

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 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 and the accompanying 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.

JPMorgan Cazenove, which is authorised and regulated by the Financial Services Authority in the United Kingdom, is acting for the Non-Concert Party Directors and no one else in relation to the approval of the waiver of the mandatory offer provisions of the City Code as described in this document and will not be responsible to anyone other than the Non-Concert Party Directors 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)

Notice of Annual General Meeting

including

the renewal of the Company's authority to make market purchases of its Ordinary Shares and associated waiver by the Panel on Takeovers and Mergers, proposals for revised arrangements for senior executive remuneration and certain other matters

Notice of the Annual General Meeting of Caledonia to be held at the Crowne Plaza London-St James Hotel, 45-51 Buckingham Gate, London SW1E 6AF on 13 July 2005 at 11.30 a.m. is set out at the end of this document. The accompanying 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, so as to be received no later than 11.30 a.m. on 11 July 2005 with the Company's registrars, 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 personal delivery to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

If they wish to vote the Ordinary Shares held by them in the Savings Plan or the ISA, as the case may be, participants in the Savings Plan and the ISA should complete and return the Letters of Direction sent to them by Capita IRG Trustees Limited or Capita Financial Managers Limited, as the case may be, for use at the Annual General Meeting as soon as possible and, to be valid, the Letters of Direction must be received no later than 10.00 a.m. on 9 July 2005 by post at the address provided for such purpose in the Letters of Direction.

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DEFINITIONS

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

the Act	means the Companies Act 1985 (as amended from time to time)
Annual General Meeting or AGM	means the annual general meeting of Caledonia to be held at the Crowne Plaza London-St James Hotel, 45-51 Buckingham Gate, London SW1E 6AF on 13 July 2005 at 11.30 a.m. and any adjournment thereof
Annual Report	means Caledonia's annual report and accounts for its year ended 31 March 2005
Articles of Association	means the articles of association of the Company
Authority to Make Market Purchases	means the authority to make market purchases of Ordinary Shares to be granted to Caledonia by Caledonia Shareholders in the terms of resolution 13 set out in the notice of AGM at the end of this document
Board or Directors	means the directors of Caledonia
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 Shareholders	means holders of Ordinary Shares
Cayzer Trust	means The Cayzer Trust Company Limited of Cayzer House, 30 Buckingham Gate, London SW1E 6NN
City Code	means the City Code on Takeovers and Mergers
Concert Party	means that group of Caledonia 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
Electronic Communications Regulations	means the Electronic Communications Act 2000 together with the Companies Act 1985 (Electronic Communications) Order 2000
Extraordinary General Meeting	means the extraordinary general meeting of Caledonia held on 11 June 2004
Group	means the group of companies of which Caledonia is the ultimate parent undertaking (as defined in the Act)
Independent Shareholders	means those Caledonia 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
ISA	means the Caledonia Investments Individual Savings Account
JPMorgan Cazenove	means JPMorgan Cazenove Limited
Nomination Committee	means the nomination committee of the Company
Non-Concert Party Directors	means Mr C M Allen-Jones, Mr J H Cartwright, Mr M E T Davies, Mr T C W Ingram, Mr R Goblet d'Alviella, Mr J M May and Mr D G F Thompson
Ordinary Shares	mean ordinary shares of 5 pence each in Caledonia
Panel	means the Panel on Takeovers and Mergers
Register	means the register of members of the Company
Remuneration Committee	means the remuneration committee of the Company
Savings Plan	means the Caledonia Investments Share Savings Plan
Share Option Schemes	means the Caledonia Investments plc Executive Share Option Scheme and the Caledonia Investments plc 1998 Executive Share Option Scheme

PART I – Letter from the Chairman



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

6 June 2005

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
Jamie 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

To Caledonia Shareholders, participants in the ISA and Savings Plan and, for information only, to the holders of options under the Share Option Schemes.

Dear Shareholder,

Introduction

The purpose of this letter is to provide you with an explanation of the resolutions to be proposed at the seventy-sixth Annual General Meeting of the Company, which will be held at the Crowne Plaza London-St James Hotel, 45-51 Buckingham Gate, London SW1E 6AF, on Wednesday 13 July 2005 at 11.30 am and to seek your approval of them. The Notice of the AGM is set out on pages 22 and 23 of this document.

The first part of the AGM (resolutions 1 to 12 inclusive) will address the ordinary business of the AGM. The second part of the AGM (resolutions 13 to 19 inclusive) will seek Caledonia Shareholders' approval of the following proposals:

- the renewal of the Company's authority to make market purchases of its Ordinary Shares and an associated approval by the Independent Shareholders of a waiver of certain provisions of the City Code by the Panel in relation to the Concert Party;
- the renewal of the Company's authority to allot unissued Ordinary Shares;
- the renewal of the Directors' authority to issue Ordinary Shares, or re-issue Ordinary Shares from treasury, on a non pre-emptive basis;
- a revision of the arrangements for senior executive remuneration; and
- an amendment to the Articles of Association to allow proxy votes for future general meetings of the Company to be deposited electronically.

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

Ordinary business

The ordinary business of the AGM comprises resolutions 1 to 12 inclusive.

Resolution 1: Report and accounts

The Directors approved Caledonia's Annual Report on 19 May 2005. Although not a statutory requirement, resolution 1 seeks the approval of the Annual Report by Caledonia Shareholders. Caledonia Shareholders 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 Caledonia 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 33 to 39 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 2005. As required by the Directors' Remuneration Report Regulations 2002, the Company's auditors, KPMG Audit Plc, have audited those parts of the Directors' remuneration report required by the legislation to be audited and their report is set out on page 45 of the Annual Report.

Resolution 3: Final dividend

The Directors have recommended a final dividend of 19.5 pence per Ordinary Share, payable on 28 July 2005 to Caledonia Shareholders on the Register as at the close of business on 1 July 2005. Resolution 3 seeks Caledonia Shareholders' approval of this dividend.

Resolutions 4 to 10: Election and re-election of Directors

Mr P N Buckley, Mr M E T Davies and Mr J H Cartwright retire by rotation at the AGM and, being eligible, offer themselves for re-election as set out in resolutions 4 to 6. Mr J R H Loudon has served as a Director for over nine years and, accordingly, he will also retire at the AGM in accordance with the recommendations of the Combined Code. Being eligible, he offers himself for re-election as set out in resolution 7.

Mr R Goblet d'Alviella, who was appointed on 19 January 2005, and Messrs J M B Cayzer-Colvin and W P Wyatt, who were both appointed on 4 April 2005, all retire in accordance with the Articles of Association and, being eligible, offer themselves for election as set out in resolutions 8 to 10.

None of Messrs Buckley, Cartwright, Cayzer-Colvin and Wyatt has a contract of service which cannot be terminated within one year. None of Messrs Davies, Loudon and Goblet d'Alviella, 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, the Nomination Committee confirms that the non-executive Directors proposed for election or re-election continue to demonstrate strong commitment to their roles and that, through their knowledge, skills and experience, continue to provide an effective contribution to the functioning of the Board and its committees. In the case of Mr Goblet d'Alviella, who was appointed as a non-executive Director on 19 January 2005 and therefore is proposed for election as a Director for the first time, the Nomination Committee believes that his considerable knowledge and experience in corporate finance and investment banking, particularly in continental Europe, provide a valuable additional resource to the Board. Accordingly, the Nomination Committee believes that all of the non-executive Directors proposed for election or re-election should be so elected or re-elected.

