



CALEDONIA
INVESTMENTS

COMPANY NUMBER: 235481

2002

Annual Report
31 MARCH 2002



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ACCOUNTS

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The directors present their report and accounts for the year ended 31 March 2002.

**PRINCIPAL ACTIVITIES
AND RESULTS**

Caledonia Investments is a diversified trading and investment company. A review of the activities of the company and its operating subsidiaries, together with the results for the year, is given in the chairman's statement and the operating and financial reviews, which should be regarded as part of this report.

**ANNUAL GENERAL
MEETING**

The notice of the annual general meeting to be held on 17 July 2002 set out on pages 82 and 83 contains three items of special business.

Since 23 July 2001, the date of the company's last annual general meeting, the company has purchased 5,918,500 of its own ordinary shares, with the result that the total holding of the concert party that is deemed to exist by virtue of the Cayzer family interests in the company ('Concert Party') now stands at approximately 49.6%. The company has stated that it will not make market purchases of its own shares which would result in the Concert Party's voting rights in the company exceeding 49.9% and is not seeking to renew the shareholder approval, granted at the last annual general meeting, of the waiver of the obligation that could arise on the Concert Party under the City Code on Takeovers and Mergers ('City Code') to make a general offer for the company in the event of the company making market purchases of its own shares. However, if the Concert Party was to reduce its holding, the company would be able to make market purchases of its own shares without the Concert Party incurring such an obligation, subject to certain restrictions as described below. The directors are not aware of any intention of the Concert Party to reduce its holding and therefore it is expected that the company's ability to purchase its own shares would be very limited. However, they believe that, in order to maintain flexibility, the company should again seek to renew its authority to make market purchases of its own ordinary shares in the terms of resolution 9.

If passed, resolution 9 will empower the company to make market purchases of up to 7,300,000 of its own ordinary shares (being approximately 10% of the company's issued ordinary share capital as at 28 May 2002) at a price per share not more than 5% greater than the average of the middle market quotations for such shares during the five business days preceding any such purchase, nor less than 5 pence, being the nominal value of an ordinary share. Without a waiver as referred to above, the company could only use this power without the Concert Party incurring an obligation under the City Code to make a general offer for Caledonia if any such purchase did not increase the percentage holding of the Concert Party either to above its highest percentage in the previous 12 months or by more than 1% over the previous 12 months, in each case after taking into account any purchases made by the Concert Party during that period. As already stated, the company is not seeking such a waiver and also would not wish to place the Concert Party in a position whereby it might be required to make such a general offer. It would therefore be the directors' intention to use this power only within the limits referred to above and only in circumstances where they believed, after careful consideration, that such a purchase would result in an increase in expected earnings per ordinary share or net asset value per ordinary share and would be in the best interests of shareholders. In considering whether to exercise this power, the

directors would also take into account both the longer term investment opportunities available to the company and the discount at which its shares were trading in the market relative to their underlying net asset value. The authority sought will expire on 1 January 2004 or, if earlier, at the conclusion of the next annual general meeting.

Resolution 10 will be proposed, as in previous years, to renew the authority granted on 23 July 2001 to allot unissued ordinary shares in the capital of the company. Whilst they do not have any present intention of exercising this authority, the directors would be authorised to allot shares up to a nominal amount of £1,217,652 representing approximately 33.33% of the company's issued ordinary share capital as at 28 May 2002. The authority, if granted, will last until the next annual general meeting.

Resolution 11 seeks to renew the directors' flexibility to issue ordinary shares for cash in connection with a rights issue or other than pro rata to existing shareholders. In the case of an issue of ordinary shares other than pro rata to existing shareholders, the authority will be limited to a nominal amount of £182,647, which represents approximately 5% of the issued ordinary share capital as at 28 May 2002. The authority, if granted, will last until the next annual general meeting.

The directors will comply with the guidelines of the Investment Protection Committees that no more than 7.5% of the issued ordinary share capital should be allotted for cash on a non pre-emptive basis in any three year period.

**ANNUAL GENERAL
MEETING
CONTINUED**

The directors of the company are shown on page 30. All of the directors served throughout the year, with the exception of Messrs C M Allen-Jones and M E T Davies, who were appointed on 27 November 2001 and 27 May 2002 respectively. In addition, Mr N K Cayzer ceased to be a director on 27 November 2001 and Mr L A W Evans served as a director from 27 November 2001 until his death on 14 April 2002. The company has also announced the appointment of Mr T C W Ingram as a director with effect from 10 June 2002.

Mr P N Buckley and The Hon C W Cayzer retire by rotation at the annual general meeting and, being eligible, offer themselves for re-election. Messrs C M Allen-Jones, M E T Davies and T C W Ingram will also retire at the annual general meeting in accordance with the articles of association and, being eligible, offer themselves for election.

None of the directors proposed for election or re-election has a contract of service that cannot be determined within one year. Under the terms of his appointment as chief executive with effect from 10 June 2002, Mr Ingram's employment may be terminated on one year's notice, although he will be entitled to additional protection in the event that his employment is terminated within its first year as a result of a change of control or reorganisation of the company. In these circumstances, Mr Ingram will be entitled to compensation equal to his basic salary and pension contributions for the unexpired period of the first two years from the commencement of his employment.

The interests of the directors and their families in the share capital of the company are shown in note 33 to the accounts.

**DIRECTORS AND
THEIR INTERESTS**

SUBSTANTIAL INTERESTS

The company has been notified of the following interests amounting to 3% or more of the issued ordinary share capital as at 28 May 2002:

	No of shares	%
The Cayzer Trust Company Ltd	27,393,917	37.5
BriTel Fund Trustees Ltd	5,608,720	7.7

Included in the interest of BriTel Fund Trustees Ltd is an interest in 5,315,911 shares (7.3%) held by Hermes Focus Asset Management Ltd ('Hermes') as general partner of various partnerships managed by it. Hermes SLP Ltd and Lens Investors (UK) LLC also have an interest in these shares as partners in one or more partnerships managed by Hermes. Hermes and Hermes SLP Ltd are both subsidiaries of Hermes Pensions Management Ltd, which is ultimately owned by BriTel Fund Trustees Ltd, a company controlled by the trustees of the BT Pension Scheme.

The following have also notified the company of interests arising by virtue of their relationships with Hermes and which are included in the interest of Hermes referred to above:

	No of shares	%
Bradford Metropolitan District Council	2,438,114	3.3
Devon County Council	3,655,564	5.0
Essex County Council	2,435,114	3.3
Merseyside Pension Fund	2,438,114	3.3
Ontario Municipal Employees Retirement System	2,438,114	3.3

In addition to the above, Devon County Council and Merseyside Pension Fund have notified the company of direct holdings of 20,500 shares (0.02%) and 195,000 shares (0.3%) respectively.

The Cayzer Trust Company Ltd, certain directors of Caledonia, the Caledonia Investments plc Employee Share Trust and other members of the wider Cayzer family are deemed to form a concert party for the purposes of the City Code. At 28 May 2002, this concert party was interested in 36,217,586 shares representing 49.6% of the issued ordinary share capital of the company.

CORPORATE GOVERNANCE

The board recognises the importance of good corporate governance and the following statement describes how the company has applied the principles of good corporate governance as set out in the Combined Code. The company has complied throughout the year with the provisions set out in section 1 of the Combined Code, other than in relation to provision D.3.1, where the audit committee consisted of only two non-executive directors until 20 March 2002, at which time its membership was increased to three non-executive directors. The board considers that the constitution of the audit committee prior to that date was sufficient to ensure the integrity of the company's financial reporting and control.

The principles set out in section 1 of the Combined Code have been applied as described below.

**CORPORATE
GOVERNANCE**
CONTINUED

The board

The board as a whole is responsible for the group's objectives and policies and the management of its resources. It has eleven scheduled meetings a year, but also convenes at additional times when required. The board has a schedule of matters specifically reserved to it for decision, including material acquisitions and disposals, treasury policy and risk management.

All new directors appointed by the board are required to seek election by shareholders at the next general meeting of the company following their appointment and subsequently all directors are required to retire by rotation at least every three years. On appointment, new directors are offered training considered appropriate by the board and also subsequently as necessary. All directors receive appropriate and timely information to ensure that they are properly briefed in advance of board meetings and have unlimited access to the company secretary and other senior management should further information be required.

At the date of this report, the board comprises four executive directors and five non-executive directors, although the company has announced the appointment of a new chief executive with effect from 10 June 2002. Other than Major M G Wyatt, who was an executive director until 31 March 2002, all of the non-executive directors are considered to be independent, notwithstanding that Mr J R H Loudon is a member of the wider controlling shareholder, the Cayzer family, and that Mr J Burnett-Stuart has served as a non-executive director for over ten years. Collectively, the directors bring a wide range of experience and expertise to the stewardship of the business, as evidenced by their individual biographies, which appear on pages 28 and 29.

During the year, the roles of chairman and chief executive were combined, however these roles will be separated by the appointment of Mr T C W Ingram as chief executive with effect from 10 June 2002. The day to day management of the company is delegated to a management committee comprising the executive directors and the company secretary, which meets weekly to review business issues and matters not specifically reserved to the board as a whole. This, combined with the strong independent non-executive representation, headed by the senior independent non-executive director, Mr J Burnett-Stuart, ensures a balance of power and authority at board level.

In addition, the board has delegated certain specific areas of responsibility to standing committees.

The nomination committee, chaired by Mr P N Buckley, meets when required and provides advice and recommendations to the board in relation to any new appointments and the re-election of non-executive directors.

The remuneration committee, chaired by Mr J Burnett-Stuart, meets when required and provides advice and recommendations to the board on the company's framework of executive remuneration, details of which are set out in the remuneration report on pages 80 and 81. This committee also determines the individual remuneration packages of executive directors and is responsible for the grant of options under the company's executive share option schemes.

**CORPORATE
GOVERNANCE
CONTINUED**

The audit committee, chaired by Mr J Burnett-Stuart, meets at least three times a year and reviews the company's financial reporting procedures and all financial information issued to shareholders. It also considers the scope, cost effectiveness and objectivity of the external audit and the level of non-audit services provided by the auditors.

The current membership of each of the above committees is noted on page 30.

Internal control

The board is responsible for the group's system of internal control, which is designed to manage, rather than eliminate, risk. It is recognised that such a system can only provide reasonable, but not absolute, assurance against material misstatement or loss. The board confirms that the system of internal control operated by the group accords with the guidance issued in September 1999 by the Institute of Chartered Accountants of England and Wales (the Turnbull Committee guidelines) and has been in place throughout the year and up to the date of approval of these accounts.

Major business risks facing group companies, including social, ethical and environmental issues, are identified in conjunction with operating management and procedures agreed to control these as appropriate. Risks facing the group's material associates and investments are identified and evaluated through board representation or regular contact.

Risks identified are regularly monitored at group level by members of Caledonia's management committee, who have clear mandates to assess and report on risk in their particular areas of responsibility. From these assessments an ongoing risk profile of the group's activities is prepared quarterly and reviewed by the Caledonia board.

Financial performance is measured by reference to an annual budget process for all group companies, from which a group budget is prepared for approval by the main board. Management accounts for all group companies are prepared monthly, which compare actual performance against budget. Forecasts are updated at least quarterly.

The directors have conducted a review of the operation and effectiveness of the group's system of internal control.

Going concern

The directors confirm that they are satisfied that the group has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Relations with shareholders

The company welcomes dialogue with institutional shareholders in order to achieve a mutual understanding of objectives. The annual general meeting also provides a forum for investors to meet the directors both formally and informally.

