset valuation of £1.0m. Conversely, an increase in the estimated rent by 5% would result in an increase in the asset valuation of £0.8m and a decrease of 5% would result in a decrease in the asset valuation of £0.7m. The above inputs are interdependent and partially determined by market conditions. The impact on the valuation could be mitigated by the inter-relationship between these inputs.

The prior year sensitivity to inputs was as follows:

The investment property held by the group is classified as Level 3 under the fair value hierarchy (see page 127).

Property	Market value £m	Valuation technique	Key unobservable inputs	Range (weighted average)
Buckingham Gate	16.0	Residual development value	Construction costs	£0.2m
			Rent per sq ft pa	£38.00 – £85.00 (73.78)
			Rent-free period	0.5 yrs
			Capitalisation rate	4.5%
			Purchaser's costs	6.8%

An increase in the cost retention of 10% would result in a decrease in the asset valuation of £nil and a decrease of 10% would result in an increase in the asset valuation of £nil. An increased capitalisation rate of 0.25% would result in a decreased asset valuation of £0.9m and a decrease of 0.25% would result in an increased asset valuation of £1.0m. Conversely, an increase in the estimated rent by 5% would result in an increase in the asset valuation of £0.8m and a decrease of 5% would result in a decrease in the asset valuation of £0.8m. The above inputs are interdependent and partially determined by market conditions. The impact on the valuation could be mitigated by the inter-relationship between these inputs.

10. Property, plant and equipment

Group

	Property £m	Office equip-ment £m	Total £m
Cost			
Balance at 31 March 2021	32.4	4.3	36.7
Acquisitions	–	0.2	0.2
Balance at 31 March 2022	32.4	4.5	36.9
Acquisitions	–	0.2	0.2
Balance at 31 March 2023	32.4	4.7	37.1
Depreciation			
Balance at 31 March 2021	–	(2.0)	(2.0)
Depreciation charge	(0.6)	(0.6)	(1.2)
Eliminate depreciation	0.6	–	0.6
Balance at 31 March 2022	–	(2.6)	(2.6)
Depreciation charge	(0.6)	(0.5)	(1.1)
Eliminate depreciation	0.6	–	0.6
Balance at 31 March 2023	–	(3.1)	(3.1)
Revaluation			
Balance at 31 March 2021	(5.7)	–	(5.7)
Revaluation in the year	1.2	–	1.2
Eliminate depreciation	(0.6)	–	(0.6)
Balance at 31 March 2022	(5.1)	–	(5.1)
Revaluation in the year	(0.4)	–	(0.4)
Eliminate depreciation	(0.6)	–	(0.6)
Balance at 31 March 2023	(6.1)	–	(6.1)
Carrying amounts			
At 31 March 2021	26.7	2.3	29.0
At 31 March 2022	27.3	1.9	29.2
At 31 March 2023	26.3	1.6	27.9

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

Property was revalued at 31 March 2023 by an independent valuer. Had the property been carried under the cost model, the carrying amount would have been £25.1m (2022: £25.7m).

The fair value of the property was determined by Tuckerman, an external, independent property valuer, holding recognised and relevant professional qualifications and with recent experience in the location and category of the property being valued. The valuation conforms to the Royal Institution of Chartered Surveyors ('RICS') Valuation Professional Standards. Fees paid to the valuer are based on a fixed price contract.

The external valuations were prepared by considering the aggregate of the net annual rents receivable from the property and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

The property held by the group is classified as Level 3 under the fair value hierarchy (see page 127).

Property	Market value £m	Valuation technique	Key unobservable inputs	Range (weighted average)
Buckingham Gate	26.3	Rental yield	Rent per sq ft pa	£40.00 – £85.00 (£73.32)
			Capitalisation rate	4.75%
			Purchaser's costs	6.8%

An increased capitalisation rate of 0.25% would result in a decreased asset valuation of £1.5m and a decrease of 0.25% would result in an increased asset valuation of £1.6m. An increase in the estimated rent by 5% would result in an increase in the asset valuation of £1.3m and a decrease of 5% would result in a decrease in the asset valuation of £1.3m. The above inputs are interdependent and partially determined by market conditions. The impact on the valuation could be mitigated by the inter-relationship between these inputs.

The prior year sensitivity to inputs was as follows:

Property	Market value £m	Valuation technique	Key unobservable inputs	Range (weighted average)
Buckingham Gate	27.3	Rental yield	Rent per sq ft pa	£38.50 – £82.50 (£71.94)
			Capitalisation rate	4.5%
			Purchaser's costs	6.8%

An increased capitalisation rate of 0.25% would result in a decreased asset valuation of £1.6m and a decrease of 0.25% would result in an increased asset valuation of £1.7m. An increase in the estimated rent by 5% would result in an increase in the asset valuation of £1.4m and a decrease of 5% would result in a decrease in the asset valuation of £1.3m. The above inputs are interdependent and partially determined by market conditions. The impact on the valuation could be mitigated by the inter-relationship between these inputs.

11. Deferred tax

Deferred tax assets and liabilities were attributable to the following:

Group	Assets £m	Liabilities £m	Net £m
2023			
Employee benefits	5.5	(1.4)	4.1
Other timing differences	0.2	(0.4)	(0.2)
	5.7	(1.8)	3.9
2022			
Employee benefits	5.9	(0.8)	5.1
Tax losses	18.1	–	18.1
Other timing differences	0.2	(0.3)	(0.1)
	24.2	(1.1)	23.1

Company	Assets £m
2023	
Tax losses	–
2022	
Tax losses	18.1

Movement in temporary differences during the year

Group	Balance at year start £m	Comprehensive income £m	Other comprehensive income £m	Balance at year end £m
2023				
Employee benefits	5.1	(0.2)	(0.8)	4.1
Tax losses	18.1	(18.1)	–	–
Other timing differences	(0.1)	(0.1)	–	(0.2)
	23.1	(18.4)	(0.8)	3.9
2022				
Employee benefits	0.9	2.7	1.5	5.1
Tax losses	6.1	12.0	–	18.1
Other timing differences	–	(0.1)	–	(0.1)
	7.0	14.6	1.5	23.1

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

Deferred tax balances are calculated on all temporary differences using a tax rate of 25% (2022: 25%).

Group and company

Unrecognised deferred tax assets

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

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Tax losses	18.6	3.7	15.0	3.7

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

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

12. Trade and other receivables

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Non-current assets				
Other receivables	–	–	37.1	37.3

Company non-current other receivables comprise £35.5m (2022: £35.5m) due from a wholly owned subsidiary and £1.6m (2022: £1.8m) due from overseas tax authorities.

Current assets				
Trade receivables	2.8	3.6	2.1	3.1
Non-trade receivables and prepayments	4.1	3.9	1.0	0.7
	6.9	7.5	3.1	3.8

We estimate expected credit losses on the Group and Company receivables to be under £0.1m (2022: less than £0.1m). Our ECL assessment included a review of recoverability of the Trade receivables which comprise quoted investment income and private capital sales balances to confirm amounts were received within one month of the reporting date.

An aged analysis of group trade receivables is disclosed below.