Biographical details of all Directors appear on pages 28 and 29 of the Annual Report.

Resolutions 11 and 12: Re-appointment and remuneration of the auditors

Resolution 11 seeks the approval of the re-appointment of KPMG Audit Plc as auditors to the Company until the conclusion of the next general meeting of the Company at which accounts are laid. Resolution 12, if passed, will grant authority to the Directors to agree the auditors' remuneration.

Special business

The special business to be considered at the AGM comprises resolutions 13 to 19 inclusive.

Resolution 13: Authority to make market purchases by the Company of its Ordinary Shares

Authority was granted by Caledonia Shareholders to the Company at the Extraordinary General Meeting to make market purchases of up to a maximum of 7,260,000 Ordinary Shares, representing approximately 10 per cent of the then issued Ordinary Shares. Caledonia Shareholders are being asked by resolution 13 to grant a new authority (which will replace the existing authority) to Caledonia to make market purchases of up to a maximum of 6,410,500 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 6,410,500 Ordinary Shares at a price per share not more than 5 per cent greater than the average of the middle market quotations for such Ordinary Shares during the five Business Days preceding any such purchase, 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 Caledonia Shareholders as a whole and would 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 its Ordinary Shares are trading in the market relative to their underlying net asset value.

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 further 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 City Code. Accordingly, Independent Shareholders will be asked to renew the waiver of the mandatory offer provisions granted at the Extraordinary General Meeting 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 1,034,284 Ordinary Shares under the Share Option Schemes, representing 1.61 per cent of the Company's issued Ordinary Shares (excluding Ordinary Shares held in treasury) as at 6 June 2005, 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 would represent 1.76 per cent of the issued Ordinary Shares (excluding Ordinary Shares held in treasury).

The Authority to Make Market Purchases will expire on 1 January 2007 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 options issued to employees pursuant to the Share Option Schemes. Since the Extraordinary General Meeting, the Company has purchased 100,000 Ordinary Shares, which are held in treasury.

Resolution 14: Waiver of mandatory offer provisions set out in Rules 9 and 37 of the City Code

Resolution 14, which is 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 Caledonia Shareholders are deemed to form a concert party for the purposes of the City Code. As at 6 June 2005, being the latest practicable date prior to the publication of this document, these shareholders, being Cayzer Trust, certain Directors, the Caledonia Investments plc Employee Share Trust and other members of the wider Cayzer family, between them were interested in 29,288,905 Ordinary Shares, representing approximately 45.69 per cent of the issued Ordinary Shares, excluding Ordinary Shares held in treasury.

Under Rule 9 of the City Code, where any person who, together with persons acting in concert with him, holds not less than 30 per cent, but not more than 50 per cent, of the voting rights of a company and such person, or any persons acting in concert with him, acquires additional shares in the capital of that company (other than within the limits described below) such that their percentage of voting rights would increase, such persons 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 twelve months. However, if a shareholder or group of shareholders acting in concert sells shares, but without reducing the percentage of voting rights to less than 30 per cent, such shareholder or shareholders may subsequently purchase shares without incurring an obligation to make a general offer, provided that (i) the total number of shares purchased in the preceding twelve months does not exceed 1 per cent of the total voting rights for the time being and (ii) the percentage of voting rights held by the relevant shareholder or concert party resulting from any such purchases does not exceed the highest percentage of voting rights of such shareholder or concert party held in the previous 12 months.

The percentage of voting rights of the Concert Party could be increased by the purchase of Ordinary Shares by the Company pursuant to an exercise of the Authority to Make Market Purchases. Normally any increase in the percentage of voting rights of the Concert Party resulting from such a purchase by the Company would be treated as an acquisition for the purposes of Rule 9 of the City Code. Accordingly, if the effect of such a purchase was either to increase the percentage of voting rights of the Concert Party to above its highest level in the previous twelve months or result in the total purchases over the preceding twelve months by the Concert Party being greater than 1 per cent of the total voting rights, this could result in members of the Concert Party being obliged to make a general offer for the entire issued ordinary share capital of Caledonia. However, in order to allow Caledonia greater flexibility to utilise the Authority to Make Market Purchases, the Panel has agreed, in accordance with Rule 37 of the City Code, to waive this obligation, provided that the Independent Shareholders have passed, on a poll, resolution 14 as set out in the Notice of the AGM.

Accordingly, Independent Shareholders are being asked to approve the waiver of the obligation on the Concert Party to make a general offer for the entire issued ordinary share capital of the Company which could arise as a result of the exercise by the Company of the Authority to Make Market Purchases. In no circumstances, however, will Caledonia make market purchases which would result in the Concert Party's percentage of the total voting rights exceeding 49.9 per cent.

The waiver by the Panel will (subject to the discretion of the Panel) be invalidated if any further purchases of Ordinary Shares, other than intra-Concert Party transfers, 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 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 implementation by Caledonia of the Authority to Make Market Purchases. Additionally, the management and strategic direction of Caledonia is not expected to be altered by approval of resolution 14.

Further details in relation to resolution 14 are set out in part II to this document.

Resolution 15: Authority to allot unissued Ordinary Shares

Resolution 15 will be proposed, as in previous years, to renew the authority granted at the last annual general meeting of the Company held on 14 July 2004 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 £1,068,400, representing approximately 33.33 per cent of the issued Ordinary Shares (excluding Ordinary Shares held in treasury) as at 6 June 2005, being the latest practicable date prior to the printing of this document. The authority, if granted, will last until the next annual general meeting of the Company.

Resolution 16: Authority to issue Ordinary Shares on a non pre-emptive basis

Resolution 16 seeks to renew the Director's flexibility to issue Ordinary Shares for cash in connection with a rights issue or other than pro-rata to existing Caledonia Shareholders. In the case of an issue of Ordinary Shares other than pro rata to existing Caledonia Shareholders, the authority will be limited to a nominal amount of £160,260 which represents approximately 5 per cent of the issued Ordinary Shares (excluding Ordinary Shares held in treasury) as at 6 June 2005, being the latest practicable date prior to the printing of this document. If granted, the authority will last until the next annual general meeting of the Company. This authority to issue Ordinary 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 Shares should be allotted for cash, or transferred from treasury, on a non pre-emptive basis during any rolling three year period.

Resolutions 17 and 18: Proposed revisions to senior executive remuneration

Resolutions 17 and 18 seek the approval of Caledonia Shareholders of a new executive share option scheme, the Caledonia Investments 2005 Executive Share Option Scheme, and a new deferred bonus plan, the Caledonia Investments Deferred Bonus Plan.

The Remuneration Committee has recently reviewed the Company's long term incentive arrangements in the light of the Group's objectives and in order to reflect developments in best practice in this area. As a result of this review, the Remuneration Committee is proposing to introduce, and Caledonia Shareholder approval is sought for, these new share schemes under resolutions 17 and 18 respectively.

The Company's continuing success is critically dependent on its ability to recruit and retain able executives and to ensure that their performance-related rewards are competitive. This is consistent with the Company's longstanding remuneration policy of linking rewards to performance, and therefore to Caledonia Shareholders' interests. These new share schemes (and linked revisions to annual bonus arrangements) will increase the degree of performance related reward in the executive Directors' remuneration packages.

