

**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 the 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 United Kingdom, is acting for Caledonia and no one else in relation to the Authority to Make Market Purchases and 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.

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# CALEDONIA INVESTMENTS PLC

(Registered in England and Wales under No. 235481)

## **Notice of Annual General Meeting including the renewal of the Authority to Make Market Purchases of its Ordinary Shares and certain other matters**

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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 19 July 2007 at 11.30 a.m. 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 17 July 2007 with the Company's UK 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 hand during normal business hours to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or (iii) electronically at [www.capitashareportal.com](http://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 17 July 2007 (NZ time) with the Company's NZ registrars, 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.

Participants in the ISA, PEP and Savings Plan 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 15 July 2007 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:

<b>the Act</b>	means the Companies Act 1985 (as amended)
<b>Annual General Meeting or AGM</b>	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 19 July 2007 at 11.30 a.m. and any adjournment thereof
<b>Annual Report</b>	means Caledonia's annual report and accounts for its year ended 31 March 2007
<b>Articles of Association</b>	means the articles of association of the Company
<b>Authority to Make Market Purchases</b>	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
<b>Board or Directors</b>	means the directors of Caledonia
<b>Branch Register</b>	means the New Zealand branch register of members maintained by Computershare
<b>Business Day</b>	means any day (other than a Saturday or Sunday or public holiday) on which banks are generally open for business in London
<b>Caledonia or the Company</b>	means Caledonia Investments plc of Cayzer House, 30 Buckingham Gate, London SW1E 6NN
<b>Caledonia Group Services</b>	means Caledonia Group Services Limited, a wholly-owned subsidiary of Caledonia
<b>Caledonia Treasury</b>	means Caledonia Treasury Limited, a wholly-owned subsidiary of Caledonia
<b>Capita IRG Trustees</b>	means Capita IRG Trustees Limited, the administrator of the ISA, PEP and Savings Plan
<b>Capita Registrars</b>	means a trading division of Capita IRG Plc
<b>Cayzer Trust</b>	means The Cayzer Trust Company Limited of Cayzer House, 30 Buckingham Gate, London SW1E 6NN
<b>Chairman's Letter</b>	means the letter from Mr P N Buckley, the Chairman of Caledonia, set out in Part I to this document
<b>Computershare</b>	means Computershare Investor Services Limited
<b>Concert Party</b>	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
<b>Concert Party Directors</b>	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
<b>CREST</b>	means the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo is the Operator (as defined in the CREST Regulations)
<b>CRESTCo</b>	means CRESTCo Limited
<b>CREST member</b>	means a person who is, in relation to CRESTCo, a system-member (as defined in the CREST Regulations)
<b>CREST participant</b>	means a person who is, in relation to CRESTCo, a system-participant (as defined in the CREST Regulations)
<b>CREST Regulations</b>	means the Uncertificated Securities Regulations 2001 (SI 2001 No 3755)
<b>CREST sponsor</b>	means a CREST participant admitted to CREST as a sponsor
<b>CREST sponsored member</b>	means a CREST member admitted to CREST as a sponsored member
<b>Deferred Bonus Plan</b>	means the Caledonia Investments Deferred Bonus Plan
<b>Employee Share Trust</b>	means the Caledonia Investments plc Employee Share Trust

