

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. When considering what action you should take, you are recommended to seek your own advice from your appropriate independent professional adviser who, in the UK, is authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your Ordinary Shares, please send this document, but not the accompanying personalised Form of Proxy, at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have purchased Ordinary Shares after the date of this document, you should contact Capita Registrars (in the case of UK Registered Shareholders) or Computershare (in the case of NZ Registered Shareholders) using the details set out in section 4 in the Chairman's Letter to request a new Form of Proxy.

JPMorgan Cazenove, which is authorised and regulated by the Financial Services Authority in the UK, is acting for Caledonia and no one else in relation to the Authority to Make Market Purchases and the Waiver Resolution and will not be responsible to anyone other than Caledonia for providing the protections afforded to clients of JPMorgan Cazenove nor for providing advice in relation to this waiver.

CALEDONIA INVESTMENTS PLC

(Registered in England and Wales under No. 235481)

Letter from the Chairman and Notice of 2008 Annual General Meeting

Notice of the Annual General Meeting of Caledonia to be held at Cayzer House, 30 Buckingham Gate, London SW1E 6NN at 11.30 a.m. on 29 July 2008 is set out at the end of this document.

The enclosed Form of Proxy for use at the Annual General Meeting should be completed and returned as soon as possible and, to be valid, must be deposited by UK Registered Shareholders so as to be received no later than 11.30 a.m. on 27 July 2008 with the Company's UK registrar, Capita Registrars, by one of the following methods: (i) by post to the address provided for such purpose in the Form of Proxy; or (ii) by hand during normal business hours to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or (iii) electronically at www.capitashareportal.com using the investor code printed on the Form of Proxy; or (iv) in the case only where Ordinary Shares are held in CREST (as an alternative to methods (i), (ii) and (iii)), via the CREST Proxy Voting Service.

The enclosed Form of Proxy for use at the Annual General Meeting should be completed and returned as soon as possible and, to be valid, must be deposited by NZ Registered Shareholders so as to be received no later than 10.30 p.m. on 27 July 2008 (NZ time) with the Company's NZ registrar, Computershare, by one of the following methods: (i) by post to the address provided for such purpose in the Form of Proxy; or (ii) by personal delivery to Computershare Investor Services Limited, Level 2, 159 Hurstmere Road, Takapuna, North Shore City; or (iii) by fax to +64 9 488 8787; or (iv) by email to enquiry@computershare.co.nz.

Participants in the ISA, PEP and Savings Scheme should complete and return the Letter of Direction sent to them by Capita IRG Trustees for use at the Annual General Meeting as soon as possible and, to be valid, a Letter of Direction must be received no later than 11.30 a.m. on 25 July 2008 by post at the address provided for such purpose in the Letter of Direction.

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DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

2006 Act	means the Companies Act 2006
2007 AGM	means the annual general meeting of the Company held on 19 July 2007
Annual General Meeting or AGM	means the annual general meeting of Caledonia to be held at Cayzer House, 30 Buckingham Gate, London SW1E 6NN at 11.30 a.m. on 29 July 2008 and any adjournment thereof
Annual Report	means Caledonia's annual report and accounts for its year ended 31 March 2008
Authority to Make Market Purchases	means the authority to make market purchases of Ordinary Shares to be proposed to Ordinary Shareholders in the terms of resolution 11 set out in the notice of AGM at the end of this document
Board or Directors	means the directors of Caledonia
Branch Register	means the New Zealand branch register of members maintained by Computershare
Business Day	means any day (other than a Saturday or Sunday or public holiday) on which banks are generally open for business in London
Caledonia or the Company	means Caledonia Investments plc of Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Caledonia Group Services	means Caledonia Group Services Limited, a wholly owned subsidiary of the Company
Capita IRG Trustees	means Capita IRG Trustees Limited, the administrator of the ISA, PEP and Savings Scheme
Capita Registrars	means a trading division of Capita IRG Plc
Cayzer Trust	means The Cayzer Trust Company Limited of Cayzer House, 30 Buckingham Gate, London SW1E 6NN
Chairman's Letter	means the letter from Mr P N Buckley, the Chairman of Caledonia, set out in Part I to this document
Computershare	means Computershare Investor Services Limited, Level 2, 159 Hurstmere Road, Takapuna, North Shore City, New Zealand
Concert Party	means that group of Ordinary Shareholders whom the Panel has confirmed are deemed to act in concert, details of certain members of the Concert Party being set out in paragraph 3.6 of Part II to this document
Concert Party Directors	means those Directors who are members of the Concert Party, namely Mr P N Buckley, The Hon C W Cayzer, Mr J M B Cayzer-Colvin, Mr J R H Loudon and Mr W P Wyatt
CREST	means the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations)
CREST member	means a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations)
CREST participant	means a person who has been admitted by Euroclear as a system-participant (as defined in the CREST Regulations)
CREST Regulations	means the Uncertificated Securities Regulations 2001 (SI 2001 No 3755)
CREST sponsor	means a CREST participant admitted to CREST as a sponsor
CREST sponsored member	means a CREST member admitted to CREST as a sponsored member
Current Articles	means the current articles of association of the Company
Deferred Bonus Plan	means the Caledonia Investments Deferred Bonus Plan
Employee Share Trust	means the Caledonia Investments plc Employee Share Trust

Euroclear	means Euroclear UK and Ireland Limited
Executive Directors	means Mr P N Buckley, Mr J H Cartwright, The Hon C W Cayzer, Mr J M B Cayzer-Colvin, Mr T C W Ingram, Mr J M May and Mr W P Wyatt
Form of Proxy	means the personalised form of proxy accompanying this document
Group	means Caledonia and its subsidiaries
Independent Shareholders	means those Ordinary Shareholders who are not members of the Concert Party
Investment Protection Committees	means the investment committees of the Association of British Insurers and National Association of Pension Funds Limited
ISA	means the Caledonia Investments Individual Savings Account
JPMorgan Cazenove	means JPMorgan Cazenove Limited
Letter of Direction	means the letter from a participant in the ISA, PEP and Savings Scheme to Capita IRG Trustees directing Capita IRG Trustees or its custodian, Capita IRG Trustees (Nominees) Limited, as the case may be, how to exercise the votes attaching to the Ordinary Shares which it holds through the ISA, PEP or Savings Scheme at the AGM, being a green letter of direction for participants in the ISA and PEP, and a yellow letter of direction for participants in the Savings Scheme
New Articles	means the new articles of association of the Company proposed to be adopted in the terms of resolution 15 set out in the notice of AGM at the end of this document
Non-Concert Party Directors	means Mr C M Allen-Jones, Mr J H Cartwright, Mr M E T Davies, Mr R Goblet d'Alviella, Mr T C W Ingram, Mr J M May and Mr D G F Thompson
Non-Executive Directors	means Mr C M Allen-Jones, Mr M E T Davies, Mr R Goblet d'Alviella, Mr J R H Loudon and Mr D G F Thompson
NZ	means New Zealand
NZ Registered Shareholders	means Ordinary Shareholders on the Branch Register
Official List	means the official list of the UK Listing Authority
Ordinary Shares	means ordinary shares of 5 pence each in Caledonia
Ordinary Shareholders	means the holders of Ordinary Shares
Panel	means the Panel on Takeovers and Mergers
PEP	means the Caledonia Investments Personal Equity Plan
Principal Register	means the principal register of members of the Company maintained by Capita Registrars
Registers	means the Principal Register and the Branch Register
Savings Scheme	means the Caledonia Investments Share Savings Scheme
Share Option Schemes	means the Caledonia Investments plc 1998 Executive Share Option Scheme, the Caledonia Investments 2005 Executive Share Option Scheme and special options granted to Mr T C W Ingram and Mr J M May outside these schemes
Takeover Code	means the City Code on Takeovers and Mergers
UK	means the United Kingdom of Great Britain and Northern Ireland
UK Listing Authority	means the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
UK Registered Shareholders	means Ordinary Shareholders on the Principal Register
Waiver Resolution	means the ordinary resolution numbered 12 in the form set out in the notice of AGM at the end of this document approving a waiver of the mandatory offer provisions set out in Rules 9 and 37 of the Takeover Code

PART I – Letter from the Chairman



**CALEDONIA
INVESTMENTS**

Caledonia Investments plc

Registered and head office

Cayzer House
30 Buckingham Gate
London SW1E 6NN

12 June 2008

Directors:

Peter N Buckley*	(Chairman)
James R H Loudon*	(Non-Executive Deputy Chairman)
Timothy C W Ingram	(Chief Executive)
Jonathan H Cartwright	(Finance Director)
The Hon Charles W Cayzer*	(Executive Director)
James M B Cayzer-Colvin*	(Executive Director)
John M May	(Executive Director)
William P Wyatt*	(Executive Director)
Charles M Allen-Jones	(Senior Independent Non-Executive Director)
Mark E T Davies	(Non-Executive Director)
Richard Goblet d'Alviella	(Non-Executive Director)
David G F Thompson	(Non-Executive Director)

* Concert Party Director

To Ordinary Shareholders, participants in the ISA, PEP and Savings Scheme and, for information only, to the holders of options under the Share Option Schemes and awards under the Deferred Bonus Plan.

Dear Shareholder

1. Introduction

The purpose of this letter is to provide you with an explanation of the resolutions to be proposed at the seventy-ninth Annual General Meeting of the Company, which will be held at Cayzer House, 30 Buckingham Gate, London SW1E 6NN, at 11.30 a.m. on Tuesday 29 July 2008 and to seek your approval of them. The Notice of AGM is set out on pages 27 to 30 of this document.

The first part of the AGM (resolutions 1 to 10 inclusive) will address the ordinary business of the AGM. The second part of the AGM (resolutions 11 to 17 inclusive) will seek the necessary shareholder approvals for:

- the Authority to Make Market Purchases;
- a waiver which the Panel has agreed to grant (subject to Independent Shareholders' approval) of any obligation on the Concert Party under Rule 9 of the Takeover Code which might arise if the Company makes purchases of Ordinary Shares pursuant to the Authority to Make Market Purchases;
- the renewal of the Company's authority to allot unissued Ordinary Shares;
- the renewal of the Directors' authority to allot Ordinary Shares, or transfer Ordinary Shares from treasury, on a non pre-emptive basis;
- the adoption of the New Articles;
- amendments to the Deferred Bonus Plan; and
- an authority for the Company to make political donations of up to £75,000 to the Conservative Party.