**CORPORATE SOCIAL
RESPONSIBILITY**

It is the objective of the group to conduct itself in a responsible manner with regard to its employees, the environment and the communities local to its activities. In the past, the Caledonia board has not sought to formulate groupwide policies in relation to social, ethical and environmental issues, as group companies operate in diverse business sectors and geographical regions where operational impacts, requirements and practices inevitably vary. However, to demonstrate its commitment to its corporate social responsibilities, the board adopted on 22 May 2002 formal policies in relation to the environment, health and safety, employees, customers and suppliers and charitable and community support, in order to ensure that appropriate social, ethical and environmental standards are maintained throughout the group. These policies are available for inspection on the company's Web site.

It will be the responsibility of each group company to demonstrate compliance with these policies in ways relevant to its individual activities. However, many already have specific policies and procedures in place and examples of how good corporate citizenship is currently practised around the group are presented below.

The environment

Group companies seek to ensure compliance with applicable legislation, optimise use of energy and raw materials, reduce emissions or pollutants that could be detrimental to the environment and reduce waste through process improvement, reuse and recycling. Regular monitoring is undertaken both internally and in conjunction with external regulatory bodies.

Edinburgh Crystal works closely with the Scottish Environment Protection Agency in order to measure and control emissions to atmosphere from its operations. In October 2001, the company completed the installation of a five tower abatement system controlled automatically through conductivity measurement, to reduce fluoride emissions from its acid polishing processes. This type of system is regarded as best available technology and initial monitoring has indicated that a reduction in total fluoride emissions has been achieved to below, by a factor of ten, the 5mg/m³ limit currently required by relevant environmental legislation. During the year, Edinburgh Crystal also moved from open top pots to closed top pots and from batch mixing to pelletised batch for its glass melting in order to reduce further lead emissions and dust levels.

In November 2001, Ambersil achieved certification under ISO14001 in respect of its main UK manufacturing site at Bridgwater in Somerset. The certification process included an environmental assessment of the processes, equipment and practices on the site to identify and analyse potential areas of environmental impact. The environmental management system implemented to achieve certification under the standard is continuously monitored by Ambersil and annually assessed by the British Standards Institute. Ambersil has already achieved significant reductions in reject aerosols and is aiming to phase out use of chlorinated solvents by the end of the year.

**CORPORATE SOCIAL
RESPONSIBILITY**
CONTINUED

The Sloane Club has moved to Green Energy for its Club Suites. Green Energy buys its electricity from non-nuclear, renewable UK sources and is committed to putting up to 50% of its profits back into renewable generation projects.

Health and safety

The group seeks to maintain working conditions for employees and visitors which are safe, healthy and in compliance with relevant legislation and appropriate codes of practice.

In October 2001, Edinburgh Crystal signed as a member of the Glass Charter Industry Scheme, which provides guidelines aimed specifically at enabling its members to operate within the laws on health and safety and to apply best practice.

Ambersil works closely with the Health and Safety Executive to assess and improve safety on site and provides specialised training for employees in the handling of hazardous chemicals.

Employees

Group companies are encouraged to develop their own consultative policies. These include regular meetings held between local management and employees to allow a free flow of information and ideas.

The group gives full and fair consideration to applications for employment from disabled persons, having regard to their aptitudes and abilities. Group companies make every effort to treat disabled persons equally with others.

Where existing employees become disabled, it is the group's policy to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

The Sloane Club and Sterling Hydraulics have both achieved the Investors in People accreditation, demonstrating their commitment to staff training and development. In April 2001, Ambersil introduced a continuous improvement programme, whereby work teams put forward projects to improve performance in the areas of the environment, health and safety, customer service and profit improvement. Projects are approved and monitored by a steering committee, which awards prizes annually to the most successful teams. In January 2002, Ambersil started working with assessors with the objective of achieving the Investors in People accreditation.

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 provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The group does not follow any code or statement on payment practice and Caledonia itself does not have any trade creditors.

Charitable and community support

Group companies support chosen community and charitable causes local to their areas of operation. Overall, the group made charitable donations during the year amounting to £78,000.

Ambersil participates in the government sponsored Business in Education and Enterprise Activity Zone schemes, whereby the company provides support to local schools through cash donations and the provision of other assistance, such as lectures by staff and the donation of used computer equipment. The Sloane Club holds work experience days for children from local schools and also provides use of Club rooms to Stage for Age, a subsidiary of Help the Aged, and to its local church. In addition, the Club donates towels and bedding to a local shelter for the homeless.

Sterling Hydraulics works closely with local schools, offering apprenticeships and teacher visits, and also through the donation of used computer equipment. In addition, it supports a number of local charities. Edinburgh Crystal donates glassware as prizes for charitable causes in its local community and holds a weekly sponsored dress-down day, the proceeds from which are donated to charities chosen by its staff.

Caledonia itself provides financial support to a range of charitable causes and has made surplus office space available free of charge for use by a children's fire and burns charity. Caledonia is a founder member of the FTSE4Good index.

**CORPORATE SOCIAL
RESPONSIBILITY**
CONTINUED

A resolution will be proposed at the annual general meeting for the reappointment of KPMG Audit Plc as auditors of the company.

AUDITORS

By order of the board
G P Denison
Secretary



28 May 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss for that period. In preparing those accounts, 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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts
- prepare the accounts on a going concern basis unless it is inappropriate to assume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

We have audited the accounts on pages 42 to 79.

The directors are responsible for preparing the annual report. As described on page 40 this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the statement on pages 34 to 36 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report, including the corporate governance statement and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group as at 31 March 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
 KPMG Audit Plc
 Chartered Accountants
 Registered Auditor
 London

28 May 2002

**RESPECTIVE
 RESPONSIBILITIES OF
 DIRECTORS AND
 AUDITORS**

**BASIS OF AUDIT
 OPINION**

OPINION

GROUP PROFIT AND LOSS

for the year ended 31 March 2002

**PROFIT AND LOSS
ACCOUNT**

	Note	2002 £m	2001 £m
Group turnover	1	114.1	135.2
Trading loss		(1.3)	9.7
Income from investments	2	10.8	12.6
Interest net		(1.4)	3.1
Amounts written off current assets		—	(3.9)
Other income		0.8	0.9
Group overheads		(8.5)	(7.7)
Group operating profit	3	0.4	14.7
Share of operating profit of associates		25.2	40.1
Amortisation of goodwill on acquisition of associates		0.5	(1.3)
Total operating profit		26.1	53.5
Loss on sale of operations	5	(6.2)	9.9
Interest payable	6	(11.7)	(7.7)
Profit on ordinary activities before taxation	1	8.2	55.7
Tax on profit on ordinary activities	7	(5.1)	(12.8)
Profit on ordinary activities after taxation		3.1	42.9
Minority interests (equity)		(0.2)	(1.0)
Profit for the financial year		2.9	41.9
Dividends	9	(18.2)	(18.8)
Loss retained for the financial year	23	(15.3)	23.1
Earnings per ordinary share	10		
Basic		3.8p	53.2p
Diluted		3.8p	53.1p
Adjusted basic		18.6p	49.6p
Dividends per ordinary share	9	25.0p	24.0p

**HISTORICAL COST
PROFIT AND LOSS**

	2002 £m	2001 £m
Reported profit on ordinary activities before taxation	8.2	55.7
Realisation of investment revaluation gains and losses	(2.2)	70.7
Historical cost profit on ordinary activities before taxation	6.0	126.4
Historical cost loss retained for the financial year	(19.1)	92.3

The accounting policies and notes on pages 47 to 79 form part of these accounts.

GROUP RESERVE MOVEMENTS

for the year ended 31 March 2002

	Note	2002 £m	2001 £m	TOTAL RECOGNISED GAINS AND LOSSES
Profit for the financial year		2.9	41.9	
Realised gains and losses on sale of investments		7.9	58.1	
Provision against investments		(11.5)	(1.5)	
Movement in revaluation reserve		(24.9)	(14.5)	
Tax on sale of investments	7	(1.5)	(1.5)	
Exchange differences		0.1	16.7	
Minority interests		(0.1)	—	
Share of reserve movements of associates				
Realised gains and losses on sale of investments		1.4	14.1	
Movement in revaluation reserve		(20.4)	0.2	
Exchange differences		(1.2)	0.4	
Other movements		0.5	—	
Total recognised gains and losses for the financial year		(46.8)	113.9	

	2002 £m	2001 £m	RECONCILIATION OF SHAREHOLDERS' FUNDS
Total recognised gains and losses for the financial year	(46.8)	113.9	
Dividends	(18.2)	(18.8)	
	(65.0)	95.1	
Purchase of own shares	(47.1)	(5.1)	
Goodwill on disposals written back	(5.5)	0.5	
Share of goodwill movements of associates	0.7	—	
Net movement in shareholders' funds	(116.9)	90.5	
Opening balance of shareholders' funds	854.8	764.3	
Closing balance of shareholders' funds	737.9	854.8	

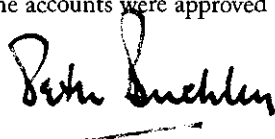
The accounting policies and notes on pages 47 to 79 form part of these accounts.

GROUP BALANCE SHEET

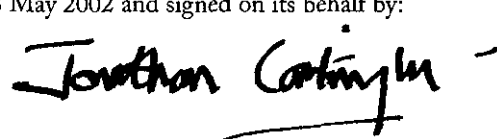
at 31 March 2002

	Note	2002 £m	2001 £m
Fixed assets			
Intangible assets	11	7.5	11.4
Tangible assets	12	68.0	68.3
Investments	13		
Investment in associates		289.4	405.3
Other investments		316.7	389.1
		681.6	874.1
Current assets			
Stocks	14	21.3	16.5
Debtors	15	31.2	37.9
Short term deposits		61.0	9.0
Cash at bank and in hand		20.2	11.4
		133.7	74.8
Creditors falling due within one year			
Short term borrowings	16	(8.8)	(23.4)
Other creditors	17	(33.4)	(35.8)
		(42.2)	(59.2)
Net current assets			
		91.5	15.6
Total assets less current liabilities			
		773.1	889.7
Creditors falling due after more than one year			
Long term borrowings	18	(5.3)	(5.5)
Provision for liabilities and charges			
Deferred taxation	20	(29.0)	(28.0)
	1	738.8	856.2
Minority interests (equity)			
		(0.9)	(1.4)
		737.9	854.8
Capital and reserves			
Called up share capital	22	4.1	4.4
Share premium account	23	1.3	1.3
Capital redemption reserve	23	1.1	0.8
Revaluation reserve	23	73.9	119.1
Profit and loss account	23	657.5	729.2
Shareholders' funds (equity)		737.9	854.8
Net asset value per ordinary share		1010p	1082p

The accounts were approved by the board on 28 May 2002 and signed on its behalf by:



Peter Buckley
Chairman and chief executive



Jonathan Cartwright
Finance director

The accounting policies and notes on pages 47 to 79 form part of these accounts.

	Note	2002 £m	2001 £m
Net cash inflow from operating activities		10.2	32.7
Dividends from associates		9.5	7.6
Servicing of finance			
Interest paid		(0.3)	(0.3)
Dividends paid to minority shareholders		(1.0)	(1.8)
		(1.3)	(2.1)
Taxation		(2.0)	(9.2)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(5.1)	(23.7)
Sale of tangible fixed assets		0.4	0.3
Purchase of investments		(39.6)	(73.9)
Sale of investments		83.4	51.7
		39.1	(45.6)
Acquisitions and disposals	13		
Purchase of operations		(0.1)	(0.5)
Investment in associates		(6.2)	(18.7)
Sale of interests in associates		92.0	0.2
		85.7	(19.0)
		141.2	(35.6)
Equity dividends paid		(18.5)	(73.6)
Management of liquid resources	24	(52.0)	99.9
Financing	25	(69.4)	16.8
Increase in cash in the year	26	1.3	7.5

**CASH FLOW
STATEMENT**

	2002 £m	2001 £m
Group operating profit	0.4	14.7
Depreciation and amortisation	9.0	5.5
Loss and provision against own shares	—	0.1
Profit on sale of fixed assets	(0.1)	(0.1)
Investment income and interest accruals decrease	0.4	(1.9)
Stocks increase	(4.8)	2.2
Debtors decrease	6.4	14.8
Creditors decrease	(1.1)	(2.6)
Net cash inflow from operating activities	10.2	32.7

**RECONCILIATION OF
OPERATING PROFIT
TO OPERATING
CASH FLOWS**

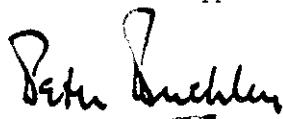
The accounting policies and notes on pages 47 to 79 form part of these accounts.