If the approval of Caledonia Shareholders is obtained for the Caledonia Investments 2005 Executive Share Option Scheme, no further options will be granted under the current executive share option scheme (the Caledonia Investments plc 1998 Executive Share Option Scheme).

Further details of the Company's remuneration policy are set out in the Directors' remuneration report contained on pages 33 to 39 of the Annual Report. Further information on the new share schemes is set out in part III to this document.

Resolution 19: Amendments to the Articles of Association to allow appointment of proxies by electronic means

Changes to the Articles of Association are being proposed to reflect increased flexibility in the appointment and instruction of proxies made possible by the Electronic Communications Regulations. The Electronic Communications Regulations allow companies to send certain documents to shareholders by electronic means, including annual reports and accounts, summary financial statements and notices of general meetings and also allow shareholders to appoint and instruct proxies by electronic means.

In view of the general move in company practice to allow for the appointment and instruction of proxies by electronic means, the Company has decided to update the Articles of Association in order to enable it to offer this service to Caledonia Shareholders for future general meetings of the Company. The changes will also enable the Company to send the documents referred to above via email to those Caledonia Shareholders who so agree, or by publishing such documents on the Company's website with notification by email to such Caledonia Shareholders that they are available there.

The Company is also proposing other minor amendments to update the Articles of Association and to clarify certain issues relating to treasury shares and shares held in CREST.

A copy of the revised articles of association of the Company showing the proposed changes will be available for inspection as set out in part IV to this document.

Action to be taken

You will find set out at the end of this document a notice convening the Annual General Meeting to be held at the Crowne Plaza London-St James Hotel, 45-51 Buckingham Gate, London SW1E 6AF on 13 July 2005 at 11.30 a.m., at which the resolutions referred to above will be proposed. Further information relating to resolutions 14, 17, 18 and 19 are set out in parts II, III and IV to this document.

You are requested to complete the form of proxy accompanying this document and return it to Caledonia's registrars as soon as possible. To be valid, the form of proxy must be deposited, so as to be received no later than 11.30 a.m. on 11 July 2005, with the Company's registrars, 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 personal delivery to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. 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 they wish to give instructions as to how they wish their Ordinary Shares to be voted, participants in the Savings Plan and the ISA should complete the Letter of Direction sent to them by Capita IRG Trustees Limited or Capita Financial Managers Limited, as the case may be, and return them by no later than 10.00 a.m. on 9 July 2005 to the address set out in the Letter of Direction.

Please note that only Independent Shareholders are entitled to vote on resolution 14 and that the vote on this resolution will be by way of a poll. Accordingly, it is very important that the forms of proxy and Letters of Direction are duly completed and returned.

Further information

Your attention is drawn to the further information set out in parts II, III and IV to this document and to the Annual Report.

Recommendation

The Directors believe that the proposals outlined above regarding the resolutions to be proposed at the Annual General Meeting (other than resolution 14 which was considered by the Non-Concert Party Directors and their recommendation is set out below) are in the best interests of the Company and its shareholders as a whole. Accordingly, they unanimously recommend Caledonia Shareholders to vote in favour of such resolutions at the Annual General Meeting as they and certain of their close family members intend to do in respect of their own beneficial holdings of Ordinary Shares, representing approximately 2.15 per cent of the issued Ordinary Shares.

The Non-Concert Party Directors, who have been so advised by JPMorgan Cazenove, believe that the waiver of the obligation that could arise on the Concert Party under Rule 9 of the City Code on the purchase of Ordinary Shares by the Company pursuant to the Authority to Make Market Purchases is in the best interests of the Company and its shareholders as a whole. In providing 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 resolution 14 at the Annual General Meeting, as they and certain of their close family members intend to do in respect of their own beneficial holdings of Ordinary Shares, representing approximately 0.13 per cent of the issued Ordinary Shares.

In accordance with the provisions of the City Code, the Concert Party is considered to be interested in the outcome of resolution 14 and, accordingly, none of its members will vote on this resolution.

Yours sincerely

Peter Buckley
Chairman

PART II – Additional information relating to the waiver of certain provisions of the City Code to be granted by the Panel

1. Responsibility

- 1.1. The Directors take responsibility for the information contained in this document other than the recommendation and associated opinion attributed to the Non-Concert Party Directors set out on page 8 and 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) such information 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 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) such information 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 on page 8 of this document. 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 are responsible 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

3. Interests in Ordinary Shares

Significant interests in the Company

- 3.1. As at the close of business on 6 June 2005, being the latest practicable date prior to the publication of this document, the Company had been notified, in accordance with sections 198 to 208 of the Act, of the following shareholdings representing three per cent or more of the issued Ordinary Shares:

	Number of Ordinary Shares	Percentage of issued Ordinary Shares
Cayzer Trust	21,457,870	33.47
Sofina sa	3,000,000	4.68

The interest of Cayzer Trust comprised a direct holding of 21,324,432 Ordinary Shares (representing approximately 33.26 per cent of the issued Ordinary Shares) and an interest in a further 133,438 Ordinary Shares (representing approximately 0.21 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 6 June 2005, 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 section 346 of the Act in the issued Ordinary Shares, which are: (i) required to be notified to the Company pursuant to section 324 or section 328 of the Act; or (ii) required to be entered in the register maintained pursuant to section 325 of the Act, were as follows:

Name	Beneficial	Non-beneficial
P N Buckley	590,000	277,841
T C W Ingram	57,826	–
J H Cartwright	12,810	–
The Hon C W Cayzer	163,822*	83,009**
J M B Cayzer-Colvin	385,771	19,582
J M May	2,600	–
W P Wyatt	144,895**	18,239*
C M Allen-Jones	7,500	–
M E T Davies	–	–
R Goblet d'Alviella	–	–
J R H Loudon	9,442	9,930
D G F Thompson	2,000	–

* The Hon C W Cayzer's beneficial interests included 12,500 Ordinary shares in which W P Wyatt had a non-beneficial interest.

**W P Wyatt's beneficial interests included 83,009 Ordinary Shares in which The Hon C W Cayzer had a non-beneficial interest.

3.3. As at the close of business on 6 June 2005, 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 section 346 of the Act) and other members of the Concert Party in options over Ordinary Shares were as follows:

Grant date	Number of options	Exercise price	Exercisable from date	Expiry date
<i>P N Buckley</i>				
31.07.96	7,000	745.0p	31.07.99	31.07.06
16.07.97	6,000	677.5p	16.07.00	16.07.07
02.09.98	100,000	740.0p	02.09.01	02.09.08
26.07.99	9,000	757.5p	26.07.02	26.07.09
19.07.00	8,500	722.5p	19.07.03	19.07.10
24.07.01	12,500	810.0p	24.07.04	24.07.11
	143,000			
<i>T C W Ingram</i>				
05.07.02	166,000	782.5p	05.07.05	05.07.12
20.11.03	35,400	945.0p	20.11.06	20.11.13
26.05.04	32,700	1055.0p	26.05.07	26.05.14
	234,100			
<i>J H Cartwright</i>				
26.07.99	8,500	757.5p	26.07.02	26.07.09
19.07.00	10,500	722.5p	19.07.03	19.07.10
24.07.01	24,000	810.0p	24.07.04	24.07.11
05.07.02	3,500	782.5p	05.07.05	05.07.12
20.11.03	24,800	945.0p	20.11.06	20.11.13
26.05.04	22,800	1055.0p	26.05.07	26.05.14
	94,100			
<i>The Hon C W Cayzer</i>				
26.07.99	5,500	757.5p	26.07.02	26.07.09
19.07.00	6,000	722.5p	19.07.03	19.07.10
24.07.01	8,500	810.0p	24.07.04	24.07.11
05.07.02	2,500	782.5p	05.07.05	05.07.12
20.11.03	17,100	945.0p	20.11.06	20.11.13
26.05.04	16,500	1055.0p	26.05.07	26.05.14
	56,100			