All of the resolutions to be proposed at the AGM (including the proposals outlined above) are explained in further detail below.

2. Ordinary business

The ordinary business of the AGM comprises resolutions 1 to 10 inclusive.

Resolution 1: Annual Report

The Directors approved Caledonia's Annual Report on 29 May 2008. Although not a statutory requirement, resolution 1 seeks the approval of the Annual Report by Ordinary Shareholders, who will be given the opportunity to ask questions about the Annual Report at the AGM.

A copy of the Annual Report accompanies this document.

Resolution 2: Directors' remuneration report

Resolution 2 seeks Ordinary Shareholders' approval of the Directors' remuneration report in compliance with the Directors' Remuneration Report Regulations 2002. The Directors' remuneration report, which is set out on pages 53 to 59 of the Annual Report, explains the Company's overall policy on Directors' remuneration and provides details of the remuneration paid to Directors for the year ended 31 March 2008. As required by the Directors' Remuneration Report Regulations 2002, the Company's auditors, Deloitte & Touche LLP, have audited those parts of the Directors' remuneration report required by the legislation to be audited and their report is set out on page 29 of the Annual Report.

Resolution 3: Final dividend

The Directors have proposed a final dividend of 22.6 pence per Ordinary Share, payable on 14 August 2008 to Ordinary Shareholders on the Registers as at the close of business on 27 June 2008. Resolution 3 seeks Ordinary Shareholders' approval of this dividend.

Resolutions 4 to 8: Re-election of directors

Mr J M B Cayzer-Colvin, Mr W P Wyatt, Mr R Goblet d'Alviella and Mr D G F Thompson retire by rotation at the AGM and, being eligible, offer themselves for re-election as set out in resolutions 4 to 7. Mr J R H Loudon has served as a Director for over nine years and, accordingly, retires annually in accordance with the recommendations of the Combined Code. Being eligible, he also offers himself for re-election at the AGM as set out in resolution 8.

Neither Messrs Cayzer-Colvin nor Wyatt has a contract of service which cannot be terminated within one year. None of Messrs Goblet d'Alviella, Thompson and Loudon, all of whom are non-executive Directors, has any entitlement to compensation in the event of their ceasing to be Directors.

Following formal individual performance evaluation and a review of the structure, size and composition of the board as a whole, Caledonia's Nomination Committee confirms that the non-executive Directors proposed for re-election continue to demonstrate strong commitment to their roles and that, through their knowledge, skills and experience, they continue to provide an effective contribution to the functioning of the board and its committees. Accordingly, the Nomination Committee believes that all of the non-executive Directors proposed for re-election should be so re-elected.

Biographical details of all Directors appear on pages 24 and 25 of the Annual Report.

Resolutions 9 and 10: Re-appointment and remuneration of the auditors

Resolution 9 seeks the approval of the re-appointment of Deloitte & Touche LLP as auditors to the Company until the conclusion of the next general meeting of the Company at which accounts are laid. Resolution 10 will give authority to the Directors to agree the auditors' remuneration.

3. Special business

The special business to be considered at the AGM comprises resolutions 11 to 17 inclusive.

Resolution 11: Authority to make market purchases by the Company of its Ordinary Shares

Authority was granted by Ordinary Shareholders to the Company at the 2007 AGM to purchase up to a maximum of 5,862,500 Ordinary Shares, representing approximately 10 per cent. of the then issued Ordinary Shares, excluding Ordinary Shares then held in treasury. Ordinary Shareholders are being asked by resolution 11, which will be proposed as a special resolution, to grant a new authority (which will replace the existing authority) to Caledonia to purchase up to a maximum of 5,837,750 Ordinary Shares, again representing approximately 10 per cent. of the current issued Ordinary Shares, excluding those Ordinary Shares held in treasury.

If the resolution is passed, it will empower the Company to make market purchases on the London Stock Exchange of up to 5,837,750 Ordinary Shares at a price per Ordinary Share not more than the higher of:

- a. 5 per cent. above the average of the middle market quotations for Ordinary Shares during the five Business Days preceding any such purchase; and

- b. the higher of:
 - i. the price of the last independent trade in Ordinary Shares; and
 - ii. the highest current independent bid relating thereto on the trading venue where the purchase is carried out

nor less than 5 pence, being the nominal value of an Ordinary Share.

The Authority to Make Market Purchases will only be utilised if the Board believes that purchases of Ordinary Shares will be in the best interests of Caledonia and Ordinary Shareholders as a whole and will result in an increase in net asset value per Ordinary Share. In considering whether to exercise the Authority to Make Market Purchases, the Board will take into account both the longer term investment opportunities available to Caledonia and any discount at which the Ordinary Shares are trading in the market relative to their net asset value per share.

A purchase of Ordinary Shares by the Company pursuant to the Authority to Make Market Purchases could increase the percentage of voting rights held by the Concert Party. In certain circumstances (described below) such an increase could trigger an obligation on the Concert Party to make a mandatory offer for the whole of the issued share capital of the Company pursuant to the Takeover Code. Accordingly, Independent Shareholders will be asked to renew the waiver of the mandatory offer provisions granted at the 2007 AGM such that purchases of Ordinary Shares by the Company pursuant to the Authority to Make Market Purchases will not trigger a requirement for the Concert Party to make a mandatory offer for the entire issued share capital of the Company. Further details relating to this waiver are set out below.

There are currently outstanding options to subscribe for 1,438,288 Ordinary Shares under the Share Option Schemes and awards over 226,691 Ordinary Shares under the Deferred Bonus Plan, in aggregate representing approximately 2.85 per cent. of the issued Ordinary Shares, excluding Ordinary Shares held in treasury, as at 12 June 2008, being the latest practicable date prior to the printing of this document. If the Authority to Make Market Purchases was exercised in full, the Ordinary Shares under option or award would represent approximately 3.17 per cent. of the issued Ordinary Shares, excluding Ordinary Shares held in treasury. It is however the Board's policy, where possible, to source options being exercised under the Share Option Schemes or called under the Deferred Bonus Plan using Ordinary Shares held by the Employee Share Trust, thereby avoiding dilution of Ordinary Shareholders' holdings.

The Authority to Make Market Purchases, if granted, will expire on 1 January 2010 or, if earlier, at the conclusion of the next annual general meeting of the Company.

Ordinary Shares purchased by the Company pursuant to the Authority to Make Market Purchases may be cancelled or held in treasury and subsequently cancelled or sold for cash or used to satisfy share based awards issued to employees pursuant to the Share Option Schemes and Deferred Bonus Plan. Since the 2007 AGM, the Company has purchased 247,229 Ordinary Shares into treasury and in total holds 417,229 Ordinary Shares in treasury.

Resolution 12: Waiver of mandatory offer provisions set out in Rule 9 of the Takeover Code

The Waiver Resolution, which will be proposed as an ordinary resolution, seeks Independent Shareholders' approval of a waiver of the obligation that could arise on the Concert Party to make a general offer for the entire issued share capital of the Company as a result of purchases by the Company of Ordinary Shares pursuant to the Authority to Make Market Purchases.

The Panel has ruled that a group of Ordinary Shareholders are deemed to form a concert party for the purposes of the Takeover Code. As at 12 June 2008, being the latest practicable date prior to the publication of this document, these shareholders, being Cayzer Trust, the Concert Party Directors, the Employee Share Trust and other members of the wider Cayzer family, between them were interested in 27,041,755 Ordinary Shares, representing approximately 46.32 per cent. of the shares carrying voting rights of the Company, excluding Ordinary Shares held in treasury. The Concert Party's highest percentage of shares carrying voting rights held in the 12 months prior to 12 June 2008, being the latest practicable date prior to the publication of this document, was approximately 46.33 per cent.

Under Rule 9 of the Takeover Code, where any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent., but does not hold shares carrying more than 50 per cent., of the voting rights of a company and such person, or any persons acting in concert with him, acquires an interest in any other shares in the company which increases the percentage of shares carrying voting rights in which he is interested, such person would normally have to extend a general offer to all shareholders to acquire their shares at not less than the highest price paid by him, or parties acting in concert with him, within the preceding 12 months prior to the announcement of the offer. However, if a shareholder or group of shareholders acting in concert reduces his or their interest in shares, but without reducing his or their interest in shares to less than 30 per cent. of the shares carrying voting rights of the company, such shareholder or shareholders may subsequently acquire an interest in shares without incurring an obligation to make a general offer, provided that (i) the total number of shares in which interests are acquired in the preceding 12 months does not exceed one per cent. of the voting share capital for the time being and (ii) the percentage of shares in which the relevant shareholder or concert party is interested resulting from any such acquisition does not exceed the highest percentage of shares in which such shareholder or concert party was interested in the previous 12 months.

The percentage of shares carrying voting rights in which the Concert Party is interested could be increased by the purchase of Ordinary Shares by the exercise by the Company of the Authority to Make Market Purchases. Any increase in the percentage of shares carrying voting rights of the Concert Party resulting from such an exercise would normally be treated as an acquisition of interests in shares by the Concert Party for the purposes of Rule 9 of the Takeover Code. Accordingly, if the effect of such exercise was either to increase the percentage of shares in which the Concert Party is interested to above its highest level in the previous 12 months or result in the total acquisitions by the Concert Party in the previous 12 months being greater than one per cent. of the voting share capital for the time being, this could result in members of the Concert Party being obliged to make a general offer for the entire issued Ordinary Share capital of the Company.

In accordance with Rule 37 of the Takeover Code, the Panel has agreed to waive any requirement on the Concert Party to make a general offer to all shareholders of the Company which could arise as a result of an exercise of the Authority to Make Market Purchases, provided that the Independent Shareholders have passed, on a poll, the Waiver Resolution. In no circumstances will the Company make market purchases of Ordinary Shares which would result in the percentage of voting rights in which the Concert Party is interested exceeding 49.9 per cent. Accordingly, Independent Shareholders are being asked to approve the waiver which, if so approved, will expire on 1 January 2010 or, if earlier, at the conclusion of the next annual general meeting of the Company.