	Total £m	Within terms £m	0-1 month £m
2023	2.8	2.7	0.1
2022	3.6	3.5	0.1

13. Net cash and cash equivalents

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Bank balances	7.3	10.8	6.8	11.1
Money market funds	214.3	330.3	214.3	329.9
Cash and cash equivalents	221.6	341.1	221.1	341.0

14. Interest-bearing loans and borrowings

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Current liabilities				
Loans from group companies	266.0	–	266.0	–

As at 31 March 2023 the group and company had loans from group companies of $328.8m (£266.0m) bearing interest at the Fed Funds Target Range Lower Limit (DFEDTARL) plus 0.1% (4.85%) and is repayable on demand.

As at 31 March 2023 the group had undrawn committed facilities totalling £250m (2022: £250m), comprising £112.5m from ING Group expiring in July 2025 and £137.5m from RBSI expiring in November 2027. The facilities are in place to ensure the group has sufficient liquid funds to meet its working capital and investment requirements, most notably drawdown notices from private equity funds, whose exact timing can be unpredictable.

Notes to the financial statements (continued)

Covenants attached to the group loan facilities assess borrowing levels against the net assets of Caledonia plc and sub-categories of assets held therein, adjusted to take account of liquidity, asset concentration and the markets in which they are invested. As at 31 March 2023, Caledonia plc had remaining borrowing capacity under the covenants of £523m (2022: £521m), considerably in excess of undrawn facilities. Compliance with covenants is tested monthly.

During the year the group and company utilised £nil (2022: £15m) of an available £250m of bank revolving credit facilities.

15. Trade and other payables

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Trade payables	1.0	0.7	9.2	11.8
Non-trade payables and accrued expenses	0.8	1.4	10.1	13.4
Other payables	20.3	20.3	14.5	10.4
	22.1	22.4	33.8	35.6

Other payables included short-term borrowing from subsidiaries.

16. Share capital

	Ordinary shares £m	Deferred ordinary shares £m	Share premium £m	Total £m
Balance at 31 March 2021 and 2021	2.8	0.4	1.3	4.5
Shares cancelled	(0.1)	–	–	(0.1)
Balance at 31 March 2022 and 2023	2.7	0.4	1.3	4.4

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

	Ordinary shares		Deferred ordinary shares	
	2023 000's	2022 000's	2023 000's	2022 000's
Balance at the year start	54,664	55,374	8,000	8,000
Shares purchased and cancelled	–	(710)	–	–
	54,664	54,664	8,000	8,000

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

As at 31 March 2023, the issued share capital of the company comprised 54,663,662 ordinary shares (2022: 54,663,662) and 8,000,000 deferred ordinary shares (2022: 8,000,000). The ordinary and deferred ordinary shares have a nominal value of 5p each.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. In respect of the company's ordinary shares that are held by subsidiaries, all voting rights are suspended.

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

17. Net asset value

The group's undiluted net asset value is based on the net assets of the group at the year end and on the number of ordinary shares in issue at the year end less ordinary shares held by The Caledonia Investments plc Employee Share Trust. The group's diluted net asset value assumes the calling of performance share and deferred bonus awards.

	2023			2022		
	Net assets £m	Number of shares[1] 000's	NAV p/share	Net assets £m	Number of shares[1] 000's	NAV p/share
Undiluted	2,798.0	54,326	5150	2,782.7	54,211	5133
Share awards	–	881	(82)	–	987	(92)
Diluted	2,798.0	55,207	5068	2,782.7	55,198	5041

1. Number of shares in issue at the year end is stated after the deduction of 337,962 (2022: 452,645) ordinary shares held by the Caledonia Investments plc Employee Share Trust.

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

	2023 p	2022 p
Diluted NAV at year start	5041	4000
Diluted NAV at year end	5068	5041
Dividends payable in the year	241	63
Reinvestment adjustment[1]	9	12
	5318	5116
NAVTR over the year	5.5%	27.9%

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

18. Operating segments

The chief operating decision maker has been identified as the Executive Committee, which reviews the company's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The performance of operating segments is assessed on a measure of group total revenue, principally comprising gains and losses on investments and derivatives hedging those investments and investment income. Reportable profit or loss is after treasury income and 'Other items', which comprise management and other expenses and provisions. Reportable assets equate to the group's total assets. Cash and cash equivalents and other items are not identifiable operating segments.

'Other investments' comprise subsidiaries not managed as part of the investment portfolio.

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

	Profit/(loss) before tax		Total assets	
	2023 £m	2022 £m	2023 £m	2022 £m
Quoted Equity	1.4	100.7	836.9	830.1
Private Capital	64.6	322.0	824.0	781.7
Funds	103.6	230.4	873.8	794.4
Investment portfolio	169.9	653.1	2,534.7	2,406.2
Other investments[1]	7.3	(26.0)	260.2	(20.7)
Total revenue/investments	176.9	627.1	2,794.9	2,385.5
Cash and cash equivalents	4.6	0.1	221.6	341.1
Other items	(32.3)	(35.2)	78.9	88.0
Reportable total	149.2	592.0	3,095.4	2,814.6

1. Other investments included £260.2m of non-pool investments (2022: -£20.7m of non-pool provisions).

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the currency of primary listing for listed securities, or country of residence for unquoted investments, and segment assets are based on the geographical location of the assets. Non-current assets below comprise investment property and property, plant and equipment (notes 9-10).

	UK £m	US £m	Other £m	Total £m
2023				
Revenue	19.4	114.7	42.8	176.9
Non-current assets	43.0	–	–	43.0
2022				
Revenue	198.2	373.5	55.4	627.1
Non-current assets	45.2	–	–	45.2

19. Related parties

Identity of related parties

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

Transactions with key management personnel

Certain directors of the company and their immediate relatives had significant influence in The Cayzer Trust Company Ltd, which held 35.3% of the voting shares of the company as at 31 March 2023 (2022: 35.3%).

During the year, the group invoiced and received £0.1m (2022: £0.1m) in rent and administration fees from The Cayzer Trust Company Ltd.

In addition to their salaries, the group provided non-cash and post-employment benefits to directors and executive officers. Details of directors' pension benefits are set out in the Directors' remuneration report on page 72.

The key management personnel compensation was as follows:

	Group	
	2023 £m	2022 £m
Short-term employee benefits	2.7	2.8
Equity compensation benefits	2.0	2.1
	4.7	4.9

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

Notes to the financial statements (continued)

Other related party transactions

Subsidiaries

Transactions between the company and its subsidiaries were as follows:

	2023		2022	
	Amount of transactions £m	Balance at year end £m	Amount of transactions £m	Balance at year end £m
Comprehensive income items				
Dividends receivable on equity shares	16.6	–	18.4	–
Interest receivable	1.9	–	1.5	–
Capital distributions receivable	–	–	4.4	–
Management fees payable	(29.9)	(9.9)	(33.0)	(13.0)
Taxation received	(0.1)	(0.1)	–	–
Taxation paid	2.1	–	1.3	–
Financial position items				
Investments purchased[1]	273.7	–	–	–
Equity subscribed	14.1	–	1.9	–
Investment loans	(24.4)	52.6	(60.0)	77.1
Capital contributions	–	–	9.2	–
Loans receivable	–	35.5	–	35.5
Loans payable[2]	(265.9)	(286.2)	4.5	(20.3)

1. During the year $338m (£274m) of fund investments were acquired from Caledonia US Investments Ltd, a wholly owned subsidiary.
2. During the year $328m (£266m) was borrowed from Caledonia US Investments Ltd.