Grant date	Number of options	Exercise price	Exercisable from date	Expiry date
<i>J M B Cayzer-Colvin</i>				
19.07.00	17,500	722.5p	19.07.03	19.07.10
24.07.01	18,000	810.0p	24.07.04	24.07.11
05.07.02	6,000	782.5p	05.07.05	05.07.12
20.11.03	9,000	945.0p	20.11.06	20.11.13
26.05.04	9,500	1055.0p	26.05.07	26.05.14
	60,000			
<i>J M May</i>				
20.11.03	56,000	945.0p	20.11.06	20.11.13
26.05.04	25,900	1055.0p	26.05.07	26.05.14
	81,900			
<i>W P Wyatt</i>				
19.07.00	13,348	722.5p	19.07.03	19.07.10
24.07.01	18,000	810.0p	24.07.04	24.07.11
05.07.02	6,000	782.5p	05.07.05	05.07.12
20.11.03	9,000	945.0p	20.11.06	20.11.13
26.05.04	9,500	1055.0p	26.05.07	26.05.14
	55,848			

- 3.4. As at the close of business on 6 June 2005, being the latest practicable date prior to the publication of this document, the holdings in relevant securities of JPMorgan Cazenove and the JPMorgan Chase group were as follows:

	Number of Ordinary Shares
JPMorgan Cazenove	49,887
JPMorgan Chase group	—

- 3.5. On 2 July 2004, the Company completed an elective special dividend and reduction of capital which had been proposed to resolve the long running dispute amongst the shareholders of Caledonia's then largest shareholder, Cayzer Limited (formerly named The Cayzer Trust Company Limited), which had been damaging to Caledonia's business model. Under this transaction, all Caledonia Shareholders were offered the opportunity to receive an elective special dividend on up to two-ninths of their shareholdings, of an amount based on an 18 per cent discount to the Company's then net asset value per share, with a subsequent cancellation of those Ordinary Shares on which the dividend was paid pursuant to a Court approved reduction of capital. In consideration for the Company proceeding with these proposals, Cayzer Limited undertook to vote in favour of the necessary shareholder resolutions of Caledonia needed to implement the elective special dividend and reduction of capital and to elect to receive its full entitlement to the elective special dividend. The Concert Party Directors (other than Messrs J M B Cayzer-Colvin and W P Wyatt who were not Directors of the Company at that time), by virtue of their connections with Cayzer Limited or the Concert Party, did not participate in the Company's assessment of the elective special dividend and reduction of capital as such related to Cayzer Limited. Save as aforesaid, 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 6 June 2005, 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	867,841	1.35
The Hon C W Cayzer	163,822*	0.26*
J M B Cayzer-Colvin	405,353	0.63
W P Wyatt	150,634*	0.24*
J R H Loudon	19,372	0.03
Cayzer Trust	21,366,580	33.33
Caledonia Investments plc Employee Share Trust	709,748	1.11
<i>Concert Party individual beneficial holdings of 100,000 Ordinary Shares or above (other than shown above)</i>		
Trustees of B G S Cayzer's 1963 Settlement	520,000	0.81
Trustees of B G S Cayzer's A & M Trust	201,236	0.31
The Hon Mrs Robina Debarge	116,000	0.18
The Dunchurch Lodge Stud Company	1,000,000	1.56
Mrs A M Giffard-Taylor	104,254	0.16
The Hon Mrs Elizabeth Gilmour	601,574	0.94
Mrs A Hunter	125,000	0.20
Mrs R Leslie	125,000	0.20
Ortac Investment Company Limited	173,810	0.27
Mrs A Ponsonby	296,478	0.46
Mrs M Tetley	109,556	0.17
M G Wyatt	276,500	0.43
<i>Other Concert Party holdings below 100,000 Ordinary Shares</i>		
117 beneficial holdings	1,956,147	3.05
	29,288,905	45.69

* 83,009 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. 12,500 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.

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
Caledonia Investments plc Employee Share Trust	22.06.04	Sale	15,000	693p
Caledonia Investments plc Employee Share Trust	22.06.04	Purchase	15,000	1075p
Caledonia Investments plc Employee Share Trust	30.06.04	Sale	1,000	693p
Cayzer Limited*	30.06.04	Elective special dividend**	6,092,694	1047.07p
The Dunchurch Lodge Stud Company	30.06.04	Elective special dividend**	118,509	1047.07p
C J J Balfour	30.06.04	Elective special dividend**	600	1047.07p
Mrs M Tetley	30.06.04	Elective special dividend**	11,411	1047.07p

Name	Date	Transaction	Number of Ordinary Shares	Price
Mrs R Leslie	12.07.04	Purchase	1,031	1047p
Mrs M Buckley	12.07.04	Purchase	302	1047p
P N Buckley	12.07.04	Purchase	7,373	1047p
Mrs A Hunter	12.07.04	Purchase	3,735	1047p
Trustees of B G S Cayzer's 1963 Settlement	12.07.04	Purchase	7,070	1047p
Trustees of B G S Cayzer's A & M Trust	12.07.04	Purchase	17,846	1047p
Trustees of B G S Cayzer's Charitable Trust	12.07.04	Purchase	4,138	1047p
Trustees of P N Buckley's Children's Settlement	12.07.04	Purchase	6,629	1047p
Trustees of P N Buckley's Discretionary Settlement	12.07.04	Purchase	1,876	1047p
Mrs R Leslie	14.07.04	Purchase	5,000	1015p
Caledonia Investments plc Employee Share Trust	15.07.04	Sale	7,500	693p
Caledonia Investments plc Employee Share Trust	15.07.04	Purchase	5,000	1017.5p
Caledonia Investments plc Employee Share Trust	16.07.04	Purchase	1,250	1012p
I A Leeson	31.08.04	Purchase	71	1035p
Caledonia Investments plc Employee Share Trust	09.09.04	Sale	20,000	657p
Caledonia Investments plc Employee Share Trust	09.09.04	Sale	12,000	740p
Caledonia Investments plc Employee Share Trust	09.09.04	Sale	8,000	757.5p
Caledonia Investments plc Employee Share Trust	09.09.04	Sale	2,000	722.5p
Caledonia Investments plc Employee Share Trust	09.09.04	Sale	1,000	810p
Caledonia Investments plc Employee Share Trust	09.09.04	Purchase	30,848	1090.5p
M G Wyatt	22.11.04	Purchase	10,000	1289p
Caledonia Investments plc Employee Share Trust	24.11.04	Sale	7,000	653p
Caledonia Investments plc Employee Share Trust	24.11.04	Sale	48,834	781p
Caledonia Investments plc Employee Share Trust	24.11.04	Sale	29,001	745p
Caledonia Investments plc Employee Share Trust	24.11.04	Sale	12,000	677.5p
Caledonia Investments plc Employee Share Trust	24.11.04	Sale	25,001	657p
Caledonia Investments plc Employee Share Trust	24.11.04	Sale	55,000	740p
Caledonia Investments plc Employee Share Trust	24.11.04	Sale	9,499	810p
Caledonia Investments plc Employee Share Trust	24.11.04	Sale	1,999	722.5p
Caledonia Investments plc Employee Share Trust	24.11.04	Sale	2,833	757.5p
Caledonia Investments plc Employee Share Trust	24.11.04	Purchase	191,167	1288p
Caledonia Investments plc Employee Share Trust	10.01.05	Sale	8,000	740p
Caledonia Investments plc Employee Share Trust	10.01.05	Sale	8,000	757.5p
Caledonia Investments plc Employee Share Trust	10.01.05	Sale	17,500	722.5p
Caledonia Investments plc Employee Share Trust	10.01.05	Purchase	33,500	1334p
I A Leeson	15.01.05	Purchase	25	1334p
Caledonia Investments plc Employee Share Trust	08.03.05	Purchase	100,000	1390p
Caledonia Investments plc Employee Share Trust	14.03.05	Purchase	100,000	1395p
Caledonia Investments plc Employee Share Trust	16.03.05	Sale	2,333	757.5p
Caledonia Investments plc Employee Share Trust	16.03.05	Sale	1,500	722.5p
Caledonia Investments plc Employee Share Trust	16.03.05	Sale	1,500	810p
Caledonia Investments plc Employee Share Trust	16.03.05	Purchase	5,333	1388.5p
Mrs M Tetley	05.04.05	Sale	350	1381p