The waiver by the Panel will (subject to the discretion of the Panel) be invalidated if any further purchases of Ordinary Shares are made by any member of the Concert Party in the period between the date of this document and the date of the AGM.

The Concert Party has no present intention of materially increasing or decreasing its interest in Caledonia, although this may subsequently increase to not more than 49.9 per cent, as a result of the exercise by the Company of the Authority to Make Market Purchases, and it remains fully supportive of the management and strategic direction of the Company, which is not expected to be altered by the Waiver Resolution.

In considering whether to seek a waiver of the mandatory offer provisions set out in Rule 9 of the Takeover Code, the Non-Concert Party Directors have taken into account their belief that market purchases of Ordinary Shares as envisaged by resolution 11, details of which are set out above, will be in the best interests of Caledonia and Ordinary Shareholders as a whole and the potential increase in the aggregate Concert Party holding, subject to the limit of this increase to a maximum of 49.9 per cent., from its current 46.32 per cent., interest in shares carrying voting rights in the Company.

Further details in relation to the Waiver Resolution are set out in Part II to this document.

Resolution 13: Authority to allot unissued Ordinary Shares

Resolution 13, which will be proposed as an ordinary resolution, seeks to renew the authority granted at the 2007 AGM to allot unissued Ordinary Shares. Whilst they do not have any present intention of exercising this authority, the Directors would be authorised to allot Ordinary Shares up to a nominal amount of £972,959, representing approximately 33.33 per cent. of the issued Ordinary Shares, excluding Ordinary Shares held in treasury, as at 12 June 2008, being the latest practicable date prior to the publication of this document. The authority, if granted, will last until the next annual general meeting of the Company.

Resolution 14: Authority to allot Ordinary Shares on a non pre-emptive basis

Resolution 14, which will be proposed as a special resolution, seeks to renew the Directors' flexibility to allot Ordinary Shares for cash in connection with a rights issue or other than pro rata to existing Ordinary Shareholders. In the case of an issue of Ordinary Shares other than pro rata to existing Ordinary Shareholders, the authority will be limited to a nominal amount of £145,943, which represents approximately 5 per cent. of the issued Ordinary Shares, excluding Ordinary Shares held in treasury, as at 12 June 2008, being the latest practicable date prior to the publication of this document. If granted, the authority will last until the next annual general meeting of the Company. This authority to allot shares on a non pre-emptive basis will also apply to the transfer of Ordinary Shares held in treasury.

The Directors will comply with the guidelines of the Investment Protection Committees that no more than 7.5 per cent. of the issued Ordinary Share capital should be allotted for cash, or transferred from treasury, on a non pre-emptive basis during any rolling three year period.

Resolution 15: Adoption of new articles of association

Resolution 15, which will be proposed as a special resolution, seeks shareholder approval of amendments to the Current Articles primarily to reflect those provisions of the 2006 Act which are now in force or which are due to be implemented on 1 October 2008. The adoption of the New Articles will therefore take effect on that date.

An explanation of the main changes between the Current Articles and the New Articles is set out in Part III to this document.

Shareholders should note that the 2006 Act is being implemented in phases, with the final provisions due to come into force on 1 October 2009. Further changes will therefore need to be proposed at the annual general meeting to be held in 2009 to ensure the New Articles are consistent with those provisions.

Resolution 16: Amendment of the Deferred Bonus Plan

Resolution 16, which will be proposed as an ordinary resolution, seeks shareholder approval for the amendment of the Deferred Bonus Plan, which was approved by shareholders in 2005.

The Company's bonus arrangements are designed to align the interests of Executive Directors and senior executives with those of shareholders and to encourage retention by requiring, in the Remuneration Committee's discretion, that a proportion of any bonus paid to an executive is compulsorily invested in Ordinary Shares under the Deferred Bonus Plan. The Remuneration Committee's current policy is that any annual bonus paid, the amount of which is above 50% of an executive's basic salary for the financial year to which the bonus relates, must be so compulsorily invested.

In addition, the Deferred Bonus Plan entitles executives to convert voluntarily a proportion of any remaining cash bonus to a conditional entitlement to Ordinary Shares. The Remuneration Committee's current policy is that up to half of any bonus not subject to compulsory deferral may be voluntarily converted to Ordinary Shares. The Ordinary Shares so invested are eligible for matching, on a one for one basis, subject to the satisfaction of performance targets over a period of three years.

For bonuses payable in respect of the year ended 31 March 2008 and subsequent years, the Remuneration Committee proposes that Ordinary Shares derived from the compulsory deferral of bonus should also be eligible for matching in order to bring the Deferred Bonus Plan into line with current market practice. Again, matching would be on a one for one basis, and vesting would be subject to the satisfaction of performance targets over a period of three years. The implementation of this proposal is subject to shareholder approval of an amendment to the rules of the Deferred Bonus Plan. If the resolution to amend the rules of the Deferred Bonus Plan is duly passed, the Remuneration Committee intends to make an award of matching Ordinary Shares after the AGM over a number of Ordinary Shares equal to that awarded in respect of the compulsory deferral of bonus for the year ended 31 March 2008.

Resolution 17: Approval to make political donations

Resolution 17, which will be proposed as an ordinary resolution, seeks to renew the Company's ability to make political donations to the Conservative Party.

Part 14 of the 2006 Act prohibits a company and its subsidiaries from making donations of more than £5,000 in any 12 month period to political parties, unless prior shareholder approval has been obtained to make such donations.

The Board has been concerned for several years by the consistent rise in taxation and public expenditure suffered under the current Government and also by the increasing burden of legislation that it has imposed on UK businesses, with consequent adverse financial and operational impact. These issues contribute towards making businesses in this country less competitive in world markets and have an adverse effect on the performance of Caledonia's investment portfolio.

The Board believes that a Conservative government would seek to cut government waste, excessive bureaucracy and high borrowing, and bring down spending as a share of national income, which would be of great benefit to business and the economy in general and thus to the Group's business and Caledonia's shareholders in particular. Accordingly, the Board is seeking to renew the approval to make political donations to the Conservative Party given by Ordinary Shareholders at the 2007 AGM. Authority is however now being requested to make donations of up to £75,000 in aggregate, as opposed to the £60,000 approved last year, in order to enable the Company to assist the Conservative Party in building resources in marginal seats in the approach to the next general election.

This approval, if granted, will last until 1 January 2010 or, if earlier, the conclusion of the next annual general meeting of the Company.

4. Action to be taken

You will find set out at the end of this document the notice convening the AGM, at which the resolutions referred to above will be proposed. Further information relating to the Waiver Resolution, the New Articles and the proposed amendment of the Deferred Bonus Plan is set out in Parts II, III and IV to this document respectively.

UK Registered Shareholders are requested to complete the Form of Proxy accompanying this document and return it to Caledonia's UK registrar, Capita Registrars, as soon as possible. To be valid, the Form of Proxy must be deposited with Capita Registrars, so as to be received no later than 11.30 a.m. on 27 July 2008, by one of the following methods: (i) by post to the address provided for such purpose in the Form of Proxy; or (ii) by hand during normal business hours to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or (iii) electronically at www.capitashareportal.com using the investor code printed on the Form of Proxy; or (iv) in the case only where Ordinary Shares are held in CREST (as an alternative to methods (i), (ii) and (iii)), via the CREST Proxy Voting Service. The return of the Form of Proxy will not preclude you from attending the AGM and voting in person should you wish to do so.

If you are a CREST member and wish to appoint a proxy or proxies through the CREST Proxy Voting Service for the AGM and any adjournment(s) thereof, you may do so by using the procedures described in the CREST Manual. Appointing a proxy or proxies through the CREST Proxy Voting Service is more fully explained in the notice convening the AGM set out at the end of this document.

NZ Registered Shareholders are requested to complete the Form of Proxy accompanying this document and return it to Caledonia's NZ registrar, Computershare, as soon as possible. To be valid, the Form of Proxy must be deposited with Computershare, so as to be received no later than 10.30 p.m. on 27 July 2008 (NZ time), by one of the following methods: (i) by post to the address provided for such purpose in the Form of Proxy; or (ii) by personal delivery to Computershare Investor Services Limited, Level 2, 159 Hurstmere Road, Takapuna, North Shore City; or (iii) by fax to +64 9 488 8787; or (iv) by email to enquiry@computershare.co.nz. The return of the Form of Proxy will not preclude you from attending the AGM and voting in person should you wish to do so.

Participants in the ISA, PEP and Savings Scheme are requested to complete the Letter of Direction sent by Capita IRG Trustees and accompanying this document and return it, so as to be received by no later than 11.30 a.m. on 25 July 2008, to the address set out in the Letter of Direction.

Please note that only Independent Shareholders are entitled to vote on the Waiver Resolution and that the vote on the Waiver Resolution will be by way of a poll. Accordingly, it is very important that the Form of Proxy is duly completed by Ordinary Shareholders and returned or submitted by one of the methods described above or, in the case of participants in the ISA, PEP and Savings Scheme, that the Letter of Direction is duly completed and returned in accordance with the instructions contained therein.

Further information

Your attention is drawn to the further information set out in Parts II, III, IV and V to this document and to the Annual Report. A copy of the Annual Report accompanies this document.

5. Recommendations

Resolutions other than the Waiver Resolution

The Board believes that the proposals described above regarding the resolutions to be proposed at the AGM (other than the Waiver Resolution which was considered by the Non-Concert Party Directors whose recommendation is set out below) to be in the best interests of the Company and Ordinary Shareholders as a whole. Accordingly, the Board recommends Ordinary Shareholders to vote in favour of such resolutions at the AGM, as the Directors and certain of their close family members intend to do in respect of their own beneficial holdings of Ordinary Shares, which amount to approximately 2.0 per cent. of the issued Ordinary Shares, excluding Ordinary Shares held in treasury.