COMPANY BALANCE SHEET

at 31 March 2002

	Note	2002 £m	2001 £m
Fixed assets			
Investments	13	730.9	730.9
Current assets			
Debtors due within one year	15	39.3	74.6
Debtors due after more than one year	15	30.4	29.0
Short term deposits		57.1	1.1
		126.8	104.7
Creditors falling due within one year			
Short term borrowings	16	(22.5)	(28.7)
Other creditors	17	(44.2)	(34.2)
		(66.7)	(62.9)
Net current assets		60.1	41.8
Total assets less current liabilities		791.0	772.7
Creditors falling due after more than one year			
Long term borrowings	18	(4.8)	(4.9)
Amounts owed to subsidiaries		(170.0)	(110.0)
		(174.8)	(114.9)
Provision for liabilities and charges			
Deferred taxation	20	(27.1)	(27.4)
		589.1	630.4
Capital and reserves			
Called up share capital	22	4.1	4.4
Share premium account	23	1.3	1.3
Capital redemption reserve	23	1.1	0.8
Profit and loss account	23	582.6	623.9
Shareholders' funds (equity)		589.1	630.4

The accounts were approved by the board on 28 May 2002 and signed on its behalf by:



Peter Buckley
Chairman and chief executive



Jonathan Cartwright
Finance director

The accounting policies and notes on pages 47 to 79 form part of these accounts.

The accounts have been prepared under the historical cost convention, modified to include certain fixed asset investments at valuation, and in accordance with applicable accounting standards. Where changes in presentation have been made, comparative figures have been adjusted accordingly. The group has implemented the new accounting standards FRS 17: Retirement Benefits, FRS 18: Accounting Policies and FRS 19: Deferred Tax. These new standards have not had any significant effect on the presentation of these accounts. The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

BASIS OF PREPARATION

The group accounts consolidate the accounts of the company and all of its subsidiaries, with the exception of Bristow Aviation Holdings Ltd as disclosed in note 13. All of the subsidiaries draw up their accounts for the year to 31 March each year, except for The Edinburgh Crystal Glass Company Ltd, which prepared its latest accounts for the 52 weeks to 31 March 2002. In the view of the directors, to require The Edinburgh Crystal Glass Company Ltd to prepare its accounts for the year to 31 March would incur considerable expense and delay. No profit and loss account is presented for the company as permitted by section 230 of the Companies Act 1985.

BASIS OF CONSOLIDATION

Unless accounted for as a merger, the results of subsidiaries acquired or sold during the year are included in the accounts from the date of acquisition or to the date of sale. Where appropriate, the accounts of subsidiaries and associates are adjusted to conform to the group's accounting policies.

The assets, liabilities, profits, losses and cash flows of quasi-subidiaries are included in the controlling group's accounts in the same way as if they were those of subsidiaries.

An associate is an undertaking in which the group has a long term interest and over whose operating and financial policies the group exercises significant influence. The group's share of the profits and losses of associates is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet. The group does not have any material joint ventures.

Goodwill is the difference between the fair value of the consideration and associated costs over the fair value of the separable net assets acquired.

GOODWILL

Positive goodwill arising on acquisitions is capitalised and amortised over its estimated useful economic life. Negative goodwill arising on acquisitions is capitalised and written back through the profit and loss account in the period in which the non-monetary assets acquired are recovered.

Depending on the circumstances of each acquisition, goodwill arising on acquisitions on or before 31 March 1998 was either set off directly against reserves or amortised through the profit and loss account over the directors' estimate of its useful life. Goodwill previously eliminated against reserves was not reinstated on implementation of FRS 10.

If a subsidiary, associate or business is subsequently sold or ceases trading, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

ACCOUNTING POLICIES

FIXED ASSET INVESTMENTS

Fixed asset investments are stated at valuation. Listed investments are valued at market prices at the balance sheet date. Other investments are held at cost or valued at market prices at the balance sheet date where an organised market exists, or by the directors based on dealing prices, stockbrokers' valuations, net asset values or other information as appropriate. The valuation of fixed asset investments is reviewed periodically and at the date of any sale or provision for impairment in value being made.

Subsidiaries are included in the company balance sheet at cost less provision for any impairment in value.

INCOME FROM FIXED ASSET INVESTMENTS

Interest and fixed rate dividends are recognised on an accrual basis and dividends on equity securities are recognised when they are declared or, in the case of quoted securities, on the ex-dividend date.

DEPRECIATION

Depreciation is provided on all tangible fixed assets, other than freehold land and assets in the course of construction, at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life, as follows:

Freehold and leasehold properties	50 years or the period of lease if shorter
Plant and machinery	5 to 25 years
Fixtures, fittings and equipment	3 to 10 years

STOCKS

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and includes production overheads as appropriate. Net realisable value is the estimated price at which stocks could be sold in the normal course of business, after allowing for all further costs of completion and sale.

Payments received on account are deducted from work in progress. Where such receipts exceed the valuation, the excess is taken to creditors.

TAXATION

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for accounting and taxation purposes. The charge for taxation on the sale of revalued investments is dealt with in the statement of total recognised gains and losses.

DEFERRED TAXATION

Deferred taxation is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

In the group accounts, assets, liabilities and results of subsidiaries and associates accounting in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. The exchange differences arising on retranslating opening net assets are taken directly to reserves. All other translation differences are taken to the profit and loss account, with the exception of differences on the revaluation of fixed asset investments denominated in foreign currencies, which are taken directly to reserves.

FOREIGN CURRENCIES

In the company accounts, transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate. All differences are taken to the profit and loss account.

Rentals payable and receivable under operating leases are charged or credited to the profit and loss account on a straight line basis over the terms of the leases.

LEASES

The group principally operates defined benefits pension schemes in the UK and USA. Contributions to the schemes are charged to the profit and loss account so as to spread the cost of pensions over the working lives of the employees within the schemes. In addition, contributions are made to grouped personal pension plans and other arrangements, which are charged to the profit and loss account when payable. The transition rules of FRS 17 have been applied in drawing up these accounts.

PENSIONS

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit is calculated on a prudent basis to reflect the proportion of the work completed at the year end and full provision is made for all foreseeable losses.

**LONG TERM
CONTRACTS**

**1 TURNOVER AND
SEGMENTAL ANALYSIS**

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax.

Class of business

Turnover, profit on ordinary activities before taxation and net assets were as follows:

	Turnover		Profit before tax		Net assets	
	2002	2001	2002	2001	2002	2001
	£m	£m	£m	£m	£m	£m
Financial	—	—	3.9	4.7	97.8	127.2
Leisure and media	5.8	6.4	1.7	2.1	20.9	21.9
Industrial and services	107.9	120.2	(0.2)	6.5	111.0	131.1
Property and general	0.4	8.6	3.6	8.8	112.7	131.4
Investment funds	—	—	0.5	0.2	46.1	57.2
Technology	—	—	—	—	30.5	28.4
Segment totals	114.1	135.2	9.5	22.3	419.0	497.2
Share of associates			14.8	35.1	289.4	405.3
Other operating items			(9.1)	(7.6)		
Non-operating items			(7.0)	5.9		
Unallocated net assets					30.4	(46.3)
	114.1	135.2	8.2	55.7	738.8	856.2

Unallocated net assets comprised certain fixed assets, net cash, loans, taxation, dividends and other non-operating items.

Share of associates' profit before tax, including goodwill amortisation, and net assets, including goodwill capitalised, were as follows:

	Profit before tax		Net assets	
	2002	2001	2002	2001
	£m	£m	£m	£m
Financial	12.5	24.8	81.3	78.6
Leisure and media	7.1	6.4	119.7	121.6
Industrial and services	(0.2)	0.3	13.4	13.2
Property and general	1.5	1.8	8.3	9.0
Investment funds	5.3	5.7	65.7	182.6
Technology	(0.5)	(0.2)	1.0	0.3
Segment totals	25.7	38.8	289.4	405.3
Non-operating items	(10.9)	(3.7)		
	14.8	35.1	289.4	405.3

Geographical area

Turnover by origin, profit on ordinary activities before taxation and net assets were as follows:

**TURNOVER AND 1
SEGMENTAL ANALYSIS**
CONTINUED

	Turnover		Profit before tax		Net assets	
	2002	2001	2002	2001	2002	2001
	£m	£m	£m	£m	£m	£m
United Kingdom	57.4	69.9	8.1	16.7	314.6	330.1
Rest of Europe	19.7	19.1	1.1	1.7	13.3	28.0
North America	29.3	40.2	(0.1)	2.0	67.8	120.6
Far East and Australia	7.7	6.0	0.4	1.9	23.3	18.5
Segment totals	114.1	135.2	9.5	22.3	419.0	497.2
Share of associates			14.8	35.1	289.4	405.3
Other operating items			(9.1)	(7.6)		
Non-operating items			(7.0)	5.9		
Unallocated net assets					30.4	(46.3)
	114.1	135.2	8.2	55.7	738.8	856.2

Unallocated net assets comprised certain fixed assets, net cash, loans, taxation, dividends and other non-operating items.

Share of associates' profit before tax, including goodwill amortisation, and net assets, including goodwill capitalised, were as follows:

	Profit before tax		Net assets	
	2002	2001	2002	2001
	£m	£m	£m	£m
United Kingdom	10.6	25.7	136.9	196.6
Rest of Europe	1.7	1.7	32.1	43.4
North America	12.0	9.6	104.2	138.3
Far East and Australia	1.4	1.8	16.2	27.0
Segment totals	25.7	38.8	289.4	405.3
Non-operating items	(10.9)	(3.7)		
	14.8	35.1	289.4	405.3

Turnover by destination was as follows:

	2002	2001
	£m	£m
United Kingdom	50.8	58.6
Germany	10.6	8.5
Rest of Europe	15.6	18.6
North America	30.5	40.6
Far East and other	6.6	8.9
	114.1	135.2

NOTES TO THE ACCOUNTS

2 INCOME FROM INVESTMENTS

	2002	2001
	£m	£m
Investments listed on the London Stock Exchange	5.7	5.7
Rental income from properties	0.6	0.8
Other investments	4.5	6.1
	<u>10.8</u>	<u>12.6</u>

3 GROUP OPERATING PROFIT

Results of continuing operations were as follows:

	2002	2001
	£m	£m
Turnover	114.1	135.2
Change in stocks and work in progress	(0.6)	(3.8)
Other operating income	0.6	0.8
Raw materials	(42.1)	(47.4)
Staff costs	(39.4)	(42.8)
Depreciation and amortisation	(8.6)	(5.2)
Other operating charges	(25.3)	(27.1)
Trading loss	(1.3)	9.7
Income from investments	10.8	12.6
Interest net	(1.4)	3.1
Amounts written off current assets	—	(3.9)
Other income	0.8	0.9
Group overheads	(8.5)	(7.7)
Group operating profit	<u>0.4</u>	<u>14.7</u>

There were no material acquisitions or discontinued operations during the year.

Group overheads represented the expenses incurred in managing the group's investments, and included staff costs of £4.4m (2001 – £4.0m) and depreciation of £0.4m (2001 – £0.3m).