* Formerly named The Cayzer Trust Company Limited (see paragraph 3.8 below).

** Elective special dividend means the election for the special dividend and the associated share cancellation pursuant to the reduction of capital.

Cayzer Trust

3.8. Cayzer Trust is an investment holding company controlled by the Cayzer family. Pursuant to a scheme of arrangement approved by the Court on 29 June 2004, Cayzer Trust, which was incorporated on 8 December 2003, acquired the entire issued share capital of Cayzer Limited (formerly named The Cayzer Trust Company Limited) in exchange for an issue of shares to the shareholders of Cayzer Limited. The scheme of arrangement was effected to enable the resolution of a long running dispute amongst the shareholders of Cayzer Limited. The business and assets of Cayzer Limited were subsequently transferred to Cayzer Trust, following which Cayzer Limited was placed in members' voluntary liquidation.

Cayzer Trust's principal investment comprises its holding of Ordinary Shares in Caledonia. In view of its recent incorporation, Cayzer Trust has yet to prepare audited accounts for its first financial period to 31 March 2005, however as at that date and by reference to its internal unaudited management accounts, Cayzer Trust has confirmed that it held investments with a market value of approximately £228.5m (of which approximately £225.5m was attributable to its shareholding in the Company) and, in addition, Cayzer Trust had net current assets of approximately £2.7m.

- 3.9. As at 6 June 2005, 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 6 June 2005, being the latest practicable date prior to the publication of this document, the interests of the directors of Cayzer Trust which had been notified by each director to Cayzer Trust pursuant to section 324 or section 328 of the Act or were required pursuant to section 325 of the Act to be entered in Cayzer Trust's register of directors' interests were as follows:

	Ordinary 1p shares		Percentage of share capital held beneficially
	Beneficial	Non-beneficial	
P N Buckley	6,593,269	5,156,300*	5.22
The Hon C W Cayzer	5,693,616	1,546,521*	4.51
P R Davies	–	31,766,092*	–
D V Gibbs	–	2,130,505*	–
The Hon Mrs Elizabeth Gilmour	6,880,593	11,943,010*	5.45
I A Leeson	1,340,000	–	1.06
J I Mehrrens	–	29,854,559*	–
M G Wyatt	2,343,664	–	1.86

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

Save as set out below, no individual holds a beneficial interest in Cayzer Trust in excess of 10 per cent of its share capital.

- 3.11. The Company is not interested 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.

	Ordinary 1p shares		Percentage of 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	4,578,560	665,167	3.63

- 3.12. Excluding intra-Concert Party dealings and other than as referred to in this document, during the disclosure period there were no dealings for value in the issued share capital of Cayzer Trust by the Company or the Directors.

General

- 3.13. Save as disclosed above and except for intra-Concert Party dealings:

- 3.13.1. no Director nor members of his immediate family or related trusts or (so far as the Directors are aware) persons connected with them (within the meaning of section 346 of the Act) is interested in any relevant securities;
- 3.13.2. no member of the Concert Party or any person acting in concert with members of the Concert Party owns or controls any relevant securities;
- 3.13.3. no member of the Concert Party or any person acting in concert with the members of the Concert Party has dealt for value in relevant securities during the disclosure period; and

3.13.4. neither:

- i. the Company, any subsidiary of the Company, nor any pension fund of the Company or any of its subsidiaries, nor, so far as the Company is aware, any bank or other professional adviser of the Company or any of its subsidiaries (including stockbrokers but excluding exempt market makers), including any person controlling, controlled by or under the same control as any such bank or financial or other professional adviser; nor
- ii. any discretionary fund manager (other than an exempt fund manager) connected with the Company, owns or controls any relevant securities.

Definitions for the purpose of this paragraph 3

3.14. In this paragraph:

- 3.14.1. References to a 'bank' do not apply to a bank whose sole relationship with the Company or a company covered in 3.13.4 above is the provision of normal commercial banking services;
- 3.14.2. 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 and 'control' means a holding, or aggregate holdings, of shares carrying 30 per cent or more of the voting rights attributable to the share capital of the company which are currently exercisable at a general meeting, irrespective of whether the holding gives de facto control;
- 3.14.3. 'relevant securities' means Ordinary Shares and securities convertible into, or exchangeable for, rights to subscribe for, options in respect of, and derivatives to, Ordinary Shares.
- 3.14.4. 'derivatives' includes any financial product whose value, in whole or in part, is determined directly or indirectly by reference to the price of an underlying security but which does not include the possibility of delivery of such underlying security.
- 3.14.5. 'disclosure period' means the period commencing on 7 June 2004 being the date 12 months prior to the publication of this document and ending on 6 June 2005 being the latest practicable date prior to the publication of this document.
- 3.14.6. References to directors being 'interested' in relevant securities are to be interpreted in the manner described in parts VI and X of the Act and related regulations.

4. Middle market quotations

Set out below are the closing middle market quotations for Ordinary Shares, as derived from the London Stock Exchange Daily Official List, for the first dealing day of each of the six months immediately preceding the date of this document and for 6 June 2005, being the latest practicable date prior to the publication of this document:

Date	Price per Ordinary Share
4 January 2005	1347p xd
1 February 2005	1333p
1 March 2005	1404p
1 April 2005	1387p
3 May 2005	1277p
1 June 2005	1370p
6 June 2005	1395p

5. Material contracts

5.1. In addition to the arrangements described in paragraph 3.5 above entered into by the Company as part of the elective special dividend and reduction of capital completed on 2 July 2004, in the two years prior to the date of this document, the Company entered into material contracts as follows. The Company entered into four new facility agreements, consisting of a £20m 364 day, unsecured, bilateral revolving credit facility agreement dated 27 February 2004 with The Royal Bank of Scotland plc (the '364 day Agreement'), and three 3 year, unsecured, bilateral revolving credit facility agreements dated 27 February 2004 and each in an amount of £50m with each of The Royal Bank of Scotland plc, Barclays Bank plc and ING Bank NV, London Branch (the '3 year Agreements').