The Waiver Resolution

The Non-Concert Party Directors, who have been so advised by JPMorgan Cazenove, consider that the waiver of the obligations that could arise on the Concert Party to make an offer under Rule 9 of the Takeover Code in respect of the Authority to Make Market Purchases to be in the best interests of Caledonia and Independent Shareholders as a whole. In providing its advice to the Non-Concert Party Directors, JPMorgan Cazenove has taken into account the Non-Concert Party Directors' commercial assessments. Accordingly, the Non-Concert Party Directors unanimously recommend that Independent Shareholders vote in favour of the Waiver Resolution to be proposed at the AGM, as the Non-Concert Party Directors and certain of their close family members intend to do in respect of their own beneficial holdings of Ordinary Shares, which amount to approximately 0.2 per cent. of the issued Ordinary Shares, excluding Ordinary Shares held in treasury.

In accordance with the provisions of the Takeover Code, the Concert Party is considered to be interested in the outcome of the Waiver Resolution and, accordingly, none of its members will vote on this resolution.

Yours sincerely



Peter Buckley
Chairman

PART II – Additional information relating to the Waiver Resolution

1. Responsibility

1.1. The Directors take responsibility for the information contained in this document other than:

- 1.1.1. the recommendation and associated opinion attributed to the Non-Concert Party Directors set out in section 5 of the Chairman's Letter;
- 1.1.2. the statement in section 3 of the Chairman's Letter that the Concert Party has no present intention of materially increasing or decreasing its interest in the Company;
- 1.1.3. the information relating to Cayzer Trust and the Concert Party contained in this Part II to this document.

To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information for which they take responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.2. The Concert Party Directors take responsibility for:

- 1.2.1. the statement in section 3 of the Chairman's Letter that the Concert Party has no present intention of materially increasing or decreasing its interest in the Company;
- 1.2.2. the information relating to Cayzer Trust and the Concert Party contained in this Part II to this document.

To the best of the knowledge and belief of the Concert Party Directors (who have taken all reasonable care to ensure that such is the case), the information for which they take responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.3. The Non-Concert Party Directors take responsibility for the recommendation and associated opinion attributed to them in section 5 of the Chairman's Letter. To the best of the knowledge and belief of the Non-Concert Party Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they take responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Directors

The names of the Directors and the positions they hold are as follows:

P N Buckley*	Chairman
J R H Loudon*	Non-Executive Deputy Chairman
T C W Ingram	Chief Executive
J H Cartwright	Finance Director
The Hon C W Cayzer*	Executive Director
J M B Cayzer-Colvin*	Executive Director
J M May	Executive Director
W P Wyatt*	Executive Director
C M Allen-Jones	Senior Independent Non-Executive Director
M E T Davies	Non-Executive Director
R Goblet d'Alviella	Non-Executive Director
D G F Thompson	Non-Executive Director

* Concert Party Director

3. Interests in Ordinary Shares

Significant interests in the Company

3.1. As at the close of business on 12 June 2008, being the latest practicable date prior to the publication of this document, and so far as is known to the Company, the following persons are either directly or indirectly interested in 3 per cent. or more of the issued Ordinary Shares in the Company:

	Number of Ordinary Shares	Percentage of issued Ordinary Shares
Cayzer Trust	19,621,095	33.61
Sofina sa	2,746,777	4.71

The interest of Cayzer Trust comprised a direct holding of 19,563,072 Ordinary Shares (representing approximately 33.51 per cent. of the issued Ordinary Shares) and an interest in a further 58,023 Ordinary Shares (representing approximately 0.10 per cent. of the issued Ordinary Shares) arising by virtue of voting and pre-emption arrangements entered into between Cayzer Trust and a group of its former shareholders.

Directors

3.2. As at the close of business on 12 June 2008, being the latest practicable date prior to the publication of this document, the interests in the issued share capital of the Company of the Directors and (so far as the relevant Director is aware, having made due and careful enquiry) persons whose interests in Ordinary Shares each Director is taken to be interested in pursuant to Part 22 of the 2006 Act (as have been notified or are required to be notified to the Company pursuant to Rule 3 of the Disclosure and Transparency Rules) were as follows:

Name	Number of Ordinary Shares	
	Beneficial	Non-beneficial
P N Buckley*	479,127	311,500
J R H Loudon*	9,764	9,930
T C W Ingram	88,476	–
J H Cartwright	12,810	–
The Hon C W Cayzer*	54,755 [†]	27,881 [§]
J M B Cayzer-Colvin*	385,771	19,422
J M May	6,250	–
W P Wyatt*	99,100 [§]	17,093 [†]
C M Allen-Jones	7,500	–
M E T Davies	2,500	–
R Goblet d'Alviella	–	–
D G F Thompson	3,000	1,500

* Concert Party Director

[†] The Hon C W Cayzer's beneficial interests included 17,093 Ordinary Shares in which W P Wyatt had a non-beneficial interest.

[§] W P Wyatt's beneficial interests included 27,881 Ordinary Shares in which The Hon C W Cayzer had a non-beneficial interest.

Each Executive Director, as a potential beneficiary, is deemed to have an interest in any Ordinary Shares held by the Employee Share Trust, which acquires and holds Ordinary Shares for subsequent transfer to employees exercising options under the Share Option Schemes and calling for awards vested under the Deferred Bonus Plan. As at the close of business on 12 June 2008, being the latest practicable date prior to the publication of this document, the Employee Share Trust held 695,524 Ordinary Shares.

Save as described in this paragraph 3.2 and paragraphs 3.3 and 3.4 below, the Directors have no interests, rights to subscribe for, or short positions in, Ordinary Shares.

3.3. As at the close of business on 12 June 2008, being the latest practicable date prior to the publication of this document, the interests of the Directors, members of their immediate families and related trusts and, so far as the Directors are aware, the interests of persons connected with them (within the meaning of sections 252 and 253 of the 2006 Act) in options over Ordinary Shares were as follows:

Name	Grant date	Number of options	Exercise price (p)	Exercisable from date	Expiry date
P N Buckley*	02.09.98	100,000	740	02.09.01	02.09.08
	26.07.99	9,000	757.5	26.07.02	26.07.09
	19.07.00	8,500	722.5	19.07.03	19.07.10
	24.07.01	12,500	810	24.07.04	24.07.11
		130,000			
T C W Ingram	05.07.02	110,668	782.5	05.07.05	05.07.12
	20.11.03	23,600	945	20.11.06	20.11.13
	26.05.04	21,800	1055	26.05.07	26.05.14
	19.08.05	36,075	1580	19.08.08	19.08.15
	01.06.06	33,546	1878	01.06.09	01.06.16
	31.05.07	33,364	2158	31.05.10	31.05.17
	03.06.08	40,151	1980	03.06.11	03.06.18
		299,204			

Name	Grant date	Number of options	Exercise price (p)	Exercisable from date	Expiry date
J H Cartwright	24.07.01	16,000	810	24.07.04	24.07.11
	05.07.02	2,335	782.5	05.07.05	05.07.12
	20.11.03	24,800	945	20.11.06	20.11.13
	26.05.04	22,800	1055	26.05.07	26.05.14
	19.08.05	23,685	1580	19.08.08	19.08.15
	01.06.06	20,646	1878	01.06.09	01.06.16
	31.05.07	19,114	2158	31.05.10	31.05.17
	03.06.08	21,818	1980	03.06.11	03.06.18
		151,198			
The Hon C W Cayzer*	26.07.99	5,500	757.5	26.07.02	26.07.09
	19.07.00	6,000	722.5	19.07.03	19.07.10
	24.07.01	8,500	810	24.07.04	24.07.11
	05.07.02	2,500	782.5	05.07.05	05.07.12
	20.11.03	17,100	945	20.11.06	20.11.13
	26.05.04	16,500	1055	26.05.07	26.05.14
	19.08.05	18,035	1580	19.08.08	19.08.15
	01.06.06	16,773	1878	01.06.09	01.06.16
	31.05.07	15,987	2158	31.05.10	31.05.17
03.06.08	18,560	1980	03.06.11	03.06.18	
		125,455			
J M B Cayzer-Colvin*	19.07.00	17,500	722.5	19.07.03	19.07.10
	24.07.01	18,000	810	24.07.04	24.07.11
	05.07.02	6,000	782.5	05.07.05	05.07.12
	20.11.03	9,000	945	20.11.06	20.11.13
	26.05.04	9,500	1055	26.05.07	26.05.14
	19.08.05	13,290	1580	19.08.08	19.08.15
	01.06.06	13,578	1878	01.06.09	01.06.16
	31.05.07	15,291	2158	31.05.10	31.05.17
	03.06.08	18,560	1980	03.06.11	03.06.18
		120,719			
J M May	20.11.03	56,000	945	20.11.06	20.11.13
	26.05.04	25,900	1055	26.05.07	26.05.14
	19.08.05	26,815	1580	19.08.08	19.08.15
	01.06.06	23,362	1878	01.06.09	01.06.16
	31.05.07	22,242	2158	31.05.10	31.05.17
	03.06.08	25,757	1980	03.06.11	03.06.18
		180,076			
W P Wyatt*	19.07.00	13,348	722.5	19.07.03	19.07.10
	24.07.01	18,000	810	24.07.04	24.07.11
	05.07.02	6,000	782.5	05.07.05	05.07.12
	20.11.03	9,000	945	20.11.06	20.11.13
	26.05.04	9,500	1055	26.05.07	26.05.14
	19.08.05	13,290	1580	19.08.08	19.08.15
	01.06.06	13,578	1878	01.06.09	01.06.16
	31.05.07	15,291	2158	31.05.10	31.05.17
	03.06.08	18,560	1980	03.06.11	03.06.18
		116,567			

* Concert Party Director

3.4. As at the close of business on 12 June 2008, being the latest practicable date prior to the publication of this document, the interests of the Directors, members of their immediate families and related trusts and, so far as the Directors are aware, the interests of persons connected with them (within the meaning of sections 252 and 253 of the 2006 Act) in awards over Ordinary Shares under the Deferred Bonus Plan were as follows:

Name	Type	Award date	Number of shares awarded	Market price at award (p)	Vesting date
P N Buckley*	Compulsory	01.06.06	7,987	1878	01.04.09
	Compulsory	31.05.07	3,259	2158	01.04.10
	Compulsory	03.06.08	5,050	1980	01.04.11
	Voluntary	01.06.06	3,993	1878	01.04.09
	Voluntary	31.05.07	3,259	2158	01.04.10
	Voluntary	03.06.08	3,156	1980	01.04.11
	Matching	01.06.06	3,993	1878	01.04.09
	Matching	31.05.07	3,259	2158	01.04.10
	Matching	03.06.08	3,156	1980	01.04.11
			37,112		
T C W Ingram	Compulsory	01.06.06	10,117	1878	01.04.09
	Compulsory	31.05.07	4,865	2158	01.04.10
	Compulsory	03.06.08	10,303	1980	01.04.11
	Voluntary	01.06.06	5,058	1878	01.04.09
	Voluntary	31.05.07	4,865	2158	01.04.10
	Voluntary	03.06.08	6,060	1980	01.04.11
	Matching	01.06.06	5,058	1878	01.04.09
	Matching	31.05.07	4,865	2158	01.04.10
	Matching	03.06.08	6,060	1980	01.04.11
			57,251		
J H Cartwright	Compulsory	01.06.06	5,314	1878	01.04.09
	Compulsory	31.05.07	2,395	2158	01.04.10
	Compulsory	03.06.08	3,472	1980	01.04.11
	Voluntary	01.06.06	3,321	1878	01.04.09
	Voluntary	31.05.07	2,994	2158	01.04.10
	Voluntary	03.06.08	3,472	1980	01.04.11
	Matching	01.06.06	3,321	1878	01.04.09
	Matching	31.05.07	2,994	2158	01.04.10
	Matching	03.06.08	3,472	1980	01.04.11
			30,755		
The Hon C W Cayzer*	Compulsory	01.06.06	4,552	1878	01.04.09
	Compulsory	31.05.07	2,919	2158	01.04.10
	Compulsory	03.06.08	2,323	1980	01.04.11
			9,794		
J M B Cayzer-Colvin*	Compulsory	01.06.06	3,354	1878	01.04.09
	Compulsory	31.05.07	2,363	2158	01.04.10
	Compulsory	03.06.08	2,500	1980	01.04.11
			8,217		
J M May	Compulsory	01.06.06	7,521	1878	01.04.09
	Compulsory	31.05.07	4,066	2158	01.04.10
	Compulsory	03.06.08	6,464	1980	01.04.11
	Voluntary	01.06.06	3,760	1878	01.04.09
	Voluntary	31.05.07	3,388	2158	01.04.10
	Voluntary	03.06.08	4,040	1980	01.04.11
	Matching	01.06.06	3,760	1878	01.04.09
	Matching	31.05.07	3,388	2158	01.04.10
	Matching	03.06.08	4,040	1980	01.04.11
			40,427		

Name	Type	Award date	Number of shares awarded	Market price at award (p)	Vesting date
W P Wyatt*	Compulsory	01.06.06	3,727	1878	01.04.09
	Compulsory	31.05.07	2,757	2158	01.04.10
	Compulsory	03.06.08	4,722	1980	01.04.11
	Voluntary	01.06.06	1,863	1878	01.04.09
	Voluntary	03.06.08	833	1980	01.04.11
	Matching	01.06.06	1,863	1878	01.04.09
	Matching	03.06.08	833	1980	01.04.11
			16,598		

* Concert Party Director

- 3.5. No Director is or has been interested in any transactions which are or were unusual in their nature or conditions or significant to the business of the Group during the current or immediately preceding financial year or were effected by any member of the Group during an earlier year and remain in any respect outstanding or unperformed.

The Concert Party

- 3.6. The members of the Concert Party and their respective beneficial and non-beneficial interests in Ordinary Shares as at the close of business on 12 June 2008, being the latest practicable date prior to the publication of this document, were as follows:

Name	Number of Ordinary Shares (beneficial and non-beneficial)	Percentage of issued Ordinary Shares
P N Buckley	790,627	1.35
The Hon C W Cayzer	54,755*	0.09*
J M B Cayzer-Colvin	405,193	0.69
W P Wyatt	99,100*	0.17*
J R H Loudon	19,694†	0.03
Cayzer Trust‡	19,563,072	33.51
Employee Share Trust	695,524	1.19
<i>Concert Party individual beneficial holdings of 100,000 Ordinary Shares or more (other than shown above)</i>		
The Dunchurch Lodge Stud Company	900,000	1.54
The Hon Mrs E Gilmour	647,530	1.11
Trustees of B G S Cayzer's 1963 Settlement	558,450	0.96
Mrs A Ponsonby	441,590	0.76
M G Wyatt	220,000	0.38
Mrs A Hunter	217,010	0.37
Trustees of B G S Cayzer's A & M Trust	207,857	0.36
Mrs A Gaggero	190,073	0.33
Ortac Investment Company Limited	173,810	0.30
Mrs R Leslie	127,009	0.22
The Hon Mrs R Debarge	116,000	0.20
Mrs M Tetley	106,416	0.18
Mrs A Giffard-Taylor	104,254	0.18
<i>Other Concert Party holdings below 100,000 Ordinary Shares</i>		
108 beneficial holdings	1,403,791	2.40
	27,041,755	46.32

* 27,881 Ordinary Shares in which W P Wyatt had a beneficial interest and The Hon C W Cayzer had a non-beneficial interest have been included in the above table under the interests of W P Wyatt only. 17,093 Ordinary Shares in which The Hon C W Cayzer had a beneficial interest and W P Wyatt had a non-beneficial interest have been included in the above table under the interests of The Hon C W Cayzer only.

† The beneficial interests of J R H Loudon include 322 Ordinary Shares held by the Cayzer Family Archive, a private company limited by guarantee, of which Mr Loudon is one of its three members. D V Gibbs and The Hon Mrs E Gilmour, both directors of Cayzer Trust, are the other members of this company and are therefore also interested in the Ordinary Shares held by it.

‡ The directors of Cayzer Trust are set out in paragraph 3.10 below.

For the purposes of paragraph 3.14.5 below, one Concert Party member, Crewkerne Investments Limited, of which the Company owns 50.5 per cent. of its issued share capital, owns 3,000 Ordinary Shares.

3.7. Concert Party members have dealt for value in Ordinary Shares during the disclosure period (excluding intra-Concert Party dealings) as follows:

Name	Date	Transaction	Number of Ordinary Shares	Price (p)
P H Jackson	13.06.07	Sale	700	2070
Administrators of the estate of Mrs E J Magnier	27.07.07	Sale	7,700	2010
Ms S J Wingfield	08.08.07	Sale	914	2111
Administrators of the estate of Mrs E J Magnier	14.09.07	Distribution to beneficiaries	28,436	n/a
Employee Share Trust	20.09.07	Sale	2,000	722.5
Employee Share Trust	20.09.07	Sale	3,000	810
Employee Share Trust	20.09.07	Sale	3,899	1055
Employee Share Trust	20.09.07	Purchase	8,899	2124
Employee Share Trust	27.09.07	Sale	6,900	722.5
Employee Share Trust	27.09.07	Sale	4,000	757.5
Employee Share Trust	27.09.07	Sale	2,000	782.5
Employee Share Trust	27.09.07	Sale	7,500	810
Employee Share Trust	27.09.07	Sale	5,200	945
Employee Share Trust	27.09.07	Sale	4,800	1055
Employee Share Trust	27.09.07	Purchase	30,400	2169
Employee Share Trust	28.09.07	Sale	7,334	810
Employee Share Trust	28.09.07	Sale	2,500	1055
Employee Share Trust	28.09.07	Purchase	9,834	2122
Employee Share Trust	28.09.07	Sale	334	722.5
Employee Share Trust	28.09.07	Sale	334	782.5
Employee Share Trust	28.09.07	Sale	334	810
Employee Share Trust	28.09.07	Purchase	1,002	1998
N O'Neill	11.02.08	Sale	3,000	1989
N O'Neill	17.03.08	Sale	2,000	1941
L N Wilkinson	25.03.08	Sale	900	1936
Trustees of the Iris McKellar Will Trust	26.03.08	Sale	420	1983.5
Trustees of I J Scott's Childrens' Settlement	26.03.08	Purchase	420	1983.5
Mrs A C Scott	04.04.08	Sale	800	2065
I J Scott	04.04.08	Purchase	800	2066
Mrs C Ditson	11.04.08	Sale	510	2014.2
J E J Latham	11.04.08	Sale	400	1993.38
J E J Latham	11.04.08	Purchase	420	2035.84
Mrs C P Latham	11.04.08	Sale	370	2019.8
Mrs C P Latham	11.04.08	Purchase	350	2036.48
Employee Share Trust	28.05.08	Sale	4,555	1580

3.8. Cayzer Trust is an investment holding company controlled by the Cayzer family. As at 31 March 2007, being the date to which Cayzer Trust's latest audited accounts have been prepared, Cayzer Trust had net assets of £268.5m, which comprised fixed assets (inclusive of long term investments recorded at historic cost) of £237.6m and net current assets of £30.8m. The market value of the long term investments was approximately £416.2m, of which approximately £404.2m was attributable to Cayzer Trust's holding of Ordinary Shares.

3.9 As at 12 June 2008, being the latest practicable date prior to the publication of this document, Cayzer Trust's issued share capital comprised 126,301,085 ordinary 1p shares. Each ordinary share carries one vote.

- 3.10. As at the close of business on 12 June 2008, being the latest practicable date prior to the publication of this document, the interests in the issued share capital of Cayzer Trust of the directors of Cayzer Trust and (so far as the relevant Cayzer Trust director is aware, having made due and careful enquiry) persons whose interests in Cayzer Trust shares each such director is taken to be interested in pursuant to Part 22 of the 2006 Act were as follows:

Directors of Cayzer Trust	Cayzer Trust shares		Percentage of voting share capital held beneficially
	Beneficial	Non-beneficial	
P N Buckley	4,268,063	5,792,900*	3.38
The Hon C W Cayzer	5,693,616	1,001,858*	4.51
P R Davies	–	33,625,657*	–
D V Gibbs	–	26,925,766*	–
The Hon Mrs E Gilmour	6,880,593	11,591,795*	5.45
I A Leeson	1,310,800	–	1.04
M G Wyatt	1,843,664	500,000*	1.46

* Includes interests held by other directors arising through co-trusteeships.

- 3.11. The Company has no interests, rights to subscribe for, or short positions in, the issued share capital of Cayzer Trust. Save as disclosed in the tables above and below, no Director is interested in the issued share capital of Cayzer Trust.