Associates

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

	2023		2022	
	Amount of transactions £m	Balance at year end £m	Amount of transactions £m	Balance at year end £m
Directors' fees[1]	0.1	–	0.1	–
Dividends receivable on equity shares	5.0	–	4.0	–

1. Transactions with subsidiary.

20. Operating leases

Leases as lessor

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

	2023 £m	2022 £m
Less than one year	0.9	0.5
Between one and five years	2.1	2.7
	3.0	3.2

During the year ended 31 March 2023, £0.7m (2022:£0.6) was recognised as income in the statement of comprehensive income in respect of operating leases.

21. Capital commitments

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

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Investments				
Contracted but not called	422.6	331.1	422.6	331.1
Conditionally contracted	–	–	4.5	4.5
	422.6	331.1	427.1	335.6

Amounts are callable within the next twelve months. The group has conducted a going concern assessment which considered future cash flows, the availability of liquid assets and debt facilities, banking covenant requirements (see note 15) and consideration of the risks arising from the war in Ukraine and the inflationary environment over at least 12 months from the date of approval of these financial statements. In making this assessment a number of stress scenarios were developed, factoring in (a) adverse foreign exchange movements, (b) reduction in investment income, (c) reduction in distributions received from private equity funds and drawdown of all existing private equity fund commitments, (d) a delay and reduction in disposals of directly owned private equity investments, and (e) a significant temporary market decline for part of the year and (f) the cumulative impact of the above. For further details on assessment of going concern and viability please refer to page 46.

22. Contingencies

The company has provided guarantees capped at £6.5m, £9.0m and £5.0m to the trustees of the Caledonia Pension Scheme, the Sterling Industries Pension Scheme and the Amber Industrial Holdings PLC Pension & Life Assurance Scheme respectively in respect of the liabilities of the participating employers of those schemes.

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

23. Financial instruments

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

Risk analysis

The main types of financial risk to which the group is exposed are market risk (which encompasses price risk, currency risk and fair value interest rate risk), credit risk and liquidity risk.

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

Market risk

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

The strategy for managing market risk is driven by the company's objectives, which are to outperform the RPI by 3% to 6% in the short term and the FTSE All-Share Total Return index over rolling ten year periods. Investments are made in a range of instruments, including listed and unlisted equities, debt and investment funds, in a range of sectors and regions.

Price risk

Price risk may affect the value of listed and unlisted investments as a result of changes in market prices (other than arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market. Factors affecting instruments traded in the market could include changes in market prices whether driven by market sentiment, information specific to individual investments, or the movements in foreign currency relative to the group's functional currency of Sterling.

As the majority of financial instruments are carried at fair value, with fair value changes recognised in the Statement of Comprehensive Income, all changes in market conditions will affect portfolio asset prices.

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

The exposures of listed and unlisted equity investments and fund interests were as follows:

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Investments held at fair value through profit or loss	2769.3	2,355.4	2777.6	2,364.6

The following table details the sensitivity to a 10% variation in equity prices. The sensitivity analysis includes all equity and fund investments held at fair value through profit or loss and adjusts their valuation at the year end for a 10% change in value.

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Increase in prices	276.9	235.5	277.7	236.4
Decrease in prices	(276.9)	(235.5)	(277.7)	(236.4)

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

Currency risk

The group's currency risk is attributable to monetary items which are denominated in currencies other than the group's functional currency of Sterling. This excludes the impact of foreign currency movements on equity instruments which carry price risk (see price risk section above). There is exposure to the risk that the exchange rate of the functional currency may change relative to other currencies in a manner that has an adverse effect on the value of that portion of assets and liabilities denominated in currencies other than the functional currency.

The company's non-functional currency denominated monetary items and gains and losses thereon are reviewed regularly by the directors and the currency risk is managed by the directors within the overall asset allocation strategies.

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

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Investments in debt instruments	1.6	–	1.6	–
Cash and cash equivalents	6.7	0.6	6.7	0.6
Loans and borrowings	(266.0)		(266.0)	
	(257.7)	0.6	(257.7)	0.6

The following table details the sensitivity to a 10% variation in exchange rates. This level of change is considered to be reasonable, based on observation of market conditions and historic trends. The sensitivity analysis includes all foreign denominated debt investments.

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Sterling depreciates (weakens)	(23.2)	0.9	(23.2)	0.9
Sterling appreciates (strengthens)	19.0	(0.8)	19.0	(0.8)

The exposure to foreign currency has increased in the year due to an increase in foreign denominated debt investments, cash and cash equivalents and foreign denominated group borrowings.

Interest rate risk

Interest rate movements may affect the fair value of investments in fixed interest securities and the level of income receivable from fixed income securities and cash at bank and on deposit.

The company and group held cash at bank, term deposits and money market funds, with the term to maturity of up to three months and fixed and floating rate, interest-bearing financial assets and floating rate borrowings.

The company's interest bearing assets and liabilities are reviewed periodically by the company and interest rate risk is managed by the directors within the overall asset allocation strategies.

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

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Fixed rate				
Interest-bearing loans to non-consolidated subsidiaries	1.6	–	1.6	–
Floating rate				
Investments in debt instruments	24.0	30.0	24.0	30.0
Cash and cash equivalents	221.5	341.1	221.0	341.0
Loans and borrowings	(266.0)	–	(266.0)	–

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date from a 50 basis point change taking place at the beginning of the financial year and held constant throughout the year. This level of change is considered to be reasonable, based on observation of market conditions and historic trends.

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Decrease in interest rates	0.2	(1.5)	0.2	(1.5)
Increase in interest rates	(0.2)	1.5	(0.2)	1.5

The group's sensitivity to interest rates has reduced over the year due to a reduction in cash balances and floating rate debt investments and an increase in floating rate loans and borrowings.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment. A credit policy is in place and exposure to credit risk is monitored regularly.

The exposure to credit risk in financial assets was as follows:

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Investments in debt instruments	25.6	30.0	25.6	30.0
Operating and other receivables	6.9	7.5	40.2	41.1
Cash and cash equivalents	221.6	341.1	221.1	341.0
	254.1	378.6	286.9	412.1

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

	Group	
Credit rating	2023 £m	2022 £m
AAAm[1]	214.3	330.3
A+ / A-[1]	7.3	10.8
	221.6	341.1

1. The group holds £214.3m (2022: £330.3m) in Low Volatility Net Asset Value money market funds which all hold a AAAm rating from Standard & Poors and £7.3m (2022: £10.8m) of cash in current accounts with three (2022: two) commercial banks with credit ratings from Standard & Poors of A+ and A-.

Debt instruments relate to loans to investees within the Private Capital pool totalling £25.6m (2022: £30.0m). Prior to making investments in debt instruments, management has in place a process of review that includes an evaluation of a potential investee company's ability to service and repay its debt. Management assess the credit risk relating to these instrument as part of an overall ongoing monitoring of its debt and equity positions in each relevant investee.