The amounts written off current assets in 2001 of £3.9m related to the write off of a loan.

Group operating profit was stated after the following:

	2002	2001
	£m	£m
Charges		
Auditors' remuneration – audit services	0.4	0.4
– non-audit services	0.2	0.3
Depreciation of owned assets	5.0	4.9
Amortisation and impairment of goodwill	4.0	0.6
Operating lease rentals – plant and machinery	0.6	0.6
– other (mainly properties)	0.7	0.9
Exchange losses	0.1	—
Credits		
Net rental income from land	0.6	0.8
Exchange gains	—	0.6

**GROUP OPERATING 3
PROFIT
CONTINUED**

The audit fee for the company was borne by another group company.

	2002	2001
	£m	£m
Wages and salaries	37.3	40.0
Social security costs	4.7	4.9
Other pension costs	1.8	1.9
	43.8	46.8

STAFF COSTS 4

The average number of employees during the year (including executive directors) was 1,920 (2001 – 2,031).

	2002	2001
	£m	£m
Group loss on sale of operations	(5.8)	6.2
Provision against loans to associates	(1.0)	—
Share of associates' profit on sale of operations	0.6	3.7
	(6.2)	9.9

**LOSS ON SALE OF 5
OPERATIONS**

NOTES TO THE ACCOUNTS

6 INTEREST PAYABLE

	2002	2001
	£m	£m
Bank loans and overdrafts	—	0.1
Loan notes	0.2	0.2
Share of associates' interest payable	11.5	7.4
	11.7	7.7

7 TAXATION

Tax charged to the profit and loss account

	2002	2001
	£m	£m
UK corporation tax		
Current tax on profits of the period	(0.9)	1.9
Adjustments in respect of previous periods	(0.1)	(0.1)
	(1.0)	1.8
Double taxation relief	(0.6)	(0.1)
	(1.6)	1.7
Foreign tax		
Current tax on profits of the period	0.7	1.3
Adjustments in respect of previous periods	(0.4)	(0.6)
	0.3	0.7
Total current tax	(1.3)	2.4
Deferred tax		
Origination and reversal of timing differences	1.9	(0.2)
	0.6	2.2
Share of associates' taxation	4.5	10.6
Tax on profit on ordinary activities	5.1	12.8

Tax charged to the statement of total recognised gains and losses

	2002	2001
	£m	£m
UK corporation tax		
Current tax on profits of the period	1.4	0.8
Adjustments in respect of previous periods	0.2	0.6
	1.6	1.4
Deferred tax		
Origination and reversal of timing differences	(0.1)	0.1
Tax on profit on other recognised gains and losses	1.5	1.5

Factors affecting the tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30%. The difference is explained as follows:

TAXATION 7
CONTINUED

	2002	2001
	£m	£m
Profit on ordinary activities before taxation	8.2	55.7
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2001 – 30%)	2.5	16.7
Effects of		
Expenses not deductible for tax purposes	0.3	0.2
Capital allowances for the period in excess of depreciation	(0.2)	(0.6)
Utilisation of tax losses	(0.8)	—
Higher tax rates on overseas earnings	0.4	0.4
Other timing differences	(0.4)	(0.2)
Losses for the year unrelieved	0.2	0.4
Non-allowable depreciation and amortisation	1.2	0.7
Non-taxable proportion of capital gains and losses	2.0	(2.0)
Non-taxable UK dividend income	(1.5)	(1.9)
Adjustments in respect of previous periods	(0.5)	(0.7)
Share of profits before tax of associates	(4.5)	(10.6)
Current tax charge for the year	(1.3)	2.4

Factors that may affect future tax charges

A deferred tax asset of £0.5m relating to net losses in the year has been recognised as these are expected to be utilised in the next year.

Unprovided deferred tax on revalued assets amounted to £11.4m (2001 – £22.2m). This tax may become payable if the revalued assets were sold at their balance sheet value.

The profit for the financial year dealt with in the accounts of Caledonia Investments plc was £24.0m (2001 – £35.1m).

PROFIT ATTRIBUTABLE 8
TO MEMBERS OF THE
PARENT COMPANY

9 DIVIDENDS

	2002 pence	2001 pence	2002 £m	2001 £m
Interim paid	7.8	7.8	5.8	6.1
Final proposed	17.2	16.2	12.4	12.7
	25.0	24.0	18.2	18.8

The proposed final dividend will be paid on 1 August 2002 to shareholders on the register at the close of business on 5 July 2002.

Dividends were payable to Cayzer family members, trusts and controlled companies who, together, held 48.8% of the issued ordinary share capital of Caledonia at 31 March 2002 (2001 – 45.9%).

10 EARNINGS PER
ORDINARY SHARE

The calculation of basic earnings per ordinary share was based on the profit for the financial year after deduction of minority interests, amounting to £2.9m (2001 – £41.9m) and on the 75,400,648 weighted average number of ordinary shares in issue during the year (2001 – 78,766,291), after excluding shares held during the year by the Caledonia Investments plc Employee Share Trust and a subsidiary company.

The diluted earnings per ordinary share were based on the profit for the year of £2.9m (2001 – £41.9m) and on 75,504,247 ordinary shares (2001 – 78,881,130), calculated as follows:

	2002 '000	2001 '000
Basic weighted average number of ordinary shares	75,401	78,766
Dilutive potential ordinary shares		
Employee share options	103	115
	75,504	78,881

The adjusted basic earnings per ordinary share were calculated as a measure of the group's earnings excluding sale of operations, amortisation of goodwill and other items, net of related taxation. This is considered to provide a more consistent indication of underlying operating performance. The adjusted basic earnings per ordinary share were reconciled as follows:

	2002 pence	2001 pence
Basic earnings per ordinary share	3.8	53.2
Adjustments		
Loss on sale of operations	8.2	(12.7)
Amortisation and impairment of goodwill	7.4	4.4
Write off of current assets	—	4.9
Related taxation	(0.8)	(0.2)
Adjusted basic earnings per ordinary share	18.6	49.6

**INTANGIBLE 11
FIXED ASSETS**

	Concession £m	Goodwill £m	Total £m
Cost			
Opening balance	0.1	12.6	12.7
Exchange differences	—	(0.1)	(0.1)
Additions	—	0.1	0.1
Closing balance	0.1	12.6	12.7
Amortisation			
Opening balance	—	1.3	1.3
Exchange differences	—	(0.1)	(0.1)
Charge for the year	—	0.6	0.6
Provision for impairment	—	3.4	3.4
Closing balance	—	5.2	5.2
Closing net book value	0.1	7.4	7.5
Opening net book value	0.1	11.3	11.4

Goodwill arising on acquisitions is being amortised evenly over the directors' estimate of its useful economic life of 20 years.

The group

**TANGIBLE 12
FIXED ASSETS**

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost				
Opening balance	58.1	21.4	10.0	89.5
Exchange differences	(0.1)	—	—	(0.1)
Additions	1.6	2.1	1.4	5.1
Disposals	(0.2)	(0.4)	(0.4)	(1.0)
Closing balance	59.4	23.1	11.0	93.5
Depreciation				
Opening balance	6.5	8.9	5.8	21.2
Charge for the year	1.0	2.4	1.6	5.0
Disposals	—	(0.4)	(0.3)	(0.7)
Closing balance	7.5	10.9	7.1	25.5
Closing net book value	51.9	12.2	3.9	68.0
Opening net book value	51.6	12.5	4.2	68.3

NOTES TO THE ACCOUNTS

12 TANGIBLE FIXED ASSETS CONTINUED

The net book value of land and buildings was as follows:

	2002 £m	2001 £m
Freehold	34.6	33.8
Long leasehold	15.7	16.2
Short leasehold	1.6	1.6
	51.9	51.6

Included in freehold land and buildings was land with a cost of £3.7m (2001 – £3.7m), which was not depreciated.

13 INVESTMENTS

The group

	2002 £m	2001 £m
Associates	289.4	405.3
Other fixed asset investments	316.7	389.1
	606.1	794.4

Associates

	Share of net assets £m	Goodwill £m	Negative goodwill £m	Loans £m	Total £m
Opening balance	401.4	3.0	(3.9)	4.8	405.3
Exchange differences	(0.1)	—	—	—	(0.1)
Additions	3.7	0.3	(0.3)	2.5	6.2
Dividends from group companies	0.5	—	—	—	0.5
Disposals	(107.6)	(0.1)	2.3	(0.7)	(106.1)
Share of profits	11.3	—	—	(1.8)	9.5
Dividends receivable	(9.2)	—	—	—	(9.2)
Issue of shares	2.8	—	—	—	2.8
Share of reserve movements	(19.0)	—	—	—	(19.0)
Provision against loan	—	—	—	(1.0)	(1.0)
Impairment of goodwill	—	(0.2)	—	—	(0.2)
Amortisation of goodwill	—	(0.4)	1.1	—	0.7
Closing balance	283.8	2.6	(0.8)	3.8	289.4

Goodwill is being amortised over the directors' estimate of its useful economic life of 10 years.

Negative goodwill is written back to the profit and loss account in the period in which the non-monetary assets acquired are recovered.

The share of results and net assets of associates was as follows:

INVESTMENTS 13

CONTINUED

	Close Brothers £m	British Empire £m	Sun Intl Hotels £m	Other £m	Total £m
Turnover	31.0	2.1	78.2	21.8	133.1
Profit before tax	12.5	0.6	4.2	(3.0)	14.3
Taxation	(3.9)	(0.1)	—	(0.5)	(4.5)
Profit after tax	8.6	0.5	4.2	(3.5)	9.8
Minority interests	(0.3)	—	—	—	(0.3)
Profit for the period	8.3	0.5	4.2	(3.5)	9.5
Fixed assets	31.0	72.9	173.6	46.1	323.6
Current assets	513.7	1.3	28.7	14.8	558.5
Liabilities due within one year	(465.8)	(1.2)	(21.1)	(5.0)	(493.1)
Liabilities due after more than one year	—	(6.7)	(75.8)	(21.7)	(104.2)
Net assets	78.9	66.3	105.4	34.2	284.8
Minority interests	(1.0)	—	—	—	(1.0)
	77.9	66.3	105.4	34.2	283.8

Other fixed asset investments

	Listed on the London Stock Exchange £m	Listed on other stock exchanges £m	Other investments £m	Own shares £m	Total £m
Valuation					
Opening balance	187.3	58.3	139.3	4.2	389.1
Additions	7.0	—	31.5	1.0	39.5
Disposals	(13.2)	(13.8)	(55.7)	(0.7)	(83.4)
Reclassifications	—	(0.5)	0.5	—	—
Revaluation	(8.3)	(10.5)	(9.7)	—	(28.5)
Closing balance	172.8	33.5	105.9	4.5	316.7

The historic cost of investments was as follows:

Closing balance	119.2	58.1	145.8	6.0	329.1
Opening balance	122.5	74.2	162.8	5.9	365.4

Listed on other stock exchanges and other investments included provisions for impairment in value of £12.3m and £29.5m respectively (2001 – £nil and £28.5m).

Own shares included provisions for impairment in value of £1.4m (2001 – £1.7m).

13 INVESTMENTS

CONTINUED

The group's investment in own shares was mainly in respect of shares held by the trustee of the Caledonia Investments plc Employee Share Trust. The trustee has purchased shares with money lent interest free by the company to source options exercised under the company's executive share option schemes. If options are exercised, shares held by the trustee may be transferred to participating employees on receipt of the option exercise consideration. The difference between the cost at which the shares were purchased and the average option exercise price is being written off to the profit and loss account over the average period that the options will become exercisable. At 31 March 2002, the market value of the 590,484 shares held by the trustee was £5.0m. Dividends on the shares held by the trustee have been waived.

Also included in own shares was 50,500 shares held by a subsidiary. The market value of these shares at 31 March 2002 was £0.4m.