Directors	Cayzer Trust shares		Percentage of voting share capital held beneficially
	Beneficial	Non-beneficial	
J M B Cayzer-Colvin	16,595,212	65,771*	13.14
J R H Loudon	239,500	250,000	0.19
W P Wyatt	4,550,678	1,885,535*	3.60

* Includes interests held by other directors arising through co-trusteeships.

Save as set out or referred to in paragraphs 3.10 and 3.11, the Directors have no interests, rights to subscribe for, or short positions in, the shares of Cayzer Trust.

- 3.12. Excluding intra-Concert Party dealings, during the disclosure period there were no dealings for value in the issued share capital of Cayzer Trust by the Directors.

- 3.13. As at 12 June 2008, being the latest practicable date prior to the publication of this document, JPMorgan Cazenove held 40,460 Ordinary Shares in the Company and JPMorgan Securities Limited and Bear Stearns International Trading Limited held 5,733 and 1,456 Ordinary Shares in the Company respectively. As at the same date, the Company held 1,400,000 shares in Cazenove Capital Holdings Ltd and 1,166,666 shares in Cazenove Group plc.

General

- 3.14. Save as disclosed above in paragraph 3 of Part II to this document and except for intra-Concert Party dealings:

- 3.14.1. no Director nor members of his immediate family nor related trusts nor, so far as the Directors are aware, persons connected with them (within the meaning of sections 252 and 253 of the 2006 Act) are interested in, have rights to subscribe for, or short positions in, any relevant securities;
- 3.14.2. no member of the Concert Party nor any person acting in concert with the members of the Concert Party was interested in, had rights to subscribe for, or short positions in, any relevant securities;
- 3.14.3. no member of the Concert Party nor any person acting in concert with the members of the Concert Party has dealt for value in any relevant securities during the disclosure period;
- 3.14.4. none of the persons described in paragraph 3.14.5 below: (i) was interested, directly or indirectly, in any relevant securities; (ii) had any rights to subscribe for, or any short positions in, any relevant securities; or (iii) had entered into any agreements to sell any relevant securities or any delivery obligations or rights to require another person to purchase or take delivery of any relevant securities;

- 3.14.5. the following persons are those persons referred to in paragraph 3.14.4 above: (i) any company which is an associate of the Company; (ii) connected advisers (as defined in the Takeover Code) to the Company or to any company which is an associate of the Company or to any concert party of the Company; (iii) any person controlling, controlled by, or under the same control as, such connected adviser (except for an exempt principal trader or exempt fund manager); (iv) any pension fund of the Company or any associate of the Company; and (v) any employee benefit trust of the Company or any associate of the Company; and
- 3.14.6. neither the Company nor its Directors nor any person acting in concert with the Directors or the Company has borrowed or lent any relevant securities nor has any member of the Concert Party nor any person acting in concert with any of them borrowed or lent any relevant securities.

3.15. In paragraph 3.14:

- 3.15.1. references to an “associate” of any company are to its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which any such companies are associated companies (for this purpose ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status);
- 3.15.2. “control” means an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights of the company, irrespective of whether such interest or interests gives de facto control;
- 3.15.3. “derivative” includes any financial product whose value, in whole or in part, is determined directly or indirectly by references to the price of an underlying security;
- 3.15.4. “disclosure period” means the period commencing on 12 June 2007, being the date 12 months prior to the latest practicable date prior to the publication of this document, and ending on 12 June 2008, being the latest practicable date prior to the publication of this document; and
- 3.15.5. “relevant securities” means the Ordinary Shares, options (including traded option contracts) in respect of, and derivatives referenced to, the Ordinary Shares, and any other securities of the Company carrying conversion or subscription rights into Ordinary Shares.

4. Middle market quotations

Set out below are the closing middle market quotations for Ordinary Shares, as derived from the Official List, for the first dealing day of each of the six months immediately preceding the date of this document and for 12 June 2008, being the latest practicable date prior to the publication of this document:

Date	Price per Ordinary Share (p)
2 January 2008	2011xd
1 February 2008	1982
3 March 2008	1978
1 April 2008	2140
1 May 2008	2044
2 June 2008	1980
12 June 2008	1922

5. Executive Directors

5.1. Executive Directors have service contracts with Caledonia Group Services as follows:

Name	Date of contract	Job title	Salary to 31.03.08 (£)	Current salary (£)	Notice period	Unexpired term
P N Buckley	11.06.02	Chairman	250,000	350,000	12 months	Rolling 12 months
T C W Ingram	11.06.02	Chief Executive	480,000	530,000	12 months	Rolling 12 months
J H Cartwright	11.06.02	Finance Director	258,500	288,000	12 months	Rolling 12 months
The Hon C W Cayzer	11.06.02	Executive Director	230,000	245,000	12 months	Rolling 12 months
J M B Cayzer-Colvin	19.04.05	Executive Director	220,000	245,000	12 months	Rolling 12 months
J M May	01.09.03	Executive Director	320,000	340,000	12 months	Rolling 12 months
W P Wyatt	02.06.05	Executive Director	220,000	245,000	12 months	Rolling 12 months

- 5.2. The level of Mr Buckley's current salary reflects the fact that, with effect from the year commencing 1 April 2008, he will receive a basic fee only for his role as Chairman and will no longer participate in any bonus or share related incentive plans.
- 5.3. Pursuant to each Executive Director's service contract:
- Any such payment in lieu of notice or liquidated sum may not exceed one year's total emoluments for the relevant Executive Director.
- 5.3.1. Caledonia Group Services may, at its discretion, terminate the relevant service contract without notice and make a payment in lieu of notice; and
- 5.3.2. Caledonia Group Services is required to pay a liquidated sum to the Executive Director if the relevant service contract is terminated within one year of a change of control of the Company.
- 5.4. Pursuant to each of the service contracts for Mr Cartwright and The Hon C W Cayzer, if the Company is required to make a payment in lieu of notice (as described in paragraph 5.3.1 above) or a payment of a liquidated sum (as described in paragraph 5.3.2 above), the relevant Executive Director, as the case may be, is also entitled to an increase in his pensionable service under the Company's defined benefits pension scheme equivalent to the unexpired period of notice under his service contract.
- 5.5. Caledonia Group Services operates a discretionary annual bonus scheme for each Executive Director, other than Mr Buckley. The amount of bonus payable, which is limited to 100 per cent. of basic salary, depends on the level of the outperformance of Caledonia's undiluted net asset value per share (the "NAV per share") over the FTSE All-Share index measured over the financial year, and on the individual Executive Director's performance. The Company's Remuneration Committee may, in its discretion, reduce the amount of bonus payable if the NAV per share declines over the financial year and/or if the NAV per share outperformance over the relevant financial year is greater than that of the previous three financial years and, therefore, represents recovery from previous underperformance. The payment of any such bonus is subject to the overriding discretion of the Remuneration Committee.
- 5.6. Any bonus that amounts to more than 50 per cent. of the basic salary of an Executive Director for the financial year to which the bonus relates is compulsorily deferred into Ordinary Shares under the Deferred Bonus Plan. Each Executive Director is entitled to convert voluntarily up to half of any remaining cash bonus to a conditional entitlement to Ordinary Shares under the Deferred Bonus Plan. The Ordinary Shares so converted voluntarily will be eligible for matching, on a one for one basis, subject to the satisfaction of certain performance conditions over a three year period. Shareholder approval will also be sought at the AGM to amend the rules of the Deferred Bonus Plan to allow Ordinary Shares derived from the compulsory deferral of bonus to be eligible for matching on a one for one basis.
- 5.7. Each of Messrs Buckley and Cartwright and The Hon C W Cayzer participates in the Caledonia Pension Scheme, which is a defined benefits scheme. The Caledonia Pension Scheme provides a pension of up to two-thirds of final pensionable salary on retirement, dependent on length of service and age. The Caledonia Pension Scheme also provides for dependants' pensions. None of Messrs Ingram, May or Wyatt participates in a Company pension scheme, but instead a fixed percentage of basic salary is paid into personal pension arrangements or, in the case of Messrs Ingram and May, as a cash supplement, which is reduced by such amount as is necessary to cover the Company's National Insurance costs. The percentage of basic salary is 25 per cent. for Mr Ingram and 12.5 per cent. for Messrs May and Wyatt. Mr Cayzer-Colvin participates in the Caledonia Group Personal Pension Plan, a defined contribution scheme into which employer contributions of 12.5 per cent. of basic salary are made on his behalf.
- 5.8. Each Executive Director receives additional benefits, principally a cash allowance in lieu of a company car, private health care and life assurance. Certain Executive Directors may also hold external non-executive directorships unrelated to the Company's business, in relation to which it may be agreed that those Executive Directors may retain the fees arising from those external non-executive directorships. Mr Ingram is a non-executive director of Sage Group plc, a position he held prior to joining Caledonia, in respect of which he retains the annual fees arising.
- 5.9. Save as disclosed above, there are no entitlements to commissions, profit sharing arrangements or any other specific compensation payments under any Executive Director's service contract.

Non-Executive Directors

5.10. Non-Executive Directors do not have service contracts, but are appointed under letters of appointment that provide for termination without notice or compensation. Each appointment is for a fixed period of three years, unless the relevant Non-Executive Director is not re-elected by Ordinary Shareholders at the next annual general meeting at which he is required to stand for re-election. The Non-Executive Directors receive fees, which include any fees payable in relation to membership of Board committees, as follows:

Name	Non-Executive Director's fee (£)
C M Allen-Jones	41,750
M E T Davies	36,500
R Goblet d'Alviella	32,500
J R H Loudon	35,550
D G F Thompson	34,300

General

5.11. No Non-Executive Director is eligible to participate in any incentive or pension arrangements.

5.12. Save as disclosed above, there are no service contracts in force between any Director or proposed director of the Company and any member of the Group, and no such contract has been entered into or amended in the last six months preceding the date of this document.

5.13. Each of the Directors has the benefit, under article 214 of the Current Articles, of an indemnity, to the extent permitted by the 2006 Act, against all costs, charges, losses, expenses and liabilities incurred by him in the execution or discharge of his duties or the exercise of his powers as a Director or otherwise in relation thereto.