<b>Executive Directors</b>	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
<b>Extraordinary General Meeting</b>	means the extraordinary general meeting of Caledonia held on 26 June 2006
<b>Form of Proxy</b>	means the form of proxy accompanying this document
<b>Group</b>	means Caledonia and its subsidiaries
<b>Independent Shareholders</b>	means those Ordinary Shareholders who are not members of the Concert Party
<b>Investment Protection Committees</b>	means the investment committees of the Association of British Insurers and National Association of Pension Funds Ltd
<b>ISA</b>	means the Caledonia Investments Individual Savings Account
<b>JPMorgan Cazenove</b>	means JPMorgan Cazenove Ltd
<b>Letter of Direction</b>	means the letter from a participant in the ISA, PEP and Savings Plan 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 Plan 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 Plan
<b>Non-Concert Party Directors</b>	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.
<b>Non-Executive Directors</b>	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
<b>NZ</b>	means New Zealand
<b>NZ Registered Shareholders</b>	means Ordinary Shareholders on the Branch Register
<b>Official List</b>	means the official list of the London Stock Exchange
<b>Ordinary Shares</b>	means ordinary shares of 5 pence each in Caledonia
<b>Ordinary Shareholders</b>	means the holders of Ordinary Shares
<b>Panel</b>	means the Panel on Takeovers and Mergers
<b>PEP</b>	means the Caledonia Personal Equity Plan
<b>Principal Register</b>	means the principal register of members of the Company maintained by Capita Registrars
<b>Registers</b>	means the Branch Register and the Principal Register
<b>Savings Plan</b>	means the Caledonia Investments Share Savings Plan
<b>Share Option Schemes</b>	means the Caledonia Investments plc 1998 Executive Share Option Scheme, the Caledonia Investments 2005 Executive Share Option Scheme and certain options granted to Mr T C W Ingram and Mr J M May outside these schemes
<b>Takeover Code</b>	means the City Code on Takeovers and Mergers
<b>UK Listing Authority</b>	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
<b>UK Registered Shareholders</b>	means Ordinary Shareholders on the Principal Register
<b>United Kingdom or UK</b>	means the United Kingdom of Great Britain and Northern Ireland
<b>Waiver Resolution</b>	means the ordinary resolution numbered 12 in the form set out in the notice of the 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 2007

*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 Plan 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-eighth 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 Thursday 19 July 2007 at 11.30 a.m. and to seek your approval of them. The Notice of the AGM is set out on pages 21 to 23 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 15 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 issue Ordinary Shares, or transfer Ordinary Shares from treasury, on a non pre-emptive basis; and
- an authority for the Company to make political donations of up to £60,000 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: Report and accounts**

The Directors approved Caledonia's Annual Report on 30 May 2007. 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 49 to 53 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 2007. 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 30 of the Annual Report.

**Resolution 3: Final dividend**

The Directors have recommended a final dividend of 21.6 pence per Ordinary Share, payable on 2 August 2007 to Ordinary Shareholders on the Registers as at the close of business on 29 June 2007. Resolution 3 seeks Ordinary Shareholders' approval of this dividend.

**Resolutions 4 to 8: Re-election of directors**

Mr P N Buckley, Mr C M Allen-Jones, 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 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 offers himself for re-election at the AGM as set out in resolution 8.

Neither Messrs Buckley or Cartwright has a contract of service which cannot be terminated within one year. None of Messrs Allen-Jones, Davies 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 26 to 27 of the Annual Report.

**Resolutions 9 and 10: Appointment and remuneration of the auditors**

KPMG Audit Plc resigned as the Company's auditors on 20 November 2006 following a tender process conducted by Caledonia's Audit Committee and in doing so confirmed that there were no circumstances connected with its resignation which should be brought to the notice of members or creditors of the Company. Deloitte & Touche LLP was appointed by the Directors to fill the casual vacancy and resolution 9 therefore seeks the approval of the 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. As required by the Act, special notice has been received of the intention to appoint Deloitte & Touche LLP as auditors to the Company.

Resolution 10 gives 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 15 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 Extraordinary General Meeting to purchase up to a maximum of 6,410,500 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 5,862,500 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 5,862,500 Ordinary Shares at a price per Ordinary Share not more than the higher of:

- a. five 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 venues 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.