- 5.2. The 3 year Agreement entered into with Barclays Bank plc was cancelled with effect from 22 June 2004. The 364 day Agreement with The Royal Bank of Scotland plc was cancelled with effect from 13 August 2004.
- 5.3. The commitments under the 3 year Agreements entered into with each of The Royal Bank of Scotland plc and ING Bank NV, London Branch were reduced to £25m on 5 July 2004 and then to £20m on 12 August 2004.
- 5.4. Under the original provisions of the 3 year Agreements, the amount available to the Company under each one was to have been reduced by one-third on each anniversary of the signing date. By separate letter agreements entered into by the Company on 24 February 2005, this reduction provision was removed from the 3 year Agreements with The Royal Bank of Scotland plc and ING Bank NV, London Branch.
- 5.5. On 27 May 2005, the 3 year Agreement with ING Bank NV, London Branch was cancelled. By an amending agreement dated 27 May 2005, the 3 year Agreement with The Royal Bank of Scotland plc was amended such that the commitment was increased from £20m to £40m and the maturity date was extended to 27 May 2008.
- 5.6. The remaining 3 year Agreement with The Royal Bank of Scotland plc is available to the Company for its general corporate purposes. Interest is payable on amounts drawn at a rate equal to a margin above LIBOR (as defined in the agreement) plus any applicable mandatory costs. It contains representations, covenants (including, inter alia, a financial covenant which limits the level of borrowings relative to the value attributed to the Company's investments) and events of default customary for facilities of its type.

6. Service agreements

- 6.1 There are no service agreements between the Company and the chairman or any of the executive Directors having more than 12 months to run and no such contract has been entered into or amended within 6 months preceding the date of this document.
- 6.2 In line with the Company's stated policy, the non-executive Directors have been appointed for fixed periods of no more than three years. However, the Company is entitled to terminate any non-executive Director's appointment at any time without compensation.

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 significant change in the financial or trading position of the Company since 31 March 2005, 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.

8. Documents

- 8.1. Copies of documents available for inspection in relation the information contained in this part II to this document are set out in part IV to this document.

PART III – Additional information relating to the proposed revisions to senior executive remuneration

1. The Caledonia Investments 2005 Executive Share Option Scheme (the ‘2005 Scheme’)

The 2005 Scheme will be capable of approval by the Inland Revenue under Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 and will permit the grant of options up to the Inland Revenue £30,000 limit. However, an appendix to the 2005 Scheme, which will not be approved by the Inland Revenue, will permit the grant of options in excess of this £30,000 limit.

1.1. Eligibility

Full time Directors and employees will be eligible to be granted options under the 2005 Scheme (‘Options’) at the discretion of the Remuneration Committee.

All matters relating to the 2005 Scheme, including the grant of Options, will be supervised by the Remuneration Committee.

1.2. Grant of Options

Options, which may relate to newly issued Ordinary Shares, Ordinary Shares held in treasury or existing Ordinary Shares, may normally only be granted within six weeks after the approval of the 2005 Scheme by Caledonia Shareholders and thereafter within six weeks after the announcement by the Company of its results for any period. Options may be granted outside these periods if the Remuneration Committee considers that exceptional circumstances justify such a grant. No payment will be required for the grant of an Option. Options may not be transferred or assigned, other than on the death of an optionholder. No Options may be granted later than ten years after approval of the 2005 Scheme by Caledonia Shareholders. Benefits under the 2005 Scheme are not pensionable.

1.3. Exercise price

The price per Ordinary Share payable on the exercise of an Option will not be less than the middle market quotation for an Ordinary Share on the dealing day immediately preceding the date of grant. In no circumstance can the exercise price of an Option over unissued Ordinary Shares be less than the nominal value of an Ordinary Share.

1.4. Individual limits

The ceiling on the level of Option grants is 150 per cent of salary per annum, and it is anticipated that this will be the initial level of grants to the Company’s executive Directors. This amount is measured by reference to the exercise price of the Options if they were to become exercisable in full, which would only occur if performance targets are achieved in full. This limit of 150 per cent of salary may be exceeded for individual executives where the Remuneration Committee considers it necessary to do so to secure their appointment, provided that in such circumstances, the grant shall not exceed 250 per cent of salary per annum. There will be no ceiling on the aggregate number of Options that may be granted to individual executives under the 2005 Scheme.

1.5. Scheme limits

To the extent that new Ordinary Shares are issued (or Ordinary Shares held in treasury are transferred) to satisfy Options under the 2005 Scheme, the institutional investors’ guidelines on dilution of equity in connection with share schemes will 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 Company currently only operates discretionary share schemes.

The above limits do not apply to Options which will, on exercise, be satisfied by a transfer of existing Ordinary Shares from an employee benefit trust.

1.6. Exercise of Options

Options granted under the 2005 Scheme to executive Directors and certain other senior executives will normally only be exercisable between three and ten years after the date of grant if a demanding corporate performance target is met. Furthermore, only one-third of the Ordinary Shares comprised in an Option may be exercised after three years from grant, with the remaining two-thirds becoming exercisable six years after grant.

The Remuneration Committee may also grant to employees, other than executive Directors and the senior executives described above, Inland Revenue approved Options without any corporate performance target attaching to them. Such Options will normally be exercisable between three and ten years after the date of grant.

Options subject to a performance target will have a separate target that will apply to each half of the Ordinary Shares under any Option. Half of the Ordinary Shares comprised in the Option will vest if the Company's net asset value ('NAV') per Ordinary Share outperforms the Retail Price Index by at least 9 per cent over the measurement period. The other half of the Ordinary Shares comprised in the Option will vest if the Company's NAV per Ordinary Share outperforms the FTSE All-Share index by at least 3 per cent over the measurement period. The measurement period for these purposes will be the period of three financial years starting with the financial year in which the Option is granted. There will be no retesting of the performance target. To the extent that the performance target is not met over this three year period, the Option will lapse.

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

Options may be exercised (irrespective of the period for which they have been held) for a period of twelve months following cessation of employment by reason of death, injury or disability (as determined by the Remuneration Committee), on normal retirement at least 24 months after the date of grant of an Option, on the sale of the business or subsidiary for which the optionholder works, or any other reason at the discretion of the Remuneration Committee. In the event that cessation of employment occurs before the third anniversary of the date of grant, the vesting level of Options will be determined by the Remuneration Committee, which will have discretion to permit exercise on leaving or to postpone exercise until it is known whether the performance target would be met in the normal course. The performance target must be satisfied in relation to Options unless it is waived by the Remuneration Committee.

Options may also be exercised on a takeover or winding-up of the Company (or, in certain circumstances, may be exchanged for options over shares in an acquiring company). If such an event occurs before the third anniversary of the date of grant, the vesting level of all Options will be determined by the Remuneration Committee having regard to the extent to which the performance target has been achieved over the foreshortened period ending with the relevant event, subject to modification if the Remuneration Committee considers that the performance target would be met to a greater or lesser extent at the testing date. In the target of an exchange of options, the performance target will cease to apply unless the Remuneration Committee considers that it should continue, subject to such modifications as are appropriate. In the event of a change of control as part of an internal reorganisation, Options will be exchanged automatically, and the performance target will continue to apply.