The company

	Subsidiaries £m
Cost	
Opening and closing balance	730.9

Principal subsidiaries and associates

The directors consider that to give full particulars of all subsidiaries and associates and other investments in which the group held more than 20% would lead to a statement of excessive length. The details given relate only to those interests which, in the opinion of the directors, significantly affected the profits or assets shown in these accounts.

Companies are listed under the country of registration (or incorporation) which is also the country of operation, except for The Edinburgh Crystal Glass Company Ltd, whose operations are in Scotland, and Central European Land Ltd, whose operations are in Europe.

Name	Country	Type of holding	Group share	Activity
Subsidiaries				
Amber Industrial Holdings PLC	England	Ordinary Preference	100% 100%	Specialty chemicals
Caledonia Group Services Ltd	England	Ordinary	100% ¹	Management services
The Edinburgh Crystal Glass Company Ltd	England	Ordinary Preference	92.9% 100%	Crystal glass manufacture
St Lawrence Properties Ltd	England	Ordinary	87.5% ²	Property
The Sloane Club Group Ltd	England	Ordinary	100%	Residential club
Sterling Industries PLC	England	Ordinary Preference	100% 79.8%	Engineering

INVESTMENTS 13

CONTINUED

Name	Country	Type of holding	Group share	Activity
Associates				
British Empire Securities and General Trust plc	England	Ordinary	18.8%	Investment trust
Central European Land Ltd	Jersey	Ordinary	44.4%	Property investment
Close Brothers Group plc	England	Ordinary	18.6%	Merchant banking
Radio Investments Ltd	England	Ordinary	39.4%	Radio operator
Sun International Hotels Ltd	Bahamas	Ordinary	21.0%	Resorts operator

1. Held directly by the company.

2. The group held 75% directly and has a 50% holding in Landsdown Ltd, which held the remaining 25%.

The date of associates' accounts used was 31 March 2002, except for Central European Land Ltd, where the date was 31 December 2001, and Close Brothers Group plc, where the date was 31 January 2002.

Certain investments in which the group held 20% or more are not accounted for as associates as either the directors are of the opinion that the group does not exercise significant influence or the amounts involved are not material. Conversely, certain investments in which the group held less than 20% are accounted for as associates where the directors are of the opinion that the group does exercise significant influence. In determining whether or not the group exercises significant influence, the directors take into account the level of participation in the operating and financial policy decisions of the investee company, whether or not the group has board representation, shareholder agreements and other factors.

The group owns 49% of the ordinary share capital of Bristow Aviation Holdings Ltd ('BAH') and controls the majority of BAH's voting rights. The other principal shareholder is Offshore Logistics Inc, which also holds £91m of BAH subordinated loan stock. The group has a put option and Offshore Logistics Inc has a call option over the group's shares in BAH under which the shares could be transferred to another European Union national. In addition, the group has received certain agreed management fees. The directors are of the opinion that the BAH loan stock, combined with existing debt within the BAH group, creates a level of gearing which, together with the arrangements outlined above, constitutes a long term restriction over the group's potential economic benefit from BAH, other than from the management fees, sufficient that it is inappropriate for BAH to be consolidated in these accounts. BAH is accounted for as an investment.

Quasi-subsiary

Caledonia Investments plc and its wholly owned subsidiaries are among the prospective beneficiaries of the Caledonia No 1 Settlement Trust. In view of this, and notwithstanding that none of the beneficiaries exercises control over the affairs of the trust, the directors consider that the trust is a quasi-subsiary under the provisions of FRS 5 and its assets, liabilities and results have been included in the group accounts. The profit before tax of the trust for the year ended 31 March 2002 was £1.0m and its net assets at 31 March 2002 were £35.9m.

13 INVESTMENTS

CONTINUED

Acquisitions

Investments in subsidiaries and associates during the year amounted to £6.3m.

The fair values for acquisitions of subsidiaries and investments in associates, attributable to the net tangible assets on acquisition, which were not materially different from book values, were as follows:

	Subsidiaries	Associates	Total
	£m	£m	£m
Loans to associates		2.5	2.5
Share of net assets of associates		3.7	3.7
Net assets acquired	—	6.2	6.2
Goodwill arising on acquisition	0.1	0.3	0.4
Negative goodwill arising on acquisition	—	(0.3)	(0.3)
Consideration	0.1	6.2	6.3

The purchase consideration was discharged in cash.

Disposals

On 26 March 2002, the group sold its interest in English & Scottish Investors plc for £88.2m.

This disposal, together with a number of other smaller disposals and dilutions of holdings in associates, are summarised as follows:

	English & Scottish	Other associates	Total
	£m	£m	£m
Share of net assets of associates	100.8	6.8	107.6
Loans to associates	—	0.7	0.7
Goodwill	(7.5)	(0.2)	(7.7)
Issue of shares by associates	—	(2.8)	(2.8)
Loss on sale and dilution	(5.1)	(0.7)	(5.8)
Consideration	88.2	3.8	92.0

The sale consideration was received in cash.

STOCKS 14

	Group		Company	
	2002	2001	2002	2001
	£m	£m	£m	£m
Raw materials and consumables	5.1	4.7	—	—
Work in progress	3.0	3.0	—	—
Finished goods and goods for resale	6.7	8.0	—	—
Property and other assets held for resale	6.5	0.8	—	—
	21.3	16.5	—	—

Work in progress is shown net of payments on account of £1.3m (2001 – £nil).

DEBTORS 15

	Group		Company	
	2002	2001	2002	2001
	£m	£m	£m	£m
Amounts due within one year				
Trade debtors	18.9	26.9	—	—
Amounts owed by subsidiaries	—	—	38.2	69.1
Amounts owed by associates	2.3	3.7	—	—
Investments sold	—	0.1	—	—
Corporation tax recoverable	2.3	1.8	—	—
Overseas tax recoverable	0.2	0.3	—	—
Group relief receivable	—	—	0.9	5.4
Other taxes and social security costs	0.3	0.2	0.2	—
Other debtors	1.5	0.8	—	0.1
Pension prepayments	0.2	0.2	—	—
Other prepayments and accrued income	5.5	3.9	—	—
	31.2	37.9	39.3	74.6
Amounts due after more than one year				
Amounts owed by subsidiaries	—	—	25.5	24.5
Other debtors	—	—	4.9	4.5
	—	—	30.4	29.0
	31.2	37.9	69.7	103.6

SHORT TERM 16
BORROWINGS

	Group		Company	
	2002	2001	2002	2001
	£m	£m	£m	£m
Loans (note 19)	0.1	22.2	—	22.0
Bank overdrafts	8.7	1.2	22.5	6.7
	8.8	23.4	22.5	28.7

NOTES TO THE ACCOUNTS

17 OTHER CREDITORS
FALLING DUE
WITHIN ONE YEAR

	Group		Company	
	2002	2001	2002	2001
	£m	£m	£m	£m
Contract payments on account	2.4	0.9	—	—
Trade creditors	8.8	9.1	—	—
Amounts owed to subsidiaries	—	—	31.8	21.3
Investments purchased	—	0.2	—	—
Overseas tax	0.2	0.7	—	—
Other taxes and social security costs	1.3	1.3	—	—
Other creditors	0.5	0.5	—	—
Other accruals and deferred income	7.8	10.4	—	0.2
Dividends payable	12.4	12.7	12.4	12.7
	33.4	35.8	44.2	34.2

18 LONG TERM
BORROWINGS

	Group		Company	
	2002	2001	2002	2001
	£m	£m	£m	£m
Loans (note 19)	5.3	5.5	4.8	4.9

19 LOANS

	Group		Company	
	2002	2001	2002	2001
	£m	£m	£m	£m
Not wholly repayable within five years				
Variable rate unsecured loan notes 2010*	4.8	4.9	4.8	4.9
Other	—	0.1	—	—
	4.8	5.0	4.8	4.9
Wholly repayable within five years				
	0.6	22.7	—	22.0
	5.4	27.7	4.8	26.9

* The loan notes are repayable on 1 April 2010. The interest payable on the loan notes is 0.5% below LIBOR.

Amounts due were repayable as follows:

	Group		Company	
	2002	2001	2002	2001
	£m	£m	£m	£m
After five years	4.8	5.0	4.8	4.9
Between two and five years	0.1	0.1	—	—
Between one and two years	0.4	0.4	—	—
Within one year	0.1	22.2	—	22.0
	5.4	27.7	4.8	26.9

Bank loans of £0.6m (2001 – £0.7m) were secured by charges over group properties and other assets.

DEFERRED TAXATION 20

	Group		Company	
	2002	2001	2002	2001
	£m	£m	£m	£m
Accelerated capital allowances	1.5	1.3	—	—
Other timing differences	0.9	(0.7)	—	—
Tax losses carried forward	(0.5)	—	—	—
Provision against unrecognised tax losses	27.1	27.4	27.1	27.4
Closing balance	29.0	28.0	27.1	27.4

The movement in deferred taxation was as follows:

	Group		Company	
	2002	2001	2002	2001
	£m	£m	£m	£m
Opening balance	28.0	28.4	27.4	27.7
Charged to the profit and loss account	1.9	(0.2)	—	—
Charged to total recognised gains and losses	(0.1)	0.1	—	—
Transfer from creditors	(0.8)	(0.3)	(0.3)	(0.3)
Closing balance	29.0	28.0	27.1	27.4

An explanation of the group's objectives, policies and strategies in using financial instruments and the risks that arise in connection with financial instruments and how they are managed can be found on page 26.

FINANCIAL 21
INSTRUMENTS

Interest rate risk profile

The interest rate profile of the financial liabilities of the group was as follows:

	Fixed rate financial liabilities				
	Floating rate financial liabilities	Amount	Weighted average interest rate	Weighted average time rate is fixed	Total
	£m	£m	%	Years	£m
2002					
Sterling	13.2	—	—	—	13.2
Euro	0.1	0.3	5.7	4.7	0.4
US dollar	—	0.3	6.0	2.0	0.3
Australian dollar	0.2	—	—	—	0.2
	13.5	0.6	5.8	3.5	14.1
2001					
Sterling	5.8	22.0	6.2	—	27.8
Euro	0.2	0.6	5.2	4.9	0.8
US dollar	0.1	0.2	6.0	2.0	0.3
	6.1	22.8	6.1	0.2	28.9

21 FINANCIAL
INSTRUMENTS
CONTINUED

The interest rate profile of the financial assets of the group was as follows:

	Floating rate financial assets £m	Fixed rate financial assets			No interest financial assets £m	Total £m
		Amount £m	Weighted	Weighted		
			average interest rate %	average time rate is fixed Years		
2002						
Sterling	20.3	62.1	4.7	0.7	226.0	308.4
US dollar	7.5	7.8	6.0	1.7	69.2	84.5
Canadian dollar	—	—	—	—	3.1	3.1
Euro	1.5	—	—	—	—	1.5
Other	0.4	—	—	—	—	0.4
	29.7	69.9	4.8	0.8	298.3	397.9
2001						
Sterling	9.9	12.8	10.0	3.6	254.0	276.7
US dollar	33.2	8.4	6.0	2.7	85.1	126.7
Canadian dollar	—	—	—	—	3.8	3.8
Euro	1.7	—	—	—	—	1.7
Other	0.6	—	—	—	—	0.6
	45.4	21.2	7.4	3.0	342.9	409.5

The 'no interest' financial assets do not have a maturity date. They principally comprised equity investments.

Currency risk profile

The table below shows the group's transactional currency exposures that gave rise to the net currency gains and losses recognised in the profit and loss account. These exposures comprised the monetary assets less monetary liabilities of the group that were not denominated in the operating currency of the reporting units involved.