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 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 1,285,461 Ordinary Shares under Caledonia's Share Option Schemes and awards over 143,500 Ordinary Shares under the Deferred Bonus Plan, in aggregate representing approximately 2.44 per cent. of the issued Ordinary Shares, excluding Ordinary Shares held in treasury, as at 12 June 2007, 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 2.71 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 2009 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 Extraordinary General Meeting, the Company has purchased 70,000 Ordinary Shares into treasury and in total holds 170,000 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 2007, 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 27,086,459 Ordinary Shares, representing approximately 46.20 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 2007, being the latest practicable date prior to the publication of this document, was approximately 46.21 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 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 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 19 July 2008.

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. The management and strategic direction of the Company 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 aggregated Concert Party holding, subject to the limitation of this increase to a maximum of 49.9 per cent., from its current 46.20 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 will be proposed, as in previous years, to renew the authority granted at the last annual general meeting of the Company held on 20 July 2006 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 £977,080, representing approximately 33.33 per cent. of the issued Ordinary Shares, excluding Ordinary Shares held in treasury, as at 12 June 2007, 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 issue Ordinary Shares on a non pre-emptive basis***

Resolution 14 seeks to renew the Directors' flexibility to issue Ordinary Shares for cash in connection with a rights issue or other than pro rata to existing 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 £146,562, which represents approximately 5 per cent. of the issued Ordinary Shares, excluding Ordinary Shares held in treasury, as at 12 June 2007, being the latest practicable date prior to the publication of this document. If granted, the authority will last until the next annual general meeting. This authority to issue 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: Approval to make political donations***

Part XA of the Act (as amended by the Political Parties, Elections and Referendums Act 2000) prohibits a company and its subsidiaries from making donations of more than £5,000 in any 12 month period to organisations within the European Community which are, or could be, categorised as EU Political Organisations (as defined in the Act) unless prior shareholder approval has been obtained to make such donations.

The Board has been concerned for several years by the increasing proportion of the country's gross domestic product spend being taken up by the public sector with the resultant requirement for higher taxation and also by the increasing burden of legislation with adverse cost and operational effects on business. Both of 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 reduce both government expenditure and legislation, which would be of benefit to business in general and to the Group's business and therefore Caledonia's shareholders in particular. Accordingly, the Board is seeking Ordinary Shareholders' approval to make donations of up to £60,000 in aggregate to the Conservative Party, an amount which would represent less than one-third of one per cent. of the cost of the Company's annual dividend to shareholders.

This approval, if granted, will last until 1 January 2009 or, if earlier, the conclusion of the next annual general meeting of the Company.

#### **4. Action to be taken**

##### ***By UK Registered Shareholders***

You will find set out at the end of this document a notice convening the AGM of the Company to be held at the Crowne Plaza London-St James Hotel, 45-51 Buckingham Gate, London SW1E 6AF on 19 July 2007 at 11.30 a.m., at which the resolutions referred to above will be proposed. Further information relating to the Waiver Resolution is set out in Part II to this document.

You 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 17 July 2007, 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](http://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.

**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 and returned, or submitted electronically at [www.capitashareportal.com](http://www.capitashareportal.com) or, for CREST members who so wish, that a proxy or proxies are appointed through the CREST Proxy Voting Service.**

##### ***By NZ Registered Shareholders***

You will find set out at the end of this document a notice convening the AGM of the Company to be held at the Crowne Plaza London-St James Hotel, 45-51 Buckingham Gate, London SW1E 6AF on 19 July 2007 at 11.30 a.m., at which the resolutions referred to above will be proposed. Further information relating to the Waiver Resolution is set out in Part II to this document.

You are requested to complete the Form of Proxy accompanying this document and return it to Caledonia's NZ registrars, 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 17 July 2007 (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. 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.

**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 and returned.**

##### ***By participants in the ISA, PEP and Savings Plan***

You should complete the Letter of Direction sent to you by Capita IRG Trustees and accompanying this document and return it by no later than 11.30 a.m. on 15 July 2007 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 Letter of Direction is duly completed and returned.**

##### **Further information**

Your attention is drawn to the further information set out in Part II to this document and to the Annual Report.