1.7. Adjustment of Options

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 Options and the price payable on their exercise.

1.8. Rights attaching to Ordinary Shares

Ordinary Shares issued under the 2005 Scheme will rank *pari passu* with all other Ordinary Shares then in issue.

1.9. Amendments

The Remuneration Committee may alter the 2005 Scheme provided that the prior approval of Caledonia Shareholders is obtained for alterations to the advantage of optionholders. Such approval is not required for any alteration which is necessary or desirable to take account of new or existing legislation relating to option schemes or which benefits the administration of the 2005 Scheme.

2. The Caledonia Investments Deferred Bonus Plan (the 'Plan')

2.1. Eligibility and award procedure

The Plan will be operated by the Remuneration Committee. The 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 who are not within 6 months of normal retirement will be eligible to participate in the 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 Plan (the 'Compulsory Investment'). For the year ending 31 March 2006, the Remuneration Committee intends that any bonus, the amount of which is above 50 per cent of an executive's basic salary, will normally comprise a Compulsory Investment under the Plan.

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 the year ending 31 March 2006, executives may invest up to half of the remaining cash annual 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 target described below is met.

The number of Ordinary Shares comprised in the Compulsory Investment and any Voluntary Investment will be determined by reference to the market value of an Ordinary Share at the time the award is made, which will occur 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 will be set on a pre-tax basis as the Ordinary Shares will be subject to income tax on maturity. The number of Matching Shares will be equal to the number of Ordinary Shares in the Voluntary Investment.

Awards under the Plan are not pensionable.

2.2. Performance conditions

2.2.1. Compulsory Investment

The Ordinary Shares comprised in a Compulsory Investment will normally only vest (together with an amount equal to the dividends that would have accrued on the Ordinary Shares) if the executive remains an employee of the Group for a three year period following the award. The number of Ordinary Shares in the award is set by reference to annual bonus criteria, and the vesting of these Ordinary Shares is not subject to a further performance condition.

2.2.2. Voluntary Investment

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

2.2.3. Matching Shares

The vesting of the Matching Shares 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 Ordinary Share over the three financial years starting with the year in which the award is made. The performance of the Company's NAV per Ordinary Share will be compared against that of different indices as follows:

- a. half of the Matching Shares will only vest if the Company's NAV per Ordinary Share outperforms the Retail Price 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 Ordinary 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 the performance target if events occur that would make the amended target a fairer measure of performance and provided that any amended target is no more difficult to satisfy. The Remuneration Committee will also have the ability to impose different performance targets in the future, provided that any targets that are imposed are no less demanding than that described above.

2.3. *Cessation of employment*

2.3.1. *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.

2.3.2. *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.

2.3.3. *Matching Shares*

If an executive leaves employment during the three year period, the executive's entitlement to Matching Shares will normally lapse. However, if the executive ceases to be an employee of the Group for a good leaver reason, the performance target 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 target 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 grant of the Matching Shares and the date of leaving.

2.4. *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 target 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 target 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 grant 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 or the Voluntary Investment, nor the accelerated vesting of the Matching Shares. They will be replaced by awards over shares in the new holding company unless the Remuneration Committee determines otherwise.

2.5. *Other provisions*

The provisions relating to scheme limits, the amendment of the Plan and the consequences of a variation in the share capital of the Company are similar to those of the 2005 Scheme.

3. **Documents**

Final drafts of the rules of the 2005 Scheme and of the Plan are available for inspection as set out in part IV to this document.

PART IV – Documents available for inspection

1. Documents

1.1. Copies of the following documents will be available for inspection at the offices of Freshfields Bruckhaus Deringer, 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 13 July 2005, and for 15 minutes prior to the AGM and during the AGM at the venue at which the AGM takes place:

- 1.1.1. the audited accounts of the Company for the financial years ended 31 March 2004 and 31 March 2005;
- 1.1.2. the audited accounts of Cayzer Limited (being the company which Cayzer Trust replaced as the principal vehicle through which the Cayzer family holds its shareholding in Caledonia) for the financial year ended 31 March 2004;
- 1.1.3. the memorandum of association of the Company;
- 1.1.4. the Articles of Association;
- 1.1.5. the proposed new articles of association of the Company as amended by resolution 19;
- 1.1.6. details of the other Concert Party holdings of Ordinary Shares referred to in paragraph 3.6 of part II to this document;
- 1.1.7. copies of the material contracts and amendments thereto referred to in paragraph 5 of part II to this document;
- 1.1.8. the consent letter referred to in paragraph 7.1 of part II to this document;
- 1.1.9. the draft rules of the Caledonia Investments 2005 Executive Share Option Scheme; and
- 1.1.10. the draft rules of the Caledonia Investments Deferred Bonus Plan.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the seventy-sixth annual general meeting of Caledonia Investments plc (the 'Company') will be held at the Crowne Plaza London-St James Hotel, 45-51 Buckingham Gate, London SW1E 6AF on 13 July 2005 at 11.30 a.m. for the purposes of considering and, if thought fit, passing the following resolutions, which, in the case of resolutions 13, 16 and 19 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 2005, together with the auditors' report to the members, be received and adopted.
2. THAT the directors' remuneration report for the year ended 31 March 2005 be approved.
3. THAT a final dividend of 19.5 pence per ordinary share be approved and declared.
4. THAT Mr P N Buckley be re-elected as a director of the Company.
5. THAT Mr M E T Davies be re-elected as a director of the Company.
6. THAT Mr J H Cartwright be re-elected as a director of the Company.
7. THAT Mr J R H Loudon be re-elected as a director of the Company.
8. THAT Mr R Goblet d'Alviella be elected as a director of the Company.
9. THAT Mr J M B Cayzer-Colvin be elected as a director of the Company.
10. THAT Mr W P Wyatt be elected as a director of the Company.
11. THAT KPMG Audit Plc be reappointed 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.
12. THAT the directors be authorised to agree the auditors' remuneration.
13. 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 166 of the Companies Act 1985 (the 'Act') at any time or times to make a market purchase or market purchases (within the meaning of section 163 of the Act) of any of its ordinary shares of 5p each provided that:
 - a. the maximum number of ordinary shares hereby authorised to be so acquired is 6,410,500;
 - b. the minimum price, exclusive of expenses, which may be paid for such shares is 5p 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 equal to 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;
 - d. the authority hereby conferred shall expire on 1 January 2007 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.
14. THAT approval is granted for the obligation that could arise, pursuant to Rule 9 of the City Code on Takeovers and Mergers, for the Concert Party (as defined in the circular to shareholders dated 6 June 2005 of which this notice of the annual general meeting forms part (the 'Circular')) to make a general offer for all of the ordinary issued share capital of the Company, to be waived following any increase in the percentage of voting rights carried by the shareholdings of the Concert Party, subject to a maximum percentage of voting rights of the Concert Party of 49.9 per cent of the issued ordinary share capital of the Company, arising on the exercise by the Company of the authority to purchase its ordinary shares granted to the Company pursuant to resolution 13.
15. THAT the authority conferred on the directors by article 6.1 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 shall be £1,068,400.
16. THAT the power conferred on the directors by article 6.2 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 is £160,260.