Functional currency of group operation	Net foreign currency monetary net assets				
	US dollar	Euro	Swiss franc	Other	Total
	£m	£m	£m	£m	£m
2002					
Sterling	(2.3)	2.8	0.2	0.1	0.8
Australian dollar	(0.4)	—	—	—	(0.4)
Euro	—	—	—	0.1	0.1
	(2.7)	2.8	0.2	0.2	0.5
2001					
Sterling	0.9	0.6	0.2	0.1	1.8
Australian dollar	1.0	—	—	—	1.0
	1.9	0.6	0.2	0.1	2.8

Liquidity risk profile

The maturity profile of the group's financial liabilities, other than short term creditors, was as follows:

	2002	2001
	£m	£m
In one year or less or on demand	8.8	23.3
In more than one year but not more than two years	0.3	0.3
In more than two years but not more than five years	0.1	0.1
In more than five years	4.9	5.2
	14.1	28.9

The group had undrawn committed facilities available at the year end in respect of which all conditions precedent had been met as follows:

	2002	2001
	£m	£m
Expiring in one year or less	20.0	20.0
Expiring in more than two years but not more than five years	30.0	8.0
	50.0	28.0

Fair values

The table below compares the book values and fair values of the group's financial assets and financial liabilities:

	Book value	Fair value	Book value	Fair value
	2002	2002	2001	2001
	£m	£m	£m	£m
Investments	316.7	316.7	389.1	389.1
Cash and deposits	81.2	81.2	20.4	20.4
Short term borrowings and current portion of long term borrowings	(8.8)	(8.8)	(23.4)	(23.4)
Long term borrowings	(5.3)	(6.4)	(5.5)	(7.2)

	Number		Nominal value	
	2002	2001	2002	2001
	000's	000's	£m	£m
Authorised				
Ordinary shares of 5p each	121,000	121,000	6.1	6.1
Deferred ordinary shares of 5p each	8,000	8,000	0.4	0.4
			6.5	6.5
Allotted, issued and fully paid				
Ordinary shares of 5p each	73,059	78,978	3.7	4.0
Deferred ordinary shares of 5p each	8,000	8,000	0.4	0.4
			4.1	4.4

FINANCIAL 21
INSTRUMENTS
CONTINUED

SHARE CAPITAL 22

22 SHARE CAPITAL

CONTINUED

The deferred ordinary shares carry no voting or dividend rights and, on a winding-up or other return of capital, 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.

During the year, the company purchased 5,918,500 of its own shares, with a nominal value of £0.3m, at a total cost of £47.1m. These shares represented 7.5% of the total issued ordinary share capital at 31 March 2001 and were subsequently cancelled.

Authority to purchase own shares

On 23 July 2001, the company obtained shareholders' approval for the authority to purchase up to 6,367,000 of its own ordinary shares, being approximately 8.06% of the ordinary share capital then in issue, at a price not more than 5% greater than the average of the middle market quotations for such ordinary shares during the five business days preceding any such purchase. The authority expires on 1 January 2003 or, if earlier, at the conclusion of the next annual general meeting. On the same date, independent shareholders gave their approval for a waiver of the obligation that could arise on members of the Cayzer family 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 in respect of a maximum of 6,367,000 ordinary shares, being 8.06% of the then issued ordinary share capital and in no circumstances will the company make market purchases which would result in the concert party's voting rights in Caledonia exceeding 49.9%.

Options

The company has share option schemes under which options have been granted to certain executives, exercisable between three and ten years from the date of grant. Options outstanding at 31 March 2002 were as follows:

Date of grant	Number of options	Exercise price
6 August 1992	13,334	354p
29 July 1993	46,434	495p
19 July 1994	46,667	693p
22 June 1995	20,167	653p
18 April 1996	181,234	781p
31 July 1996	55,668	745p
16 July 1997	33,000	677.5p
18 July 1997	62,001	657p
2 September 1998	213,000	740p
26 July 1999	86,000	757.5p
19 July 2000	118,900	722.5p
24 July 2001	164,500	810p

The group

RESERVES 23

	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Profit and loss account £m
Opening balance	1.3	0.8	119.1	729.2
Exchange differences	—	—	0.1	—
Realised gains on sale of investments	—	—	(7.8)	7.8
Provision against investments	—	—	11.5	(11.5)
Revaluation of investments	—	—	(28.6)	—
Tax on sale of investments	—	—	—	(1.5)
Share of reserve movements of associates	—	—	(20.4)	1.4
Goodwill on disposals	—	—	—	(5.5)
Purchase of own shares	—	0.3	—	(47.1)
Retained loss for the year	—	—	—	(15.3)
Closing balance	1.3	1.1	73.9	657.5

The cumulative amount of positive goodwill written off at 31 March 2002 was £54.2m (2001 – £48.7m), of which £6.0m (2001 – £6.0m) related to subsidiaries.

The company

	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m
Opening balance	1.3	0.8	623.9
Purchase of own shares	—	0.3	(47.1)
Retained profit for the year	—	—	5.8
Closing balance	1.3	1.1	582.6

Liquid resources comprised term deposits with a maturity of less than one year.

MANAGEMENT OF
LIQUID RESOURCES 24

25 FINANCING

	2002	2001
	£m	£m
New short term loans	—	22.1
Repayment of short term loans	(22.1)	—
Repayment of long term loans	(0.2)	(0.2)
	(22.3)	21.9
Purchase of own shares	(47.1)	(5.1)
Net cash outflow from financing	(69.4)	16.8

26 RECONCILIATION
OF NET CASH FLOWS
TO MOVEMENT IN
NET FUNDS

	2002	2001
	£m	£m
Increase in cash in the year	1.3	7.5
Cash outflow from decrease in debt	22.3	(21.9)
Cash outflow from increase in deposits	52.0	(99.9)
Change in net funds resulting from cash flows	75.6	(114.3)
Exchange differences	—	0.6
Movement in net funds in the year	75.6	(113.7)
Opening balance of net debt	(8.5)	105.2
Closing balance of net funds	67.1	(8.5)

27 ANALYSIS OF
CHANGES IN
NET FUNDS

	Opening balance	Cash flow	Closing balance
	£m	£m	£m
Cash at bank and in hand	11.4	8.8	20.2
Bank overdrafts	(1.2)	(7.5)	(8.7)
	10.2	1.3	11.5
Short term deposits	9.0	52.0	61.0
Debt due within one year	(22.2)	22.1	(0.1)
Debt due after more than one year	(5.5)	0.2	(5.3)
	(8.5)	75.6	67.1

28 CAPITAL
COMMITMENTS

	Group		Company	
	2002	2001	2002	2001
	£m	£m	£m	£m
Tangible assets				
Contracted but not delivered	0.5	1.0	—	—
Investments				
Contracted but not called	53.7	64.9	—	—
Conditionally contracted	0.5	0.5	—	—
	54.7	66.4	—	—

Commitments of the group in the next year under non-cancellable operating leases were as follows:

**OPERATING LEASE 29
COMMITMENTS**

	Land and buildings		Other	
	2002 £m	2001 £m	2002 £m	2001 £m
Operating leases which expire				
Within one year	—	—	0.1	0.1
Within two to five years	0.1	0.2	0.4	0.3
In over five years	0.3	0.3	—	—
	0.4	0.5	0.5	0.4

The company and certain subsidiaries have entered into cross guarantees in respect of group banking arrangements and VAT grouping.

**CONTINGENT 30
LIABILITIES**

Transactions with related parties, as defined by FRS 8, not disclosed elsewhere in the accounts, are described below.

**RELATED PARTY 31
TRANSACTIONS**

Administration fees of £0.2m (2001 – £0.3m) were receivable from The Cayzer Trust Company Ltd, which held 37.5% of the issued ordinary share capital of the company at 31 March 2002 (2001 – 34.5%).

Normal business transactions with associates amounted to £0.2m receivable (2001 – £0.1m). In the previous year, £40.0m was deposited with, and £45.0m repaid by, a banking subsidiary of Close Brothers Group plc, earning the group £0.2m of interest. Amounts due from associates at 31 March 2002 were £2.3m (2001 – £3.7m).

Included in normal business transactions was a management fee of £0.2m (2001 – £0.2m) payable to Landsdown Ltd, which owns 25% of St Lawrence Properties Ltd, and in which the group has a 50% interest. During the year, St Lawrence Properties Ltd paid a dividend of £4.0m, of which £1.0m was due to Landsdown Ltd (2001 – £7.0m and £1.8m respectively)

Messrs J M B Cayzer-Colvin and W P Wyatt, relatives of certain directors of the company, are directors of some group companies.

32 PENSIONS

The group operates a number of pension schemes in the UK, USA and Germany. The principal schemes, based in the UK, are the Caledonia, Sterling, Amber and Edinburgh Crystal group pension schemes. These schemes are of the defined benefits type, with assets held in separate trustee administered funds. Contributions to the schemes are made in accordance with the recommendations of the schemes' actuaries. In addition, contributions are made to independently operated grouped personal pension plans.

For the year ended 31 March 2002, the total pension cost for the group was £1.8m (2001 – £1.9m).

Pension cost relating to the principal UK defined benefit schemes is assessed in accordance with the advice of qualified actuaries, using the attained age method. The latest actuarial valuations of the Caledonia, Sterling, Amber and Edinburgh Crystal group pension schemes (which are now closed to new members) were at 31 March 2000, 1 October 1999, 6 April 2000 and 1 April 1999 respectively. The main actuarial assumptions made in the valuations were that long term investment returns would be 0.25% to 2% per annum higher than the annual increase in pensionable salaries and that pensions would increase at the lesser of 5% per annum or the increase in the Retail Price Index.

The market value of the assets on the dates of the most recent actuarial valuations for the Caledonia, Sterling, Amber and Edinburgh Crystal schemes totalled £14.8m, £9.2m, £4.1m and £4.2m respectively. In respect of the Amber scheme, the level of funding shown by the valuation, being the actuarial value of assets expressed as a percentage of accrued withdrawal benefits at the valuation date, was 94% and action is being taken to eliminate any deficiencies. The actuarial value of the assets of the Caledonia, Sterling and Edinburgh Crystal schemes represented 114%, 122% and 101% respectively of the value of accrued benefits allowing for expected future increases in salaries.

Although the company continues to account for pension costs in accordance with SSAP 24: Accounting for Pension Costs, the following transitional disclosures are made in accordance with FRS 17: Retirement Benefits:

The group operates a number of defined benefit pension schemes. The principal schemes, based in the UK and USA, are the Caledonia, Amber, Sterling and Edinburgh Crystal group pension schemes. Where appropriate, this note presents an aggregation of information for these schemes.

Full actuarial valuations of the Caledonia, Amber, Sterling and Edinburgh Crystal schemes were carried out at 31 March 2000, 1 October 1999, 6 April 2000 and 1 April 1999 respectively, and updated on 31 March 2002, by qualified independent actuaries.

All of the principal schemes are now closed to new members. As a consequence, under the projected unit method, the current service costs will increase as the members of the schemes approach retirement.

The major assumptions used by the actuaries in valuing the scheme liabilities were as follows:

PENSIONS 32
CONTINUED

	2002
	%
Rate of increase in salaries	4.4
Rate of increase in pensions in payment	3.1
Discount rate	6.4
Inflation rate	3.1

The assets in the schemes and the expected rates of return were as follows:

	Long term return expected at Mar 02	Valuation at Mar 02
	%	£m
Equities	7.4	31.8
Bonds	6.5	4.9
Other	4.8	2.0
Total market value of assets		38.7
Present value of schemes' liabilities		(44.0)
Deficit in the schemes		(5.3)
Related deferred tax asset		1.6
Net pension liability		(3.7)

The last full actuarial valuations showed an aggregated surplus of £2.4m.