6. Material contracts

6.1 The Group has no material contracts dated within a two year period prior to the date of this document.

6.2 Cayzer Trust has no material contracts dated within a two year period prior to the date of this document.

7. General

7.1. JPMorgan Cazenove has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which it appears.

7.2. There has been no material or significant change in the financial or trading position of the Company since 31 March 2008, being the date to which the latest audited results and accounts have been prepared.

7.3. No agreement, arrangement or understanding exists whereby beneficial ownership of any Ordinary Shares acquired by the Company pursuant to the Authority to Make Market Purchases will be transferred to any other person.

7.4. No agreement, arrangement or understanding (including any compensation arrangement) exists between the Concert Party or any person acting in concert with it and any of the Directors or recent directors, shareholders or recent shareholders of the Company having any connection with or dependence on, or which is conditional on, the implementation of the Authority to Make Market Purchases.

PART III – Principal amendments to the Current Articles

It is proposed in resolution 15 as set out in the notice of AGM to adopt the New Articles in order to update the Current Articles primarily to take account of changes in English company law brought about by the 2006 Act. The 2006 Act is being implemented in phases, with the next phase coming into force on 1 October 2008. Accordingly, the resolution adopting the New Articles will only become effective on 1 October 2008 when all the provisions of the 2006 Act proposed to be implemented by that date are in force.

The principal changes introduced in the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the 2006 Act have not been noted. The New Articles showing all the changes to the Current Articles are available for inspection, as noted in Part V to this document.

Form of resolution

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being amended as the concept of extraordinary resolutions has not been retained under the 2006 Act.

The Current Articles enable members to act by written resolution. Under the 2006 Act, public companies can no longer pass written resolutions. These provisions have therefore been removed in the New Articles.

Redeemable shares

At present, if a company wishes to issue redeemable shares, it must include in its articles the terms and manner of redemption. The 2006 Act enables directors to determine such matters instead, provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but, if it did so, the directors would need shareholders' authority to issue new shares in the usual way.

Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the law currently in force, a company requires specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the 2006 Act, a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly, the relevant enabling provisions have been removed in the New Articles.

Variation of class rights

The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the 2006 Act. The relevant provisions have therefore been amended in the New Articles.

Convening extraordinary and annual general meetings

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the 2006 Act. In particular, an extraordinary general meeting to consider a special resolution can be convened on 14 days' notice, whereas previously 21 days' notice was required.

Votes of members

Under the 2006 Act, proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the 2006 Act so that the articles cannot provide that they should be received more than 48 hours before the meeting or, in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The relevant provisions have therefore been amended in the New Articles.

Age of directors on appointment or re-election

The Current Articles contain a provision requiring a director's age to be disclosed if he has attained the age of 70 years or more in the notice convening a meeting at which the director is proposed to be appointed or re-elected. Such provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so has been removed from the New Articles.

Directors' interests

The 2006 Act sets out directors' general duties. The provisions largely codify the existing law, but with some changes. Under the 2006 Act, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest which conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts where the articles of association contain a provision to this effect. The 2006 Act also allows the articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

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

From 1 October 2008, it is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

Notice of board meetings

Under the Current Articles, when a director is abroad he can request that notice of directors' meetings are sent to him in hard copy at a specified address and if he does not do so he is not entitled to receive notice while he is away. This provision has been amended to allow electronic communication of notice, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad. This provision has been amended in the New Articles. It has also been amended with a more general provision that a director is treated as having waived his entitlement to notice, unless he supplies the Company with the information necessary to ensure that he receives notice of a meeting before it takes place.

Electronic and web communications

Provisions of the 2006 Act which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles continue to allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

Approach to drafting

Generally, the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Enterprise and Regulatory Reform.

PART IV – Proposed amendments to the Deferred Bonus Plan

The following paragraphs summarise the Deferred Bonus Plan as it will operate if the proposed amendments to be considered at the AGM are approved by shareholders.

Eligibility and award procedure

The Deferred Bonus Plan, which is operated by the Remuneration Committee, was approved by shareholders at the Company's annual general meeting in 2005. The Deferred Bonus Plan has separate elements under which eligible bonuses are invested in Ordinary Shares and satisfied on deferred terms.

All Executive Directors and other senior executives of the Company and its subsidiaries are eligible to participate in the Deferred Bonus Plan at the discretion of the Remuneration Committee.

In any financial year in which an Executive Director or other senior executive receives a bonus under the Company's annual bonus scheme, the Remuneration Committee may, in its absolute discretion, determine that a proportion of any such bonus will take the form of an award of Ordinary Shares under the Deferred Bonus Plan (the "Compulsory Investment"). For each financial year in which the Deferred Bonus Plan has operated to date, the Remuneration Committee has specified that any bonus, the amount of which is above 50% of an executive's basic salary, will comprise a Compulsory Investment under the Deferred Bonus Plan and the Remuneration Committee intends to require this level of Compulsory Investment in respect of bonuses for the year ended 31 March 2009 and future years.

In addition to the Compulsory Investment, the Remuneration Committee may invite Executive Directors and other senior executives to convert voluntarily a proportion of their bonus into a conditional entitlement to Ordinary Shares (the "Voluntary Investment"). For each financial year in which the Deferred Bonus Plan has operated to date, executives have been invited to invest up to half of the remaining annual cash bonus payable to them. At the end of a three year holding period, the Voluntary Investment will vest together with an equal number of additional Ordinary Shares (the "Matching Shares") if the performance targets described below are met.

For bonuses payable in respect of the year ended 31 March 2008 and subsequent years, the Remuneration Committee proposes that Ordinary Shares derived from Compulsory Investments should, at its discretion, also be eligible for Matching Shares. Again, matching would be on a one for one basis, and vesting of these Matching Shares would also be subject to the satisfaction of performance conditions described below. The implementation of this proposal is subject to shareholder approval of an amendment to the rules of the Deferred Bonus Plan which will be considered at the AGM. If the resolution to amend the Deferred Bonus Plan is duly passed, the Remuneration Committee intends to make an award of Matching Shares after the AGM over a number of Ordinary Shares equal to that awarded in respect of Compulsory Investments relating to bonuses for the year ended 31 March 2008.

The number of Ordinary Shares comprised in Compulsory Investments and any Voluntary Investments is determined by reference to the market value of an Ordinary Share at the time the awards are made, which normally occurs shortly after the announcement of the Company's results for the financial year to which the bonus relates (or following the occurrence of exceptional circumstances justifying the making of awards). In both cases, the number of Ordinary Shares is set on a pre-tax basis, as the value of the Ordinary Shares is subject to income tax on calling of the awards. The number of Matching Shares linked to a Voluntary Investment is equal to the number of Ordinary Shares in the Voluntary Investment. If the resolution to amend the Deferred Bonus Plan is duly passed, the number of Matching Shares linked to a Compulsory Investment will similarly be equal to the number of Ordinary Shares in the Compulsory Investment.

Awards under the Deferred Bonus Plan are not pensionable.

Performance conditions

Compulsory Investment

The Ordinary Shares comprised in a Compulsory Investment will normally only vest (together with an amount equal to the dividends that have accrued on the Ordinary Shares) if the executive remains an employee of the Group for a three year period commencing on the first day of the financial year in which the award is made. The vesting of these Ordinary Shares is not subject to a further performance target.

Voluntary Investment

The Ordinary Shares comprised in the Voluntary Investment are not subject to a performance condition and will vest (together with an amount equal to the dividends that have accrued on the Ordinary Shares) at the earlier of three years commencing on the first day of the financial year in which the award is made or the date the executive ceases to be an employee of the Group for any reason.

Matching Shares

The vesting of all Matching Shares (whether derived from a Voluntary Investment or, as is proposed for the year ended 31 March 2008 and future years, a Compulsory Investment) is dependent on the Company's performance over a three year period, by reference to two separate performance targets. Both performance targets relate to the performance of the Company's NAV per share over the three financial years starting with the year in which the award is made. The performance of the Company's NAV per share is compared against that of different indices as follows:

- a. half of the Matching Shares will only vest if the Company's NAV per share outperforms the Retail Prices Index by at least 9 per cent. over the three year period; and
- b. the other half of the Matching Shares will only vest if the Company's NAV per share outperforms the FTSE All-Share index by at least 3 per cent. over the three year period.

There will be no retesting of either performance target.

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

Cessation of employment

Compulsory Investment

If an executive leaves employment during the three year period, the Ordinary Shares comprised in his Compulsory Investment will normally lapse. However, if the executive ceases to be an employee of the Group by reason of death, injury, or disability (as determined by the Remuneration Committee), retirement either at or after normal retirement date, the sale of the business or subsidiary for which the executive works, or any other reason at the discretion of the Remuneration Committee (a "good leaver reason"), these Ordinary Shares will vest.

Voluntary Investment

If an executive leaves employment during the three year period for any reason, the Ordinary Shares comprised in his Voluntary Investment will vest.

Matching Shares

If an executive leaves employment during the three year period, the executive's entitlement to Matching Shares (whether derived from a Voluntary Investment or, as is proposed for the year ended 31 March 2008 and future years, a Compulsory Investment) will normally lapse. However, if the executive ceases to be an employee of the Group for a good leaver reason, the performance targets attaching to the Matching Shares will be measured to the date of leaving and the Matching Shares shall vest on the basis of performance up to the date of leaving, unless the Remuneration Committee determines otherwise. The Remuneration Committee will have the discretion to adjust the vesting level if it considers that the performance targets would have been met to a greater or lesser extent at the end of the full three year performance period. The Remuneration Committee will in normal circumstances scale down the vesting level having regard to the time that has elapsed between the award of the Matching Shares and the date of leaving.

Change of control of the Company

In the event of a change of control of the Company, the Ordinary Shares comprised in the Compulsory Investment and the Voluntary Investment will vest. The performance targets attaching to the Matching Shares will be measured to the date of the change of control and the Matching Shares will vest on the basis of performance up to the time of the change of control. The Remuneration Committee will have the discretion to adjust the vesting level if it considers that the performance targets would have been met to a greater or lesser extent at the end of the full three year performance period. The Remuneration Committee will in normal circumstances scale down the vesting level having regard to the time that has elapsed between the award of the Matching Shares and the date of the change of control.