17. THAT the Caledonia Investments 2005 Executive Share Option Scheme, the main provisions of which are summarised in part III to the Circular and a copy of the rules of which is produced to the meeting and initialled by the Chairman for the purposes of identification, be and is hereby approved and the directors be and they are hereby authorised to do all acts and things as may be necessary or desirable to carry the same into effect.
18. THAT the Caledonia Investments Deferred Bonus Plan, the main provisions of which are summarised in part III to the Circular and a copy of the rules of which is produced to the meeting and initialled by the Chairman for the purposes of identification, be and is hereby approved and the directors be and they are hereby authorised to do all acts and things as may be necessary or desirable to carry the same into effect.
19. THAT the Company's articles of association be amended and restated with immediate effect by the adoption of the regulations contained in the document produced to the meeting and initialled by the Chairman for the purposes of identification as the articles of association of the Company.

By order of the board
G P Denison
Company Secretary

6 June 2005

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

Notes

1. A member entitled to attend and vote at this meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy must be deposited, so as to be received no later than 11.30 a.m. on 11 July 2005, with the Company's registrars, Capita Registrars, by one of the following methods: (i) by post to the address provided for such purpose in such form of proxy; or (ii) by personal delivery to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. A form of proxy accompanies this document. Completion of a form of proxy does not preclude a member from attending and voting at the meeting.
3. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders holding ordinary shares who are entered on the register of members of the Company as at 6.00 p.m. on 11 July 2005 or, in the event that the meeting is adjourned, on the register of members 48 hours before the time of any adjourned meeting(s), shall be entitled to attend and/or vote in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the register of members after 6.00 p.m. on 11 July 2005 or, in the event that the meeting is adjourned, on the register of members 48 hours before the time of any adjourned meeting(s), shall be disregarded in determining the rights of any person to attend or vote at the meeting(s), notwithstanding any provisions in any enactment, the articles of association of the Company or other instrument to the contrary.
4. The following documents are available for inspection at the AGM venue for at least 15 minutes prior to and during the AGM itself until the conclusion of the AGM:
 - i. the register of directors' interests, together with copies of the directors' service contracts with, or letters of appointment by, the Company;
 - ii. the biographies of directors seeking election or re-election as set out in the annual report 2005; and
 - iii. to the extent not referred to in (i) above, the documents listed in part IV to the Circular.
5. Only Independent Shareholders are entitled to vote on resolution 14 and the vote on this resolution will be by way of a poll.

Form of proxy



For use in relation to the annual general meeting of Caledonia Investments plc (the 'Company') to be held on 13 July 2005

I/We _____ of _____

being (a) member(s) of the Company, hereby appoint the chairman of the meeting or _____

(see note 6)

as my/our proxy to attend and, on a poll, to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held on 13 July 2005 and at any adjournment thereof.

Signed this _____ day of _____ 2005 Signature(s) _____

Please indicate how you wish your proxy to vote by inserting an 'x' in the appropriate space below. In the absence of any specific directions the proxy will abstain or vote at his or her discretion.

The 'vote withheld' option is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'vote withheld' is not a vote in law and will not be counted in the calculation of the votes 'for' and 'against' any resolution.

Resolutions	For	Against	Vote withheld
1. To receive and adopt the directors' report and the accounts for the year ended 31 March 2005			
2. To approve the directors' remuneration report for the year ended 31 March 2005			
3. To declare a final dividend of 19.5 pence per ordinary share			
4. To re-elect Mr P N Buckley as a director			
5. To re-elect Mr M E T Davies as a director			
6. To re-elect Mr J H Cartwright as a director			
7. To re-elect Mr J R H Loudon as a director			
8. To elect Mr R Goblet D'Alviella as a director			
9. To elect Mr J M B Cayzer-Colvin as a director			
10. To elect Mr W P Wyatt as a director			
11. To reappoint KPMG Audit Plc as the Company's auditors			
12. To authorise the directors to agree the auditors' remuneration			
13. To grant the Company authority to make market purchases of its ordinary shares			
14. To approve the waiver of the obligation that could arise on the Concert Party pursuant to the City Code on Takeovers and Mergers to make a general offer for all of the issued ordinary share capital of the Company following the purchase of its ordinary shares by the Company*			
15. To authorise the directors to allot relevant securities pursuant to section 80 of the Companies Act 1985			
16. To empower the directors to allot or transfer shares from treasury as if section 89 of the Companies Act 1985 did not apply to such allotment or transfer			
17. To approve the Caledonia Investments 2005 Executive Share Option Scheme			
18. To approve the Caledonia Investments Deferred Bonus Plan			
19. To adopt new articles of association			

* The shareholders who are deemed to form the Concert Party for the purposes of the City Code on Takeovers and Mergers are not able to vote on this resolution.

Notes

- To be valid, this form of proxy must be deposited, so as to be received no later than 11.30 a.m. on 11 July 2005, with the Company's registrars, Capita Registrars, by one of the following methods: (i) by post to the address provided for such purpose shown overleaf or (ii) by personal delivery to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
- Corporations must execute this form under their common seal or as a deed or under the hand of a duly authorised officer, attorney or other person authorised to sign on behalf of the company.
- In the case of joint holders only one need sign and the vote of the senior who tenders a vote, whether in person or by proxy or (in the case of a corporation) by authorised representative, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
- If necessary, someone else may sign on behalf of a member. In that case, the authority (or a notorially certified copy of such authority) under which it is signed must be sent with the form of proxy. If a proxy is being appointed by an attorney, the power of attorney (or a notorially certified copy of such power of attorney) must be sent with the form of proxy, unless it has previously been lodged with the Company's registrars.
- A member may appoint more than one proxy. A proxy need not be a member of the Company, but must attend the meeting in person to represent the member.
- A member may appoint a proxy of his own choice, in which case he should delete the reference to the chairman of the meeting and insert the name of the proxy in the space provided.
- The proxy may also vote or abstain from voting as he or she thinks fit on any amendment of a resolution properly put to the meeting.
- The return of a completed form of proxy will not preclude any member from attending in person and voting at the meeting.
- Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those holders of ordinary shares entered on the register of members of the Company as at 6.00 p.m. on 11 July 2005 or, in the event that the meeting is adjourned, on the register of members 48 hours before the time of any adjourned meeting(s), shall be entitled to attend and/or vote in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the register of members after 6.00 p.m. on 11 July 2005 or, in the event that the meeting is adjourned, on the register of members 48 hours before the time of any adjourned meeting(s), shall be disregarded in determining the rights of any person to attend or vote at the meeting(s), notwithstanding any provisions in any enactment, the articles of association of the Company or any instrument to the contrary.
- Further details of the above resolutions are contained in the notice of the annual general meeting and the accompanying circular to shareholders.
- This form of proxy is not for use by participants in the Caledonia Investments Share Savings Plan or ISA. Participants in the Share Savings Plan or ISA should complete the Letter of Direction sent to them by Capita IRG Trustees Limited or Capita Financial Managers Limited, as the case may be, in accordance with the instructions contained therein and return them by no later than 10.00 a.m. on 9 July 2005 to the address set out in the Letter of Direction.

Please fold, moisten, seal and post.

Business Reply Service
Licence No MB 122



Capita Registrars (Proxies)
PO Box 25
Beckenham
Kent BR3 4BR