## 5. Recommendations

### *Resolutions other than the Waiver Resolution*

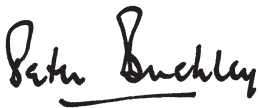
The Board believes that the proposals described above regarding the resolutions to be proposed at the AGM (other than the Waiver Resolution which was considered by the Non-Concert Party Directors and their recommendation is set out below) to be in the best interests of the Company and Ordinary Shareholders 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 2.1 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 Ordinary 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

A handwritten signature in black ink that reads "Peter Buckley". The signature is written in a cursive style with a horizontal line underneath the name.

Peter Buckley  
Chairman

## PART II – Additional information

### 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 2007, 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 three per cent. or more of the issued Ordinary Shares of the Company:

	Number of Ordinary Shares	Percentage of issued Ordinary Shares
Cayzer Trust	19,621,917	33.47
Sofina sa	2,746,777	4.69

The interest of Cayzer Trust comprised a direct holding of 19,563,072 Ordinary Shares (representing approximately 33.37 per cent. of the issued Ordinary Shares) and an interest in a further 58,845 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. The interests, as at the close of business on 12 June 2007, being the latest practicable date prior to the publication of this document, which (i) have been notified by each Director to the Company pursuant to section 324 or 328 of the Act, (ii) are required pursuant to section 325 of the Act to be entered into the register referred to therein, or (iii) are interests of a connected person of a Director which would, if the connected person were a Director, be required to be disclosed under (i) or (ii) above, and the existence of which is known to or could with reasonable due diligence be ascertained by that Director, were as follows:

Name	Beneficial	Non-beneficial
P N Buckley*	536,500	306,201
J R H Loudon*	9,442	9,930
T C W Ingram	87,671	–
J H Cartwright	12,810	–
The Hon C W Cayzer*	60,730 <sup>†</sup>	83,759 <sup>§</sup>
J M B Cayzer-Colvin*	385,771	19,422
J M May	5,250	–
W P Wyatt*	145,645 <sup>§</sup>	17,093 <sup>†</sup>
C M Allen-Jones	7,500	–
M E T Davies	–	–
R Goblet d'Alviella	–	–
D G F Thompson	2,000	–

\* Concert Party Director.

<sup>†</sup> The Hon C W Cayzer's beneficial interest included 17,093 Ordinary Shares in which W P Wyatt had a non-beneficial interest.

<sup>§</sup> W P Wyatt's beneficial interest included 83,759 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 in 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 2007, being the latest practicable date prior to the publication of this document, the Employee Share Trust held 700,079 Ordinary Shares.

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

- 3.3. As at the close of business on 12 June 2007, 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 (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
		259,053			

	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
		129,380			
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	
		106,895			
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
		102,159			
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
		154,319			
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
		98,007			

\* Concert Party Director

- 3.4. As at the close of business on 12 June 2007, 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 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
	Voluntary	01.06.06	3,993	1878	01.04.09
	Voluntary	31.05.07	3,259	2158	01.04.10
	Matching	01.06.06	3,993	1878	01.04.09
	Matching	31.05.07	3,259	2158	01.04.10
			25,750		