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

Credit risk arising on money market liquidity funds and cash and cash equivalents is mitigated by spreading liquidity investments and deposits across a number of approved counterparties in accordance with board policy. These are either very high investment grade banks or higher, as determined by the rating agencies Fitch, Moody's or Standard & Poor's, or banks specifically approved by the board. These credit ratings are reviewed regularly.

At the year end, the group and company had money market liquidity funds of £214.3m respectively (2022: group £330.3m and company £329.9m).

At the year end, the group and company had £30m invested in each of the Aberdeen Liquidity Fund (Lux) GBP, the LGIM Liquidity Fund GBP, the Institutional Sterling Liquidity fund from Blackrock, the Sterling Liquidity fund from Aviva Investors and the ILF GBP liquidity fund from Insight, £25.5m invested in Sterling liquid reserves fund from Goldman Sachs, £24.0m in the JP Morgan GBP liquidity fund, £14.8m in the HSBC Global Liquidity Funds plc Sterling and US Dollar Liquidity Fund.

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

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

Fair value

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

Liquidity risk

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

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

Bank facilities were undrawn at 31 March 2023 and 2022.

Capital management policies and procedures

The group's capital management objectives are:

- to ensure that the group and company will be able to continue as a going concern
- to maximise the income and capital return to the company's shareholders, principally through the use of equity capital, although the group will maintain appropriate borrowing facilities, to be used for short-term working capital or bridging finance, currently £250m (2022: £250m).

The group's total capital at 31 March 2023 was £3,064.0m (2022: £2,782.7m) and comprised equity share capital and reserves of £2,798.0m (2022: £2,782.7m) and £266.0 of borrowings (2022: £nil). The group was geared at the year end with £266.0m of group borrowings (2022: ungeared) and had £250m (2022: £250m) of undrawn committed bank facilities.

The board monitors and reviews the broad structure of the group's and company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account planned investment activity
- the possible buy-back of equity shares for cancellation, which takes account of the discount of the share price to net asset value per share
- the annual dividend policy.

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

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

- as a public limited company, the company is required to have a minimum issued share capital of £50,000
- to maintain its approval as an investment trust company, the company is required to comply with the provisions of section 1158 of the Corporation Tax Act 2010 as amended by the Investment Trust (Approved Company) (Tax) Regulations 2011.

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

Fair value hierarchy

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

Level 1 Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2 Inputs other than quoted prices included in Level 1 that are observable either directly or indirectly.

Level 3 Inputs that are unobservable.

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

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Investments held at fair value				
Level 1	836.9	830.1	836.9	830.1
Level 2	4.8	6.2	4.8	6.2
Level 3	1,953.2	1,549.1	1,961.5	1,558.3
	2,794.9	2,385.4	2,803.2	2,394.6

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

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Balance at the year start	1,549.1	1,468.3	1,558.3	1,473.2
Purchases	413.5	154.4	413.5	154.4
Disposal proceeds	(162.8)	(561.2)	(162.8)	(561.2)
Gains and losses on investments sold in the year	126.7	247.6	126.7	247.6
Gains and losses on investments held at the year end	27.3	239.2	26.4	243.5
Accrued income	(0.6)	0.8	(0.6)	0.8
Balance at the year end	1,953.2	1,549.1	1,961.5	1,558.3

The following table provides information on significant unobservable inputs used at 31 March 2023 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Notes to the financial statements (continued)

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

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

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

At 31 March 2023

Description / valuation method	Fair value £m	Unobser-vable input	Weighted average input	Input sensit-ivity +/-	Change in valu-ation +/- £m
Internally developed					
Private companies					
Large, earnings	460.6	EBITDA multiple	14.0x	10.0%	+39.6/-55.5
Medium, earnings	160.6	EBITDA multiple	11.0x	10.0%	+/-13.1
Small, earnings	10.3	EBITDA multiple	4.6x	15.0%	+/-1.2
Net assets / manager valuation	192.5	Multiple	1	0.1x	+/-21.8
	824.0				+75.7/-91.6
Non-pool companies	260.2				
Total internal	1084.2				
Externally developed					
Private equity fund					
Net asset value	869.0	Manager NAV	1	5%	+/-43.5
	1,953.2				+119.2/-135.1

The table below sets out information about significant unobservable inputs used at the prior year end, 31 March 2022 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

At 31 March 2022

Description / valuation method	Fair value £m	Unobser-vable input	Weighted average input	Input sensit-ivity +/-	Change in valu-ation +/- £m
Internally developed					
Private companies					
Large, earnings	313.8	EBITDA multiple	13.5x	10.0%	28.2
Medium, earnings	117.8	EBITDA multiple	8.5x	10.0-15.0%	10.4
Small, earnings	23.3	EBITDA multiple	4.6x	15.0%	1.6
Large, Leisure, tangible assets	135.7	Tangible assets multiple	1.14x	10.0%	15.4
Net assets / manager valuation	191.1	Multiple	1	0.1x	19.1
	781.7				74.7
Non-pool companies	(20.7)				
Total internal	761.0				
Externally developed					
Private equity fund					
Net asset value	788.1	Manager NAV	1	5%	39.4
	1,549.1				114.1

Private capital companies

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

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

Multiples. This method involves the application of an earnings multiple to the maintainable earnings of the business, most commonly earnings before interest, tax, depreciation and amortisation ('EBITDA') multiples, and is likely to be appropriate for investments in established businesses with an identifiable ongoing earnings stream. Such multiples are derived from (i) comparable public companies based on geographic location, industry, size, target markets and other factors that management considers to be reasonable and (ii) reported mergers and acquisitions transactions involving comparable companies. EBITDA multiples ranged from 4x to 14x (2022: 4x to 14x), weighted average 13.1x (2022: 12.6x). Earnings are obtained from portfolio company statutory and management accounts and forecast management accounts. Maintainable earnings are estimated by adjusting reported and forecast earnings for non-recurring items (for example restructuring expenses), for significant corporate actions, and, in exceptional cases, run-rate adjustments.

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

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

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

At 31 March 2023, the investments were classified as follows:

Investment	Category	EV Range £m	Valuation technique	Valuation £m
Seven Investment	Large, internally developed	>150m	Earnings	187.1
Cobehold	Utilise external valuation	N/A	Net assets	176.1
Stonehage Fleming	Large, internally developed	>150m	Earnings	141.6
Liberation Group	Large, internally developed, Leisure	>150m	Earnings	131.9
Cooke Optics	Medium, internally developed	50-100m	Earnings	124.5
BioAgilytix	Utilise external valuation	N/A	Net assets	16.4
Other investments	Smaller	<50m		46.4
				824.0

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

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

The valuation of Private Capital companies has also been informed by offers we have received from interested parties in the year ended 31 March 2023.

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

Large, internally developed
Seven Investment Management, Stonehage Fleming and the Liberation Group use an earnings multiple method with earnings derived from trading over historic, current and forecast periods. A particularly high quality set of comparator companies was identified when arriving at an appropriate multiple.