Directors' remuneration
Total emoluments were as follows:

DIRECTORS' 33
REMUNERATION
AND INTERESTS

	2002	2001
	£'000	£'000
Fees	75	57
Salaries	1,092	1,016
Benefits	75	82
Performance related and other bonuses	612	610
	1,854	1,765
Gains on exercise of share options	282	133
	2,136	1,898

33 DIRECTORS'
REMUNERATION
AND INTERESTS
CONTINUED

Emoluments of the directors were as follows:

	Fees and salaries £'000	Benefits £'000	Bonuses £'000	Total 2002 £'000	Total 2001 £'000
Executive					
P N Buckley	325	21	112	458	506
Sir David Kinloch	310	15	240	565	476
J H Cartwright	220	18	120	358	354
The Hon C W Cayzer	152	18	110	280	241
M G Wyatt	85	3	30	118	127
Non-executive					
C M Allen-Jones ¹	9	—	—	9	—
J Burnett-Stuart	22	—	—	22	24
N K Cayzer ²	13	—	—	13	18
L A W Evans ¹	9	—	—	9	—
J R H Loudon	22	—	—	22	19
	1,167	75	612	1,854	1,765

1. Appointed a director on 27 November 2001.

2. Ceased to be a director on 27 November 2001.

Benefits mainly comprised cars, fuel for private mileage and private healthcare cover.

Included in the bonuses shown for Sir David Kinloch, J H Cartwright and The Hon C W Cayzer were special bonuses of £130,000, £42,500 and £57,500 respectively, which were awarded outside the company's annual bonus scheme and related to options granted in April 1996.

In July 1995, shareholders approved amendments to the company's executive share option scheme which enabled the grant of replacement options to option holders who had previously exercised options under the scheme. It had been the intention of the remuneration committee to grant replacement options at that time, however, because of delays in receiving Inland Revenue approval of the amendments and subsequent uncertainty surrounding approved option schemes caused by the Government's response to the Greenbury Report, the committee did not award replacement options until April 1996, by which time the company's share price had risen significantly.

The remuneration committee had always been mindful that option holders had been disadvantaged by this delay and, in recognition of the fact that these options had become exercisable, it resolved during the year to award special bonuses to all option holders affected, designed to place them in the same position that they would have been had the replacement options been granted at the time originally intended.

Directors' pensions

Pension benefits earned by directors during the year and the accumulated total accrued pension at 31 March 2002 were as follows:

	Increase in accrued pension £'000	Transfer value of increase £'000	Total accrued pension at year end £'000
P N Buckley	19	284	202
Sir David Kinloch	21	317	186
J H Cartwright	8	83	69
The Hon C W Cayzer	6	48	55
M G Wyatt	3	52	58

The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year. The increase in accrued pension during the year excluded any increase for inflation.

The transfer value has been calculated on the basis of actuarial advice, in accordance with Actuarial Guidance Note GN11, less directors' contributions. This value represents a liability of the company – not a sum paid or due to the individual director – and cannot therefore be added meaningfully to annual remuneration.

Directors' interests

The interests of the directors and their families in the ordinary share capital of the company were as follows:

	Beneficial		Non-beneficial	
	2002 No	2001 No	2002 No	2001 No
P N Buckley	522,325	522,325	237,107	237,107
Sir David Kinloch	—	—	—	—
J H Cartwright	6,810	6,810	—	—
The Hon C W Cayzer	76,070	76,070	190,000	190,000
M G Wyatt	276,500	270,000	—	—
C M Allen-Jones	—	—	—	—
J Burnett-Stuart	10,000	10,000	—	—
J R H Loudon	9,442	9,442	14,330	14,330

Comparative figures are at 31 March 2001, or at the date of appointment.

The Caledonia Investments plc Employee Share Trust acquires and holds shares in the company for subsequent transfer to employees exercising options under the company's executive share option schemes. By virtue of the provisions of the Companies Act 1985, each executive director, as a potential beneficiary, is deemed to have an interest in any shares in the company held by the trust. At 31 March 2002, the trust held 590,484 shares (2001 – 601,984 shares).

DIRECTORS' 33
REMUNERATION
AND INTERESTS
CONTINUED

33 DIRECTORS'
REMUNERATION
AND INTERESTS
CONTINUED

The directors' options to subscribe for ordinary shares in the company were as follows:

Grant date	Number of options			Exercise price	Market price	Exercisable from date	Expiry date
	Opening balance	Granted/ (Exercised)	Closing balance				
P N Buckley							
06.08.92	5,000	—	5,000	354p	—	06.08.95	06.08.02
29.07.93	12,000	—	12,000	495p	—	29.07.96	29.07.03
19.07.94	20,000	—	20,000	693p	—	19.07.97	19.07.04
22.06.95	3,000	—	3,000	653p	—	22.06.98	22.06.05
31.07.96	7,000	—	7,000	745p	—	31.07.99	31.07.06
16.07.97	6,000	—	6,000	677.5p	—	16.07.00	16.07.07
02.09.98	100,000	—	100,000	740p	—	02.09.01	02.09.08
26.07.99	9,000	—	9,000	757.5p	—	26.07.02	26.07.09
19.07.00	8,500	—	8,500	722.5p	—	19.07.03	19.07.10
24.07.01	—	12,500	12,500	810p	—	24.07.04	24.07.11
	170,500	12,500	183,000				
Sir David Kinloch							
10.07.91	6,667	(6,667)	—	337p	872p		
06.08.92	3,334	—	3,334	354p	—	06.08.95	06.08.02
29.07.93	12,000	—	12,000	495p	—	29.07.96	29.07.03
19.07.94	15,000	—	15,000	693p	—	19.07.97	19.07.04
22.06.95	3,000	—	3,000	653p	—	22.06.98	22.06.05
18.04.96	79,000	—	79,000	781p	—	18.04.99	18.04.06
31.07.96	5,000	—	5,000	745p	—	31.07.99	31.07.06
16.07.97	6,000	—	6,000	677.5p	—	16.07.00	16.07.07
02.09.98	8,000	—	8,000	740p	—	02.09.01	02.09.08
26.07.99	8,000	—	8,000	757.5p	—	26.07.02	26.07.09
19.07.00	17,500	—	17,500	722.5p	—	19.07.03	19.07.10
	163,501	(6,667)	156,834				
J H Cartwright							
10.07.91	13,334	(13,334)	—	337p	872p		
06.08.92	16,667	(16,667)	—	354p	872p		
29.07.93	12,000	(6,000)	6,000	495p	872p	29.07.96	29.07.03
19.07.94	5,000	—	5,000	693p	—	19.07.97	19.07.04
22.06.95	3,000	—	3,000	653p	—	22.06.98	22.06.05
18.04.96	31,500	—	31,500	781p	—	18.04.99	18.04.06
31.07.96	10,000	—	10,000	745p	—	31.07.99	31.07.06
16.07.97	12,000	—	12,000	677.5p	—	16.07.00	16.07.07
02.09.98	8,000	—	8,000	740p	—	02.09.01	02.09.08
26.07.99	8,500	—	8,500	757.5p	—	26.07.02	26.07.09
19.07.00	10,500	—	10,500	722.5p	—	19.07.03	19.07.10
24.07.01	—	24,000	24,000	810p	—	24.07.04	24.07.11
	130,501	(12,001)	118,500				

DIRECTORS' 33
REMUNERATION
AND INTERESTS
CONTINUED

Grant date	Number of options			Exercise price	Market price	Exercisable from date	Expiry date
	Opening balance	Granted/ (Exercised)	Closing balance				
The Hon C W Cayzer							
10.07.91	8,900	(8,900)	—	337p	872p		
29.07.93	8,100	—	8,100	495p	—	29.07.96	29.07.03
19.07.94	1,500	—	1,500	693p	—	19.07.97	19.07.04
22.06.95	3,000	—	3,000	653p	—	22.06.98	22.06.05
18.04.96	35,500	—	35,500	781p	—	18.04.99	18.04.06
31.07.96	3,500	—	3,500	745p	—	31.07.99	31.07.06
16.07.97	6,000	—	6,000	677.5p	—	16.07.00	16.07.07
02.09.98	5,000	—	5,000	740p	—	02.09.01	02.09.08
26.07.99	5,500	—	5,500	757.5p	—	26.07.02	26.07.09
19.07.00	6,000	—	6,000	722.5p	—	19.07.03	19.07.10
24.07.01	—	8,500	8,500	810p	—	24.07.04	24.07.11
	83,000	(400)	82,600				
M G Wyatt							
29.07.93	3,000	(3,000)	—	495p	872p		
19.07.94	1,500	(1,500)	—	693p	872p		
22.06.95	2,000	(2,000)	—	653p	872p		
18.04.96	17,900	—	17,900	781p	—	18.04.99	18.04.06
31.07.96	1,500	—	1,500	745p	—	31.07.99	31.07.06
16.07.97	3,000	—	3,000	677.5p	—	16.07.00	16.07.07
02.09.98	6,000	—	6,000	740p	—	02.09.01	02.09.08
26.07.99	6,000	—	6,000	757.5p	—	26.07.02	26.07.09
19.07.00	2,000	—	2,000	722.5p	—	19.07.03	19.07.10
	42,900	(6,500)	36,400				

The company has two executive share option schemes – an original scheme established in 1988 and which expired in April 1998 for the purposes of new option grants, and a 1998 scheme approved by shareholders in July 1998.

Under the terms of both schemes, options may be exercised between three and ten years after the date of grant, although only one third of the shares comprised in an option may be exercised after three years from grant, with the remaining two thirds becoming exercisable six years after grant. Options may only be exercised if a performance target is met.

All targets for options granted under the original scheme have now been achieved. The target for the 1998 scheme, which requires the company's adjusted net asset value per share to outperform either the Retail Price Index by 3% per annum, or the average of the increases in the FTSE 250 and the FT Investment Companies indices, over a consecutive three year period prior to exercise, has been met for all options granted in 1998 and 1999 thereunder. It is proposed that, for option grants from 2002 onwards, the FTSE All Share index will be used as the reference index in substitution of the FTSE 250 and FT Investment Companies indices.

**33 DIRECTORS'
REMUNERATION
AND INTERESTS**
CONTINUED

Under the terms of his recruitment Mr T C W Ingram will, shortly following his appointment as chief executive on 10 June 2002, be granted an option under the 1998 scheme over shares with an aggregate exercise price equal to 200% of his basic salary of £325,000. He will also be granted an option over shares with an aggregate exercise price equal to a further 200% of basic salary on the special performance-related terms set out below. As in the case of his options granted under the 1998 scheme, only one third of the shares under the special option will be exercisable three years after grant, with the remaining two thirds becoming exercisable six years after grant. Both tranches of the special option will be subject to a stretching performance condition requiring Caledonia's total shareholder return (share price growth plus the value of reinvested dividends – 'TSR') to outperform the FTSE All Share Total Return index ('Index') over the measurement period. The exercise price of both tranches will be equal to the market value of a share at the time of grant, which will also be the basis point for all TSR measurements. A tranche will vest in full if Caledonia's TSR exceeds that of the Index by an average of at least two per cent per annum over the relevant measurement period. If Caledonia's TSR equals that of the Index, none of that tranche will be exercisable and there will be proportionate vesting of a tranche if Caledonia's TSR exceeds that of the Index by an average of between zero and two per cent per annum. For the one third tranche, the performance measure will be first applied three years after grant, with two re-test opportunities four and five years after grant. For the two thirds tranche, the performance measure will be first applied five years after grant, with two re-test opportunities six and seven years after grant. If Mr Ingram remains in service until retirement at age 62, the option will remain exercisable until ten years from grant if the performance conditions are met. Mr Ingram must otherwise normally be in employment to be able to exercise the option. The shares required to satisfy Mr Ingram's option will be transferred from the Caledonia Investments plc Employee Share Trust. The remaining terms of the special option will be based on the rules of the 1998 scheme, including provisions that any benefits obtained by Mr Ingram from the special option will not be pensionable and that the terms of the special option will not normally be capable of amendment to his advantage without the prior approval of shareholders in general meeting.