Name	Type	Award date	Number of shares awarded	Market price at award (p)	Vesting date
T C W Ingram	Compulsory	01.06.06	10,117	1878	01.04.09
	Compulsory	31.05.07	4,865	2158	01.04.10
	Voluntary	01.06.06	5,058	1878	01.04.09
	Voluntary	31.05.07	4,865	2158	01.04.10
	Matching	01.06.06	5,058	1878	01.04.09
	Matching	31.05.07	4,865	2158	01.04.10
			34,828		
J H Cartwright	Compulsory	01.06.06	5,314	1878	01.04.09
	Compulsory	31.05.07	2,395	2158	01.04.10
	Voluntary	01.06.06	3,321	1878	01.04.09
	Voluntary	31.05.07	2,994	2158	01.04.10
	Matching	01.06.06	3,321	1878	01.04.09
	Matching	31.05.07	2,994	2158	01.04.10
			20,339		
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
			7,471		
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
			5,717		
J M May	Compulsory	01.06.06	7,521	1878	01.04.09
	Compulsory	31.05.07	4,066	2158	01.04.10
	Voluntary	01.06.06	3,760	1878	01.04.09
	Voluntary	31.05.07	3,388	2158	01.04.10
	Matching	01.06.06	3,760	1878	01.04.09
	Matching	31.05.07	3,388	2158	01.04.10
			25,883		
W P Wyatt*	Compulsory	01.06.06	3,727	1878	01.04.09
	Compulsory	31.05.07	2,757	2158	01.04.10
	Voluntary	01.06.06	1,863	1878	01.04.09
	Matching	01.06.06	1,863	1878	01.04.09
			10,210		

\* 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 2007, 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	842,701	1.44
The Hon C W Cayzer	60,730*	0.10*
J M B Cayzer-Colvin	405,193	0.69
W P Wyatt	145,645 <sup>†</sup>	0.25*
J R H Loudon	19,372	0.03
Cayzer Trust <sup>§</sup>	19,563,072	33.37
Employee Share Trust	700,079	1.19

Name	Number of Ordinary Shares (beneficial and non-beneficial)	Percentage of issued Ordinary Shares
<i>Concert Party individual beneficial holdings of 100,000 Ordinary Shares or above (other than shown above)</i>		
The Dunchurch Lodge Stud Company	900,000	1.54
The Hon Mrs E Gilmour	647,530	1.10
Trustees of B G S Cayzer's 1963 Settlement	520,000	0.89
Mrs A Ponsonby	395,634	0.67
M G Wyatt	220,000	0.38
Trustees of B G S Cayzer's A & M Trust	203,236	0.35
Ortac Investment Company Limited	173,810	0.30
Mrs A Gaggero	190,073	0.32
Mrs A Hunter	150,540	0.26
Mrs R Leslie	121,619	0.21
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>		
110 beneficial holdings	1,500,555	2.56
	27,088,459	46.20

\* 83,759 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.

† 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.

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

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)
Employee Share Trust	21.06.06	Sale	5,000	745
Cayzer Trust	13.07.06	Elective special dividend*	1,803,508	1902.17
Trustees of Major H S Cayzer Charitable Trust	13.07.06	Elective special dividend*	8,000	1902.17
Trustees of Elizabeth Cayzer's Charitable Trust	13.07.06	Elective special dividend*	6,161	1902.17
M G Wyatt	13.07.06	Elective special dividend*	10,072	1902.17
C Wyatt	13.07.06	Elective special dividend*	5,881	1902.17
Mrs S H Wyatt	13.07.06	Elective special dividend*	2,678	1902.17
Mrs C M Ditson	13.07.06	Elective special dividend*	1,300	1902.17
Mrs M E Barrett	13.07.06	Elective special dividend*	9,270	1902.17
C J J Balfour	13.07.06	Elective special dividend*	615	1902.17
P J B Batten	13.07.06	Elective special dividend*	240	1902.17
Mrs K Evans	13.07.06	Elective special dividend*	1,634	1902.17
Crewkerne Investments Ltd	13.07.06	Elective special dividend*	47,500	1902.17
Mrs S E B Utley	13.07.06	Elective special dividend*	403	1902.17
Trustees of Lord Jellicoe's 1968 Settlement	13.07.06	Elective special dividend*	160	1902.17
Lady P Jellicoe	13.07.06	Elective special dividend*	400	1902.17
B G Hamilton-Russell	13.07.06	Elective special dividend*	50	1902.17
R H R Latham	13.07.06	Elective special dividend*	601	1902.17
The Dunchurch Lodge Stud Company	13.07.06	Elective special dividend*	100,000	1902.17
Mrs J Vivian	13.07.06	Elective special dividend*	867	1902.17
P J Wingfield	13.07.06	Elective special dividend*	441	1902.17
R L J Jenkins	13.07.06	Elective special dividend*	203	1902.17
Mrs S Jenkins	13.07.06	Elective special dividend*	129	1902.17
Executors of Mrs J O'Callaghan	24.08.06	Sale	4,168	1943