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

Large, internally developed, Leisure
In the prior year, Liberation Group was placed in its own category due to it being Private Capital's only consumer facing business even though it had an enterprise value of >£150m.

Management selected an industry specific method of using a multiple of tangible fixed assets to arrive at a valuation, derived from a range of tangible fixed asset multiples from comparable leisure groups.

Utilise external valuation
Cobehold's fair value is derived from the valuation prepared by Cobepa (the manager) which reflects the net asset value of the group as at 31 December 2022, Cobehold's year end.

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

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

Private equity funds
Private equity fund interests are valued on a net assets basis, estimated based on the managers' NAVs. Manager's NAVs apply valuation techniques consistent with IFRS and are normally subject to audit. Managers' NAVs are usually published quarterly, two to four months after the quarter end. Consequently, the fund valuations included in these financial statements were based principally on the 31 December 2022 managers' NAVs.

24. Share-based payments

The company has a performance share scheme that entitles senior executives to receive options over the company's shares, which are exercisable subject to service and performance conditions. For nil-cost option awards granted in 2014, half of the shares comprised in the awards may be exercised after three years and half after five years. For nil-cost option awards granted in 2015 onwards, one-third of the shares comprised in the awards may be exercised after three years and two-thirds after five years.

The company also has a deferred bonus plan, under which senior employees compulsorily defer part of their annual bonus, being any bonus in excess of 50% of their basic salary for the bonus year, into shares.

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

Grant date	Entitlement	Vesting conditions	Number of shares
Performance share scheme awards			
27.11.14	Award grant to senior staff	Note 1	2,075
26.06.15	Award grant to senior staff	Note 3	916
26.05.16	Award grant to senior staff	Note 3	2,585
21.07.17	Award grant to senior staff	Note 3	16,553
30.05.18	Award grant to senior staff	Note 3	138,756
31.05.19	Award grant to senior staff	Note 3	136,720
04.08.20	Award grant to senior staff	Note 3	240,129
04.06.21	Award grant to senior staff	Note 3	174,701
30.05.22	Award grant to senior staff	Note 3	167,122
25.11.22	Award grant to senior staff	Note 3	5,169
			884,726
04.08.20	Compulsory award	Note 2	5,229
04.06.21	Compulsory award	Note 2	38,570
30.05.22	Compulsory award	Note 2	39,500
			83,299

1. Three/five years of service with vesting on a graduated basis from 10% to 100% for annualised NAV total return of 3% to 10% and (for investment executives) annualised pool total returns in a range of 4% to 15%, in each case measured over three years for one-half of the award and five years for the other half of the award. Investment executives' awards are measured as to 80% by reference to pool total returns and 20% by reference to NAV total return, other than Mr Cayzer-Colvin's awards, which are 60% and 40% respectively.
2. Three years of service.
3. Three/five years of service with vesting on a graduated basis from 10% to 100% for annualised NAV total return of 3% to 10% and (for investment executives) annualised pool total returns in a range of 4% to 15%, in each case measured over three years for one-third of the award and five years for the remaining two-thirds of the award. Investment executives' awards are measured as to 80% by reference to pool total returns and 20% by reference to NAV total return, other than Mr Cayzer-Colvin's awards, which are 60% and 40% respectively.

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

The fair value of services received in return for performance share scheme and deferred awards granted was measured indirectly, by reference to the share price at the date of grant.

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

	2023 p	2022 p
Weighted average share price	3731	3346

Under the schemes, awards were granted with service and non-market performance conditions. Such conditions were not taken into account in the fair value measurement of the services received at the dates of grant.

Employee expenses were as follows:

Years ended 31 March	2023 £m	2022 £m
Performance share awards granted in 2018	0.4	1.6
Performance share awards granted in 2019	0.7	1.5
Performance share awards granted in 2020	0.8	2.4
Performance share awards granted in 2021	1.9	1.6
Performance share awards granted in 2022	1.4	1.1
Performance share awards granted in 2023	1.1	–
Deferred bonus awards for 2019	0.1	0.4
Deferred bonus awards for 2021	0.6	0.4
Deferred bonus awards for 2022	0.4	–
	7.4	9.0

25. Employee benefits

Group

	2023 £m	2022 £m
Non-current assets		
Defined benefit pension asset	4.0	2.3
Current liabilities		
Profit sharing bonus	(2.4)	(3.6)
Non-current liabilities		
National Insurance on performance shares and deferred bonus awards	(2.7)	(3.3)
Dividends payable on performance shares and deferred bonus awards	(2.4)	(1.4)
	(5.1)	(4.7)
Total employee liabilities	(7.5)	(8.3)

Defined benefit pension obligations

The group operates three plans in the UK that provide pension benefits for employees and makes contributions to one of the plans. The schemes are approved by HMRC for tax purposes and operated separately from the group being managed by an independent set of trustees, whose appointment is determined by the schemes' documentation and legislation. The schemes are subject to UK funding regulations, which require the group and the trustees to agree a funding strategy and contribution schedule where necessary. Three (2022: three) of the schemes were in surplus on an IAS 19 basis. One scheme surplus was recognised in full as the company considers there is an unconditional right to a refund under IFRIC 14, one scheme surplus was capped at the economic benefit of reduced future contributions and one scheme surplus was unrecognised. Two schemes were effectively closed to new members in April 1996 and the other scheme in April 1997. New employees joining after that date were offered alternative defined contribution pension arrangements. Caledonia Group Services Ltd, a wholly owned subsidiary of Caledonia Investments plc, is the Sponsoring Employer for all Schemes.

	2023 £m	2022 £m
Present value of funded obligations	(50.6)	(68.4)
Fair value of plan assets	71.9	78.9
Present value of net assets	21.3	10.5
Irrecoverable surplus	(17.3)	(8.2)
	4.0	2.3

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

	2023 £m	2022 £m
Balance at the year start	68.4	72.4
Service cost	0.1	0.1
Interest cost	1.7	1.4
Actuarial loss/(gain) from changes:		
- in demographic assumptions	(0.5)	0.7
- in financial assumptions	(17.3)	(3.3)
- experience gains	1.4	0.1
Actual benefit payments	(3.2)	(3.0)
Balance at the year end	50.6	68.4

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

	2023 £m	2022 £m
Balance at the year start	78.9	76.1
Interest income	2.0	1.4
Return on plan assets less interest income	(5.9)	4.3
Employer contributions	0.1	0.1
Actual benefit payments	(3.2)	(3.0)
Balance at the year end	71.9	78.9

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

	2023 £m	2022 £m
Service cost	0.1	0.1
Interest on obligations	1.7	1.4
Interest on plan assets	(2.0)	(1.4)
	(0.2)	0.1

Amounts recognised in other comprehensive income were as follows:

	2023 £m	2022 £m
Actuarial gains arising from financial assumptions	17.3	3.3
Actuarial gains/(losses) arising from demographic assumptions	0.5	(0.7)
Actuarial losses from experience adjustments	(1.4)	(0.1)
Return on plan assets less interest income	(5.9)	4.3
Increase in irrecoverable surplus	(9.1)	(8.2)
Re-measurement gains/(losses) in the year	1.4	(1.4)

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

	2023 £m	2022 £m
Equities	32.1	38.3
Bonds	22.5	25.5
Cash	17.3	15.1
	71.9	78.9

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

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

	2023 %	2022 %
Discount rate at the year end	4.8	2.6
Future salary increases	4.5	4.9
Future pension increases	3.4	3.9
RPI price inflation	3.4	3.9

Mortality rates are assumed to follow the Self-Administered Pension Schemes 'Series 3' Light tables applicable to each member's year of birth, projected to calendar year 2020 in line with the core CMI scale of improvements. Allowance has also been made for further improvements in line with CMI core projections with a long term trend of 1.5% pa. Life expectancy on retirement in normal health is assumed to be 27.7 years (2022: 27.7 years) for males and 28.7 years (2022: 28.6 years) for females who are currently 62 years of age.