Any internal reorganisation to create a new holding company will not result in the accelerated vesting of the Compulsory Investment, the Voluntary Investment or the Matching Shares. They will be replaced by awards over shares in the new holding company unless the Remuneration Committee determines otherwise.

Deferred Bonus Plan limits

To the extent that new Ordinary Shares are issued (or Ordinary Shares held in treasury are transferred) to satisfy all categories of award under the Deferred Bonus Plan, the institutional investors' guidelines on dilution of equity in connection with share schemes apply. The number of Ordinary Shares which may be issued (or Ordinary Shares held in treasury that may be transferred) pursuant to the Company's share schemes is limited to 10 per cent. of the issued share capital of the Company over a 10 year period for all share schemes, and 5 per cent. of such issued share capital over a 10 year period for all discretionary share schemes.

The above limits do not apply to awards which will, on exercise, be satisfied by a transfer of existing Ordinary Shares from the Employee Share Trust.

General provisions

In the event of any rights or capitalisation issue, sub-division, consolidation or reduction of Ordinary Share capital, the Remuneration Committee may (subject to auditors' confirmation) adjust the number of Ordinary Shares subject to awards under the Deferred Bonus Plan.

Ordinary Shares issued under the Deferred Bonus Plan will rank *pari passu* with all other Ordinary Shares then in issue.

The Remuneration Committee may alter the Deferred Bonus Plan provided that the prior approval of Ordinary Shareholders is obtained for alterations to the advantage of executives. Such approval is not required for any alteration which is necessary or desirable to take account of new or existing legislation relating to, or which benefits the administration, of the Deferred Bonus Plan.

The rules of the Deferred Bonus Plan (showing the proposed revisions relating to the eligibility of Compulsory Investments to attract Matching Shares) are available for inspection as noted in Part V to this document.

PART V – Documents available for inspection

Copies of the following documents will be available for inspection at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS and at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) up to and including 29 July 2008 and at the AGM to be held on that day:

1. the audited accounts of the Company for the financial years ended 31 March 2008 and 31 March 2007;
2. the audited accounts of Cayzer Trust for the financial years ended 31 March 2007 and 31 March 2006;
3. details of the other Concert Party holdings of Ordinary Shares referred to above in paragraph 3.6 of Part II to this document;
4. the consent letter referred to above in paragraph 7.1 of Part II to this document;
5. the New Articles, the existing memorandum of association of the Company and the Current Articles marked to show the changes being proposed;
6. the service contract of each Executive Director and the letter of appointment of each Non-Executive Director, referred to above in paragraph 5 of Part II to this document;
7. the rules of the Deferred Bonus Plan marked up to show the amendments being proposed;
8. the memorandum and articles of association of Cayzer Trust.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the seventy-ninth annual general meeting of Caledonia Investments plc will be held at Cayzer House, 30 Buckingham Gate, London SW1E 6NN at 11.30 a.m. on 29 July 2008 for the purposes of considering and, if thought fit, passing the following resolutions, which, in the case of resolutions 11, 14 and 15 will be proposed as special resolutions and, in the case of all of the other resolutions, will be proposed as ordinary resolutions:

1. THAT the directors' report and the accounts for the year ended 31 March 2008, together with the auditors' report to the members, be received and adopted.
2. THAT the directors' remuneration report for the year ended 31 March 2008 be approved.
3. THAT a final dividend of 22.6 pence per ordinary share be approved and declared.
4. THAT Mr J M B Cayzer-Colvin be re-elected as a director of the company.
5. THAT Mr W P Wyatt be re-elected as a director of the company.
6. THAT Mr R Goblet d'Alviella be re-elected as a director of the company.
7. THAT Mr D G F Thompson be re-elected as a director of the company.
8. THAT Mr J R H Loudon be re-elected as a director of the company.
9. THAT Deloitte & Touche LLP be re-appointed as the company's auditors until the conclusion of the next general meeting of the company at which the accounts of the company are laid.
10. THAT the directors be authorised to agree the auditors' remuneration.
11. THAT, in place of all existing authorities to make market purchases of its ordinary shares, the company be and is hereby unconditionally and generally authorised for the purpose of section 701 of the Companies Act 2006 (the "2006 Act") at any time or times to make a market purchase or market purchases (within the meaning of section 693 of the 2006 Act) of any of its own ordinary shares of 5 pence each provided that:
 - a. the maximum number of ordinary shares hereby authorised to be so acquired is 5,837,750;
 - b. the minimum price, exclusive of expenses, which may be paid for such shares is 5 pence each;
 - c. the maximum price, exclusive of expenses, which may be paid for a share contracted to be purchased on any day, is an amount not more than the higher of:
 - i. 5 per cent. 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; and
 - ii. the higher of:
 - aa. the price of the last independent trade in ordinary shares of the company; and
 - bb. the highest current independent bid relating thereto on the trading venue where the purchase is carried out;
 - d. the authority hereby conferred shall expire on 1 January 2010 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 and may make a purchase of its own shares in pursuance of any such contract.

12. THAT the waiver granted by the Panel on Takeovers and Mergers of the obligation that would otherwise arise on the members of the Concert Party (as defined in the circular to shareholders dated 12 June 2008 of which this notice forms part (the "Circular")) to make a general offer to the shareholders of the Company pursuant to Rule 9 of the City Code on Takeover and Mergers (the "Takeover Code") as a result of the exercise by the company of the authority to purchase its own ordinary shares as described in the Circular, be and is hereby approved.

In order to comply with the Takeover Code, resolution 12 will be taken on a poll and each of the members of the Concert Party has undertaken not to vote on the resolution.

13. THAT the authority conferred on the directors by article 11 of the company's articles of association be renewed for a period expiring at the conclusion of the next annual general meeting of the company after the date on which this resolution is passed and for that period the section 80 amount (as defined in the company's articles of association) shall be £972,959.
14. THAT the power conferred on the directors by article 12 of the company's articles of association be renewed for a period expiring at the conclusion of the next annual general meeting of the company after the date on which this resolution is passed and for that period the section 89 amount (as defined in the company's articles of association) is £145,943.
15. THAT with effect from 00.01 a.m. on 1 October 2008 the articles of association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the articles of association of the company in substitution for, and to the exclusion of, the existing articles of association.
16. THAT the amended rules of the deferred bonus plan (the main features of which are summarised in Part IV to the Circular and a copy of which has been produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) are hereby approved and the directors are hereby authorised to do whatever may be necessary or expedient to carry the amended deferred bonus plan into effect.
17. THAT, in accordance with section 366 of the 2006 Act, the company and any company which is or becomes a subsidiary of the company during the period to which this resolution relates is authorised to make donations to political parties, as defined in section 363 of the 2006 Act, not exceeding £75,000 in total during the period beginning with the date of the passing of this resolution and ending on 1 January 2010 or, if earlier, at the conclusion of the next annual general meeting of the company.

By order of the board

G P Denison
Company Secretary

12 June 2008

Registered and head office
Cayzer House
30 Buckingham Gate
London SW1E 6NN

Notes

1. A member is entitled to appoint a proxy to exercise all or any of his or her rights to attend, speak and vote on his or her behalf at the annual general meeting. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the company.
2. To be valid, a form of proxy must be deposited by UK Registered Shareholders (as defined in the Circular), so as to be received no later than 11.30 a.m. on 27 July 2008, with the company's UK registrar, Capita Registrars, by one of the following methods: (i) by post to the address provided for such purpose in the form of proxy; or (ii) by hand during normal business hours to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or (iii) electronically at www.capitashareportal.com using the investor code printed on the form of proxy; or (iv) in the case only where Ordinary Shares (as defined in the Circular) are held in CREST (as an alternative to methods (i), (ii) and (iii)), via the CREST Proxy Voting Service. A form of proxy accompanies this document. The return of a completed form of proxy does not preclude a member from attending and voting at the meeting.
3. To be valid, a form of proxy must be deposited by NZ Registered Shareholders (as defined in the Circular), so as to be received no later than 10.30 p.m. on 27 July 2008 (NZ time), with the company's NZ registrar, Computershare Investor Services Limited, by one of the following methods: (i) by post to the address provided for such purpose in the form of proxy; or (ii) by personal delivery to Computershare Investor Services Limited, Level 2, 159 Hurstmere Road, Takapuna, North Shore City; or (iii) by fax to + 64 9 488 8787; or (iv) by email to enquiry@computershare.co.nz. A form of proxy accompanies this document. The return of a completed form of proxy does not preclude a member from attending and voting at the meeting.
4. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the company specifies that only those members holding ordinary shares who are entered on the Principal Register (as defined in the Circular) as at 6.00 p.m. on 27 July 2008 or, in the event that the meeting is adjourned, on the Principal Register 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 Principal Register after 6.00 p.m. on 27 July 2008 or, in the event that the meeting is adjourned, on the Principal Register 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.
5. CREST members who wish to appoint a proxy or proxies through the CREST Proxy Voting Service may do so for the annual general meeting and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST Proxy Voting Service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK and Ireland Limited ("Euroclear") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Capita Registrars (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time(s) of receipt will be taken to be the time(s) (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita Registrars is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After such time(s), any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

6. Any person to whom this notice is sent who is a person nominated under section 146 of the 2006 Act to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the member by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the annual general meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.
7. The statement of the rights of members in relation to the appointment of proxies in paragraphs 1 to 5 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the company.
8. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate member has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that member at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate member attends the meeting but the corporate member has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate members are referred to guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives, available at www.icsa.org.uk, for further details of this procedure. The guidance includes a sample form of representation letter to appoint the chairman of the meeting as a corporate representative as described in (i) above.
9. As at 12 June 2008, being the latest practicable date prior to the publication of this document, the company's issued share capital included 58,794,781 ordinary shares with voting rights. Of these, 417,229 ordinary shares were held in treasury and therefore, as at 12 June 2008, there was a total of 58,377,552 ordinary shares with voting rights in issue.
10. Members may not use any electronic address (within the meaning of section 333(4) of the 2006 Act) provided in this notice of meeting (or the Circular or any related document) to communicate with the company for any purposes other than those expressly stated.