Name	Date	Transaction	Number of Ordinary Shares	Price (p)
Mrs J K S Barder	26.09.06	Sale	369	2015
Mrs A C Scott	26.09.06	Sale	240	2015
Lady K Wilkinson	26.09.06	Sale	115	2015
M N L Wilkinson	26.09.06	Sale	102	2015
Miss S L P Wilkinson	26.09.06	Sale	130	2015
Miss A L G Wilkinson	26.09.06	Sale	60	2015
Executors of Mrs J O'Callaghan	25.10.06	Sale	3,500	2179
Employee Share Trust	22.11.06	Sale	11,800	945
Employee Share Trust	22.11.06	Sale	4,334	722.5
Employee Share Trust	22.11.06	Sale	3,000	757.5
Employee Share Trust	22.11.06	Sale	277	782.5
Employee Share Trust	22.11.06	Sale	5,599	945
Employee Share Trust	22.11.06	Purchase	21,105	2170
Employee Share Trust	28.11.06	Sale	7,000	722.5
Employee Share Trust	28.11.06	Purchase	7,000	2020
P H Jackson	06.12.06	Purchase	153	2126.62
Employee Share Trust	18.01.07	Sale	6,000	677.5
Employee Share Trust	18.01.07	Purchase	6,000	2082.5
Trustees of Mrs A C Scott A & M Settlement	23.02.07	Sale	350	2080.08
Trustees of Jonathan Scott Children's Settlement	23.02.07	Purchase	350	2081.8
P H Jackson	26.02.07	Sale	640	2094.09
P H Jackson	04.04.07	Purchase	220	2080
Mrs A Galliers-Pratt	04.04.07	Sale	725	2071
Mrs C M Ditson	12.04.07	Sale	364	2071
Executors of Mrs J O'Callaghan	17.05.07	Sale	1,650	2150
Employee Share Trust	07.06.07	Sale	3,533	945
Employee Share Trust	07.06.07	Sale	14,166	1055
Employee Share Trust	07.06.07	Purchase	14,494	2119
Employee Share Trust	08.06.07	Sale	947	1055
Employee Share Trust	08.06.07	Purchase	947	2091
Trustee of the Iris McKellar Will Trust	08.06.07	Sale	1,000	2088

\* Elective special dividend means the election for the special dividend and associated share cancellation pursuant to a reduction of capital as set out in the circular to Ordinary Shareholders dated 31 May 2006.

- 3.8. Cayzer Trust is an investment holding company controlled by the Cayzer family. As at 31 March 2006, being the date to which Cayzer Trust's latest audited accounts have been prepared, Cayzer Trust held investments with a market value of approximately £426.1m (of which approximately £423.1m was attributable to its holding of Ordinary Shares) and in addition Cayzer Trust had net current assets of approximately £5.5m.
- 3.9. As at 12 June 2007, 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 2007, being the latest practicable date prior to the publication of this document, the interests of the directors of Cayzer Trust, which have been notified by each director to Cayzer Trust pursuant to section 324 or section 328 of the Act or are required pursuant to section 325 of the Act to be entered in Cayzer Trust's register of directors' interests, were as follows:

Directors of Cayzer Trust	Cayzer Trust ordinary 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	2,046,521*	4.51
P R Davies	–	33,525,657*	–
D V Gibbs	–	26,474,551*	–
The Hon Mrs E Gilmour	6,880,593	11,943,010*	5.45
I A Leeson	1,320,000	–	1.05
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.