Expected contributions to group post-employment benefit plans for the year ending 31 March 2024 were £0.1m (2023: £0.1m).

In the UK, the funding is set on the basis of a triennial funding valuation by the actuaries for which the assumptions may differ from those above. IAS 19 requires 'best estimate' assumptions to be used whereas the funding valuation uses 'prudent' assumptions. As a result of these valuations, the group and the scheme trustees agree a Schedule of Contributions, which sets out the required contributions from the employer and employees for current service. Where the scheme is in deficit, the Schedule of Contributions also includes required contributions from the employer to eliminate the deficit. The most recent triennial valuations were completed in 2021 and 2020. A summary of the recent funding obligations and weighted average duration of the defined benefit obligations was as follows:

	Obligations at 31 Mar 2021 £m	Weighted average duration at 31 Mar 2023 years
Amber Industrial Holdings Pension Scheme	13.0	11
Caledonia Pension Scheme	31.7	12

	At 30 Sep 2019 £m	At 31 Mar 2022 years
Sterling Industries Pension Scheme	25.8	10

Sensitivities

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises the estimated increase in defined benefit obligations to a change in individual actuarial assumptions, while holding all other assumptions constant. This sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in an assumption would occur in isolation, as some of the assumptions may be correlated.

	2023 £m	2022 £m
Reduction in the discount rate of 0.25%	1.4	2.3
Increase in inflation of 0.25%	1.0	1.6
Increase in life expectancy of one year	2.1	3.5

Risks

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

- investment risk – the schemes hold their investments in equities and bonds, the value of which fluctuates, whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.
- interest rate risk – the schemes' liabilities are assessed using market rates of interest, based on corporate bond yields, to discount the liabilities and are therefore subject to any volatility in the movement of the market rate of interest. The net interest income or expense recognised in profit or loss is calculated using the market rate of interest.
- inflation risk – a significant proportion of the benefits under the schemes is linked to inflation. Although the schemes' assets are expected to provide a good hedge against inflation over the long term, movements over the short term would increase the schemes' net deficit.
- mortality risk – in the event that members live longer than assumed, the liabilities may turn out to have been understated originally and a deficit may emerge if funding has not been adequately provided for the increased life expectancy.

26. Post balance sheet events

On 20 April 2023, the company acquired a 99.8% stake in AIR-Serv Europe comprised of Airvending Ltd and AIR-serv Netherlands BV for £142.5m, alongside a £0.5m investment from the management team for the remaining equity.

27. Interests in associates

Company	Class	Holding %	Registered office
Bloom Engineering Holdings Inc.	Common	49.0	1313N. Market Street, Suite 5100, Wilmington, Delaware 19801, New Castle County, USA
Sterling Thermal Technology Holdings Ltd	Ordinary	25.0	Brunel Road, Rabans Lane Industrial Area, Aylesbury, Buckinghamshire HP19 8TD
Sports Information Services (Holdings) Ltd	Ordinary	22.6	Unit ½ Whitehall Avenue, Kingston, Milton Keynes, MK10 0AX
Stonehage Fleming Family & Partners Ltd	Preference	36.1	Nerine House, St George's Place, St Peter Port, Guernsey, GY1 3ZG

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

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

	2023 £m	2022 £m
Assets	381.3	251.3
Liabilities	(251.7)	(139.5)
Equity	129.6	111.8
Revenues	390.2	261.0
Profit	19.1	13.1

28. Subsidiaries

Company	Class	Holding %	Key to Registered office	Company	Class	Holding %	Key to Registered office
Caledonia Investments							
Amber 2010 Ltd	Ordinary	100.0[1]	6	Caledonia US Investments Ltd	Ordinary	100.0[1]	6
Buckingham Gate Ltd[2]	Ordinary	100.0[1]	6	Crewkerne Investments Ltd	A Ordinary B Ordinary	50.5[1] 100.0[1]	6
Caledonia CCIL Distribution Ltd	Ordinary	100.0[1]	6	Easybox Self-Storage Ltd	Ordinary	100.0[1]	6
Caledonia Financial Ltd	Ordinary	100.0[1]	6	Edinmore Investments Ltd	Ordinary	100.0[1]	6
Caledonia Group Services Ltd[2]	Ordinary	100.0[1]	6	Sterling Crewkerne Ltd	Ordinary	100.0[1]	6
Caledonia Land & Property Ltd	Ordinary	100.0[1]	6	Sterling Industries Ltd	Ordinary	100.0[1]	6
Caledonia Treasury Ltd[2]	Ordinary	100.0[1]	6	The Union-Castle Mail Steamship Co Ltd	Ordinary A Ordinary	100.0[1] 100.0[1]	6
Cooke Optics							
Chaplin Bidco Ltd[3]	Ordinary	100.0	7	Cooke Optics Group Ltd[3]	Ordinary	100.0	7
Chaplin Midco Ltd[3]	Ordinary	100.0	7	Cooke Optics (Hong Kong) Limited[3]	Ordinary	100.0	10
Chaplin Topco Ltd	A Ordinary B Ordinary C Ordinary	100.0[1] 75.3[1] 98.6[1]	7	Cooke Optics Holdings Ltd[3]	Ordinary	100.0	7
Cooke Optics Inc.[3]	Ordinary	100.0	8	Cooke Optics Ltd[3]	Ordinary	100.0	7
Cooke (Shanghai) Optics Technology Co Ltd[3]	Ordinary A	100.0	9	Cooke Optics TV Ltd[3]	Ordinary	100.0	7
Liberation Group							
A.E. Smith & Son Ltd[4]	Ordinary	100.0	11	La Cave des Vins Ltd[4]	Ordinary	100.0	11
A.S.B.M. Ltd[4]	Ordinary	100.0	11	La Rocque Enterprises Ltd[4]	Ordinary	100.0	11
A.S.B.O. Ltd[4]	Ordinary	100.0	11	La Rocque Inn (Jersey) Ltd[4]	Ordinary	100.0	11
A.S.B.T. Ltd[4]	Ordinary	100.0	11	Lapwing (Trading) Ltd[4]	Ordinary	100.0	11
Aurora Hotel Ltd[4]	Ordinary	100.0	11	Le Hocq Hotel Ltd[4]	Ordinary	100.0	11
Bath Street Wine Cellar Ltd[4]	Ordinary	100.0	11	Les Garcons Ltd[4]	Ordinary	100.0	12
Brasserie du Centre Ltd[4]	Ordinary	100.0	11	Longueville Distributors Ltd[4]	Ordinary	100.0	11
Bucktrout & Company Ltd[4]	Deferred Ordinary Preference	100.0	12	M Still Catering Ltd[4]	Ordinary	100.0	13
Butcombe Brewery Ltd[4]	Ordinary	100.0	13	Marais Hall Ltd[4]	Ordinary	100.0	14
Butcombe Brewing Company Ltd[4]	Ordinary	100.0	13	Mary Ann Products (Jersey) Ltd[4]	Ordinary	100.0	11
Caesarea Hotel (Jersey) Ltd[4]	Ordinary	100.0	11	Mitre Hotel (Jersey) Ltd[4]	Ordinary	100.0	11
Café de Paris (Jersey) Ltd[4]	Ordinary	100.0	11	Nightbridge Ltd[4]	Ordinary	100.0	11
Caledonia TLG Bidco Ltd[4]	Ordinary	100.0	13	Old Court House Hotel (St Aubin) 1972 Ltd[4]	Ordinary	100.0	11
Caledonia TLG Ltd	Ordinary A Ordinary B Ordinary C Preference Deferred	100.0[1] 12.9[1] 75.4[1] 66.9[1] 100.0[1]	11	Parade Hotel (Jersey) Ltd[4]	Ordinary	100.0	11
Caledonia TLG Midco Ltd[4]	Ordinary	100.0	11	Peirson (1971) Ltd[4]	Ordinary	100.0	11
Captains Holdings Ltd[4]	Ordinary	100.0	12	Puffin NewCo Ltd[4]	Ordinary	100.0	11
Channel Wines & Spirits (Jersey) Ltd[4]	Ordinary	100.0	11	Red Lion Ltd[4]	Ordinary	100.0	11
Cirrus Inns Holdings Ltd[4]	Ordinary	100.0	13	Robin Hood (Jersey) Ltd[4]	Ordinary	100.0	11
Cirrus Inns Ltd[4]	Ordinary	100.0	13	S.L. Ltd[4]	Ordinary	100.0	11
Citann Ltd[4]	Ordinary Preference	100.0	11	Ship Holdings Ltd[4]	Ordinary	100.0	12