The remuneration committee is satisfied that the special option arrangement for Mr Ingram, which is subject to more stringent performance conditions than those which apply to the 1998 scheme, is appropriate and will align Mr Ingram's interests with those of shareholders. As this is a special arrangement to facilitate, in unusual circumstances, Mr Ingram's recruitment as chief executive, shareholder approval is not required by virtue of paragraph 13.13A of the Listing Rules. The circumstances were unusual because the board considered it essential to secure Mr Ingram's services by providing him with a performance-related option package on these special terms.

Mr Ingram will be eligible to receive option grants under the 1998 scheme in future years.

At 31 March 2002, the market price of the company's shares was 847.5p (2001 – 797.5p) and the range during the year was 662.5p to 982.5p.

The register of directors' interests (which is open to inspection) contains full details of directors' shareholdings and options.

There have been no changes in directors' interests notified up to the date of approval of these accounts.

DIRECTORS' 33
REMUNERATION
AND INTERESTS
CONTINUED

As stated in the Dun & Bradstreet Capital Gains Tax Service, the market value of the company's ordinary shares at 31 March 1982, adjusted for the capitalisation issue in August 1982 and the sub-division in July 1984, was 65.90909p.

CAPITAL GAINS TAX 34

**THE REMUNERATION
COMMITTEE**

The remuneration committee, whose membership is noted on page 30, makes recommendations to the board on the company's policy for executive remuneration and its cost and determines the individual remuneration packages for executive directors. The fees of non-executive directors are determined by the board without the relevant non-executive director being present. The committee also approves the grant of share options to eligible employees under the company's executive share option schemes.

In framing the company's remuneration policy, the committee has given full consideration to the provisions in schedule A of the Combined Code.

**POLICY ON
REMUNERATION
OF EXECUTIVE
DIRECTORS**

Total level of remuneration

The company's policy is to ensure that remuneration packages are sufficiently competitive to retain and motivate executive directors and also to reflect the annual and longer term performance of the company and the directors as measured by criteria recommended by the remuneration committee.

Components of directors' remuneration

The components of directors' remuneration are set out in note 33 to the accounts.

Basic salary is determined by the remuneration committee and takes into account the experience and performance of the director concerned. In addition, the company operates a discretionary annual bonus scheme, which takes into account the performance of individual directors' areas of responsibility and of the company as a whole, measured against external benchmarks over both the shorter and longer term. The remuneration committee may also award bonuses outside the terms of the company's annual bonus scheme and no bonus payments are pensionable. In assessing overall remuneration packages, the committee consults with executive management and has had regard to external pay level comparatives provided by an independent firm of remuneration consultants and also to salary levels elsewhere within the group.

The executive directors are eligible to participate in the company's 1998 executive share option scheme. It is the policy of the committee to grant options to those employees whom it considers may make a significant contribution to the performance of the company over the medium term, at a level commensurate with their individual duties and responsibilities. The maximum exercise price of options that can be granted to any executive under the 1998 scheme is equal to four times his total annual emoluments. Option grants are phased and no options are granted at a discount. Special option terms have been agreed with Mr T C W Ingram in connection with his appointment as chief executive with effect from 10 June 2002, as described in note 33.

The executive directors participate in the Caledonia Pension Scheme, which is contributory for employees who joined the company after 1 April 1988. The scheme provides a pension of up to two thirds of basic salary on retirement dependent on length of service and also provides for dependants' pensions and lump sums on death in service. No arrangements are in place to provide pensions in relation to pensionable earnings in excess of the earnings limit imposed by the Finance Act 1989. All of the

executive directors, other than Mr J H Cartwright, transferred into the scheme from The Union-Castle Line Superannuation Scheme, which was non-contributory, and this status has been preserved. Mr Ingram will not participate in the pension arrangements described above when he joins the company on 10 June 2002. Instead, an amount equal to 25 per cent of his basic salary will be paid into pension arrangements selected by him. This amount will also cover associated income tax and national insurance costs.

**POLICY ON
REMUNERATION
OF EXECUTIVE
DIRECTORS
CONTINUED**

It is the policy of the company that no director should be offered a service contract that cannot be determined within one year or which contains provision for predetermined compensation in excess of one year's salary and benefits. All existing directors' service contracts comply with this policy. Under the terms of his appointment as chief executive with effect from 10 June 2002, Mr Ingram's employment may be terminated on one year's notice, although he will be entitled to additional protection in the event that his employment is terminated within its first year as a result of a change of control or reorganisation of the company. In these circumstances, Mr Ingram will be entitled to compensation equal to his basic salary and pension contributions for the unexpired period of the first two years from the commencement of his employment.

**POLICY ON SERVICE
CONTRACTS**

Notice is hereby given that the seventy-third annual general meeting of Caledonia Investments plc will be held at Trinity House, Trinity Square, Tower Hill, London EC3N 4DH on Wednesday, 17 July 2002 at 11.30 am for the purpose of considering and, if thought fit, passing the following resolutions, which in the case of resolutions 9 and 11 will be proposed as special resolutions, and in the case of all the other resolutions will be proposed as ordinary resolutions:

AS ORDINARY BUSINESS

1. To receive and adopt the directors' report and the accounts for the year ended 31 March 2002, together with the auditors' report to the members.
2. To declare a final dividend of 17.2p per ordinary share.
3. To re-elect Mr P N Buckley as a director.
4. To re-elect The Hon C W Cayzer as a director.
5. To elect Mr C M Allen-Jones as a director.
6. To elect Mr M E T Davies as a director.
7. To elect Mr T C W Ingram as a director.
8. To reappoint KPMG Audit Plc as auditors and authorise the directors to agree their remuneration.

AS SPECIAL BUSINESS

9. That the company be and is hereby unconditionally and generally authorised for the purpose of section 166 of the Companies Act 1985 at any time or times to make a market purchase or market purchases (within the meaning of section 163 of the Companies Act 1985) of any of its own ordinary shares of 5p each provided that:
 - a. the maximum number of ordinary shares hereby authorised to be so acquired is 7,300,000;
 - b. the minimum price which may be paid for such shares is 5p each;
 - c. the maximum price which may be paid for a share contracted to be purchased on any day is an amount equal to 5% above the average of the middle market quotations for the ordinary shares of the company as taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased;
 - d. the authority hereby conferred shall expire on 1 January 2004 or, if earlier, at the conclusion of the next annual general meeting of the company; and
 - e. the company may make a contract to purchase its own shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of its own shares in pursuance of any such contract.
10. That the directors be and they are hereby authorised pursuant to and in accordance with section 80 of the Companies Act 1985 for a period expiring at the conclusion of the next annual general meeting of the company to allot relevant securities as defined in section 80 of the Companies Act 1985 up to an annual aggregate nominal amount of £1,217,652 provided that the company may before such expiry

make an offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry.

AS SPECIAL BUSINESS

CONTINUED

11. That subject to the passing of resolution 10, the directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 and pursuant to the authority conferred by the said resolution 10 to allot equity securities (within the meaning of section 94(2) of the Companies Act 1985) as if section 89(1) of the Companies Act 1985 did not apply to any such allotment provided that this power shall be limited to:
- a. the allotment of the equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of ordinary shareholders are proportionate to the respective amount of ordinary shares held by them (but subject to such exclusion or other arrangement as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange); and
 - b. the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £182,647
- and shall expire on the date of the next annual general meeting save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By order of the board
G P Denison
Company Secretary



12 June 2002

1. A member entitled to attend and vote at this meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the company.
2. To be effective, forms of proxy must be lodged with the company or its registrars not less than 48 hours before the meeting. A form of proxy accompanies this document. Completion of a form of proxy does not preclude a member from attending and voting at the meeting.
3. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the company specifies that only those ordinary shareholders entered on the register of members of the company as at 6.00 pm on 15 July 2002 or, in the event that the meeting is adjourned, on the register of members 48 hours before the time of any adjourned meeting(s), shall be entitled to attend and/or vote in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the register of members after 6.00 pm on 15 July 2002 or, in the event that the meeting is adjourned, on the register of members 48 hours before the time of any adjourned meeting(s), shall be disregarded in determining the rights of any person to attend or vote at the meeting(s), notwithstanding any provisions in any enactment, the articles of association of the company or other instrument to the contrary.
4. Biographical details of the directors standing for election and re-election at the meeting are set out on pages 28 and 29.
5. Members (and any proxies or representatives they appoint) agree, by attending the meeting or any adjourned meeting(s), that they are expressly requesting, and are willing to receive, any communications (including any communications relating to the company's shares) made at any such meeting(s).

NOTES

FINANCIAL RECORD

for the years ended 31 March

	1998	1999	2000	2001	2002
	£m	£m	£m	£m	£m
Trading profit or loss	8.5	5.0	12.2	9.7	(1.3)
Income from investments	13.5	8.5	7.7	12.6	10.8
Interest net	2.3	9.1	4.6	3.1	(1.4)
Write off of current assets	—	—	—	(3.9)	—
Other income and group overheads	(5.3)	(4.9)	(5.5)	(6.8)	(7.7)
Share of operating profit of associates	26.5	23.6	26.2	38.8	25.7
Total operating profit	45.5	41.3	45.2	53.5	26.1
Non-operating items	(4.4)	52.6	6.6	2.2	(17.9)
Profit before taxation	41.1	93.9	51.8	55.7	8.2
Taxation	(14.9)	(27.6)	(13.2)	(12.8)	(5.1)
Minority interests	(0.5)	(0.6)	(0.9)	(1.0)	(0.2)
Dividends	(17.0)	(18.2)	(73.7)	(18.8)	(18.2)
Profit or loss retained	8.7	47.5	(36.0)	23.1	(15.3)
Fixed asset investments	721.9	632.9	681.6	794.4	606.1
Intangible and tangible fixed assets	52.3	45.8	59.7	79.7	75.5
Net current assets less liabilities	(1.3)	(9.4)	(51.9)	18.6	19.1
Deferred taxation	(29.2)	(29.1)	(28.4)	(28.0)	(29.0)
Employment of capital	743.7	640.2	661.0	864.7	671.7
Ordinary capital and reserves	789.3	793.3	764.3	854.8	737.9
Minority interests	4.4	1.1	1.9	1.4	0.9
	793.7	794.4	766.2	856.2	738.8
Net funds or debt					
Short term deposits	(44.7)	(147.8)	(108.5)	(9.0)	(61.0)
Cash at bank and in hand	(20.7)	(19.2)	(16.0)	(11.4)	(20.2)
Bank overdraft	14.7	11.9	13.5	1.2	8.8
Loans	0.7	0.9	5.8	27.7	5.3
	(50.0)	(154.2)	(105.2)	8.5	(67.1)
Capital employed	743.7	640.2	661.0	864.7	671.7
Per ordinary share of 5p					
Basic earnings	31.1p	79.3p	46.1p	53.2p	3.8p
Adjusted basic earnings	33.7p	34.7p	37.0p	49.6p	18.6p
Dividends	20.5p	22.0p	93.0p	24.0p	25.0p
Net asset value	946p	951p	960p	1082p	1010p

Adjusted basic earnings excluded sale of operations, amortisation of goodwill and other items, net of any tax.

Dividends for 2000 included special dividends of 70p per ordinary share.

Annual report 2002

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FINANCIAL CALENDAR

INTERIM RESULTS ANNOUNCEMENT	NOVEMBER
INTERIM REPORT	DECEMBER
INTERIM DIVIDEND PAYMENT	JANUARY
ANNUAL RESULTS ANNOUNCEMENT	MAY
ANNUAL REPORT	JUNE
ANNUAL GENERAL MEETING	JULY
FINAL DIVIDEND PAYMENT	AUGUST