Company	Class	Holding %	Key to Registered office	Company	Class	Holding %	Key to Registered office
Cosy Corner (Jersey) Ltd[4]	Ordinary	100.0	11	Square Ltd[4]	Ordinary	100.0	11
Craig Street Brewing Company Ltd[4]	Ordinary	100.0	11	St John's Hotel Ltd[4]	Ordinary	100.0	11
Divette Holdings Ltd[4]	Ordinary	100.0	12	Stag Hotel (Jersey) Ltd[4]	Ordinary	100.0	11
Don Inn (Jersey) Ltd[4]	Ordinary	100.0	11	Sussex Hotel Ltd[4]	Ordinary	100.0	11
Evenstar Ltd[4]	Ordinary	100.0	11	The Guernsey Brewery Co (1920) Ltd[4]	Ordinary Preference	100.0	12
Exeter Hotel (Jersey) Ltd[4]	Ordinary	100.0	11	The Independent Brewing Company Ltd[4]	Ordinary	100.0	11
Farm Street Inns Ltd[4]	Ordinary	100.0	13	The Liberation Group Ltd[4]	Ordinary	100.0	11
Farmers Inn Ltd[4]	Ordinary	100.0	11	The Liberation Group UK Ltd[4]	Ordinary	100.0	13
Five Oaks Hotel Ltd[4]	Ordinary	100.0	11	The Liberation Pub Company (Guernsey) Ltd[4]	Ordinary	100.0	12
Foresters Arms (Jersey) Ltd[4]	Ordinary	100.0	11	The Liberation Pub Company (Jersey) Ltd[4]	Ordinary	100.0	11
Gimbels (Jersey) Ltd[4]	Ordinary	100.0	11	The Post Horn Ltd[4]	Ordinary	100.0	11
Glo'ster Vaults Ltd[4]	Ordinary	100.0	11	The Royal Oak Inn Trading Ltd[4]	Ordinary	100.0	13
Great Union Hotel (Holdings) Ltd[4]	Ordinary	100.0	11	Trafalgar Hotel (Jersey) Ltd[4]	Ordinary	100.0	11
Great Western Hotel Ltd[4]	Ordinary	100.0	11	Union Inn (Jersey) Ltd[4]	Ordinary	100.0	11
Guernsey Leisure Company Ltd[4]	Ordinary	100.0	12	Victor Hugo Ltd[4]	Ordinary	100.0	11
Guppy's Holdings Ltd[4]	Ordinary	100.0	12	Victoria (Valley) Ltd[4]	Ordinary	100.0	11
Guppy's of Guernsey Ltd[4]	Ordinary	100.0	12	Victoria Hotel (Jersey) Ltd[4]	Ordinary	100.0	11
Hautville Ltd[4]	Ordinary	100.0	12	Wellington Hotel Ltd[4]	Ordinary	100.0	11
Horse & Hound (Jersey) Ltd[4]	Ordinary	100.0	11	Wests Cinemas Ltd[4]	Ordinary	100.0	11
John Tregear Ltd[4]	Ordinary	100.0	11	White Hart Ltd[4]	Ordinary	100.0	12
Seven Investment Management							
7IM Holdings Ltd[5]	Ordinary Preference	100.0	15	Caledonia Thames Group (Jersey) Ltd[5]	Ordinary	100.0	16
7IM Investment and Retirement Solutions Ltd[5]	Ordinary	100.0	15	Caledonia Thames Holdings (Jersey) Ltd	Ordinary A1 Ordinary Preference	90.8[1] 29.8[1] 100.0[1]	16
7IM Ltd[5]	Ordinary	100.0	15	Find a Wealth Manager Ltd[5]	Ordinary	100.0	17
7IM Trustees Ltd[5]	Ordinary	100.0	15	Partners Wealth Management LLP[5]	Member	95.0	18
Caledonia Thames Acquisitions (Jersey) Ltd[5]	Ordinary	100.0	16	Seven Investment Management LLP[5]	Member	95.0	15

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

Registered office addresses

6. Cayzer House, 30 Buckingham Gate, London SW1E 6NN
7. 1 Cooke Close, Thurmaston, Leicester LE4 8PT
8. 4131 Vanowen Place, Burbank, CA 91505, USA
9. Rooms 503/504, No 1 Building, No 908 Xiuwen Road, Minhang District, Shanghai, China
10. 11/F, Dawning House, 145 Connaught Road Central, Hong Kong
11. Tregear House, Longueville Road, St Saviour, Jersey JE2 7WF
12. Hougue Jehannet, Vale, Guernsey GY3 5UF
13. Butcombe Brewery Havyatt Road Trading Estate, Havyatt Road, Wrington, Bristol, BS40 5PA
14. Marais Hall, Marais Square, St Anne, Alderney GY9 3TS
15. 55 Bishopsgate, London EC2N 3AS
16. 44 Esplanade, St Helier, Jersey JE4 9WG
17. Alpha House, 100 Borough High Street, London SE1 1LB
18. 20 St Andrew Street, London EC4A 3AG

Company performance record (unaudited)

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

	Profit/ (loss) for the year £m	Diluted earnings per share p	Annual dividend p	Net assets £m	Diluted NAV per share p	Share price p	Rolling ten years annualised: Total share-holder return %	Rolling ten years annualised: FTSE All-Share Total Return %
2014	183.1	327.4	49.1	1,446	2593	1923	8.9	8.6
2015	207.7	371.1	50.6	1,627	2906	2281	7.5	7.7
2016	41.1	73.1	52.6	1,644	2890	2285	3.8	4.7
2017	290.1	518.4	54.8	1,899	3395	2750	5.2	5.7
2018	26.5	47.4	57.0	1,837	3285	2650	5.3	6.7
2019	198.2	354.7	59.3	2,002	3582	2980	11.6	11.1
2020	(172.5)	(315.0)	61.1	1,787	3236	2435	6.7	4.4
2021	467.6	837.8	62.9	2,225	4000	2645	7.1	6.0
2022	611.3	1101.5	64.8	2,783	5041	3540	11.9	7.2
2023	144.0	259.0	67.4	2,798	5068	3390	9.5	5.8

1. Profits, earnings and net assets from 2014 were from the group results, prepared in accordance with IASB Investment Entities amendments to IFRS 10 Consolidated Financial Statements.
2. Annual dividends are stated in relation to the year's results from which they were paid. Dividends for 2017 and 2022 exclude the special dividend of 100.0p and 175.0p.

Glossary of terms and alternative performance measures (unaudited)

Alternative performance measure ('APM')

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

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

Discount

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

	31 Mar 2023 £m	31 Mar 2022 £m
Share price (b)	3390p	3540p
NAV (a)	5068p	5041p
Discount ((a-b)/a) (expressed as a percentage)	33.1%	29.8%

Distributable profits

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

	31 Mar 2023 £m	31 Mar 2022 £m
Retained earnings	174.6	281.1
Distributable capital gains and losses	1,988.0	2,020.4
	2,162.6	2,302.2

Dividend cover

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

	31 Mar 2023 £m	31 Mar 2022 £m
Net revenue (b)	20.6	39.3
Dividend payable (a)	36.6	35.1
Dividend cover ((b)/a) (expressed as a percentage)	56%	112%

Ex-dividend date

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

APM Investment and pool returns

The company uses the modified Dietz method as a measure of the performance of an investment or investment pool over a period. This method divides the gain or loss in value plus any income, less any capital cash flows, by the average capital invested over the period of measurement. Average capital takes into account the timing of individual cash flows.

Net assets

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

Net asset value ('NAV')

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

See financial statements note 17.

APM NAV total return ('NAVTR')

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

See financial statements note 17.

	31 Mar 2023	31 Mar 2022	
Closing NAV per share (p)	5068p	5041p	a
Dividends paid out (p)	241p	63p	b
Effect of re-investing dividends (p)	9p	12p	c
Adjusted NAV per share (p)	5318p	5116p	d=a+b+c
Opening NAV per share (p)	5041p	4000p	e
NAV total return (%)	5.5%	27.9%	=(d/e)-1

Net revenue

Net revenue comprises income from investments less management expenses, financing costs and tax. Net revenue comprises the revenue column presented in the Group statement of comprehensive income on page 102 and differs from total comprehensive income in excluding gains and losses on investments and other items of a capital nature. The separation of revenue and capital profits and losses is required by the AIC SORP as of fundamental importance to shareholders and other users of the financial statements of investment trust companies.

APM Ongoing charges

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

Expense items included in the ongoing charges calculation comprise recurring costs relating to the operation of the company. Ongoing charges exclude transaction costs, external performance fees and share-based payment expenses, which are directly linked to investment performance, and re-measurement of defined benefit pension schemes, also linked to market movements.

Share-based payments comprise awards under the company's performance share scheme, which vest subject to achieving NAVTR targets, as well as service requirements, plus deferred bonus awards which arise from annual bonus awards over 50% of basic salary, which also relate to the company's investment performance.

	31 Mar 2023 £m	31 Mar 2022 £m
Management expenses (a)	21.3	21.0
Annualised average net assets (b)	2764.4	2509.0
Ongoing charges (a) / (b) (expressed as a percentage)	0.77%	0.84%

Annualised average net assets - 31 Mar 2023	£m
Apr-22	2,805.7
May-22	2,794.8
Jun-22	2,700.6
Jul-22	2,733.4
Aug-22	2,780.8
Sep-22	2,781.4
Oct-22	2,770.8
Nov-22	2,780.6
Dec-22	2,729.2
Jan-23	2,743.8
Feb-23	2,753.5
Mar-23	2,798.0
Average	2,764.4

Annualised average net assets - 31 Mar 2022	£m
Apr-21	2,227.5
May-21	2,266.9
Jun-21	2,370.4
Jul-21	2,365.7
Aug-21	2,458.0
Sep-21	2,539.8
Oct-21	2,544.6
Nov-21	2,678.5
Dec-21	2,669.7
Jan-22	2,617.3
Feb-22	2,586.6
Mar-22	2,782.7
Average	2,509.0

Record date

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

APM Total Shareholder Return ('TSR')

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

Information for investors

Registrar

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

Shareholder enquiries: (open 9.00am to 5.30pm)
0871 664 0300 or +44 371 644 0300 if calling from overseas

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

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

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

Link also provide an online service, Signal Shares, through which you can view your shareholding details, transaction and dividend histories, change your address, bank mandate and electronic communication preference and use the online proxy voting service. Signal Shares is available at www.signalshares.com.

Financial calendar

Final dividend ex-dividend date	29 June 2023
Final dividend record date	30 June 2023
Annual general meeting	19 July 2023
Final dividend payment date	3 August 2023
Half-year results announcement	November 2023
Anticipated interim dividend payment date	January 2024
2024 Annual results announcement	May 2024
2024 Annual report publication	June 2024

Electronic communications

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

Share price information

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

The ISIN for Caledonia's ordinary shares is GB0001639920.

Monthly net asset value

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

Boiler room and other scams

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

Directors and advisers

Chair
David C Stewart[2,3]

Executive directors
Mathew S D Masters (Chief Executive Officer)
Timothy J Livett (Chief Financial Officer)
Jamie M B Cayzer-Colvin

Non-executive directors
Stuart J Bridges[2,4]
Farah A Buckley[2,3,4]
The Hon Charles W Cayzer[2]
Guy B Davison[1,2,4]
M Anne Farlow[1,2,3,4]
Claire L Fitzalan Howard[2,3,4]
Lynn R Fordham[1,2,4]
William P Wyatt[2]

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

Secretary
Richard Webster

Registered office
Cayzer House
30 Buckingham Gate
London SW1E 6NN

Registered number
Registered in England no 235481

aic
The Association of Investment Companies

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BDO LLP
55 Baker Street
London W1U 7EU

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

Brokers
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25 Bank Street
Canary Wharf
London E14 5JP

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

Solicitors
Freshfields Bruckhaus Deringer LLP
100 Bishopsgate
London EC2P 2SR

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

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