	Cayzer Trust ordinary 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	5,052,534	1,885,535*	4.00

\* 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 2007, being the latest practicable date prior to the publication of this document, JPMorgan Cazenove held a short position in 32,884 Ordinary Shares in the Company. 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 section 346 of the Act) are interested 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 2006, being the date 12 months prior to the publication of this document, and ending on 12 June 2007, 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 2007, being the latest practicable date prior to the publication of this document:

Date	Price per Ordinary Share (p)
2 January 2007	2097xd
1 February 2007	2029
1 March 2007	1974
2 April 2007	2066
1 May 2007	2105
1 June 2007	2177
12 June 2007	2059

#### 5. Executive Directors

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

Name	Date of contract	Job title	Salary to 31.03.07 (£)	Current salary (£)	Notice period	Unexpired term
P N Buckley	11.06.02	Chairman	232,885	250,000	12 months	Rolling 12 months
T C W Ingram	11.06.02	Chief Executive	420,000	480,000	12 months	Rolling 12 months
J H Cartwright	11.06.02	Finance Director	258,500	275,000	12 months	Rolling 12 months
The Hon C W Cayzer	11.06.02	Executive Director	210,000	230,000	12 months	Rolling 12 months
J M B Cayzer-Colvin	19.04.05	Executive Director	170,000	220,000	12 months	Rolling 12 months
J M May	01.09.03	Executive Director	292,500	320,000	12 months	Rolling 12 months
W P Wyatt	02.06.05	Executive Director	170,000	220,000	12 months	Rolling 12 months

5.2. With effect from 1 April 2007, the company pension contributions for Messrs Cayzer-Colvin, May and Wyatt as described in paragraph 5.7 below were increased from 10 per cent. of basic salary to 12.5 per cent. of basic salary. Mr Buckley’s basic salary was decreased on 1 October 2006 from £310,500 to £271,700 and on 1 January 2007 from £271,700 to £232,885.

5.3. Pursuant to each Executive Director’s service contract:

- 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.

Any such payment in lieu of notice or liquidated sum may not exceed one year’s total emoluments for the relevant Executive Director.

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. 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 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 growth in the financial year is negative 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.
- 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 Mr 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 benefits in kind, principally a cash allowance in lieu of a company car, and private health care and life assurance arrangements. Certain Executive Directors also hold external non-executive directorships unrelated to the Company's business, in relation to which it has been agreed that those Executive Directors may retain the fees arising from those external non-executive directorships. Each of Messrs Ingram and May is a non-executive director of Sage Group plc and Catapult Venture Managers Ltd respectively, positions held prior to joining Caledonia. Each of Messrs Ingram and May retains the annual fees arising from these external non-executive directorships.
- 5.9. Save as disclosed above, there are no entitlements to commissions, profit sharing arrangements or any other specific compensation payments under an 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	39,000
M E T Davies	34,500
R Goblet d'Alviella	31,000
J R H Loudon	33,500
D G F Thompson	32,500

*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 Articles of Association, of an indemnity, to the extent permitted by the 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**

### *Irrevocable commitment*

- 6.1. On 30 May 2006, Cayzer Trust gave an irrevocable commitment to vote in favour of the proposed elective special dividend and associated reduction of capital as set out in the Company's circular to Ordinary Shareholders dated 31 May 2006 and indicated its intention to elect to receive the special dividend under the Pro Rata Option (as defined in that circular).

## **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 2007, 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 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 19 July 2007 and at the AGM to be held on that day:
  - 8.1.1. the audited accounts of the Company for the financial years ended 31 March 2007 and 31 March 2006;
  - 8.1.2. the audited accounts of Cayzer Trust for the financial year ended 31 March 2006 and for the period 8 December 2003 to 31 March 2005;
  - 8.1.3. the memorandum of association of the Company;
  - 8.1.4. the Articles of Association;
  - 8.1.5. the consent letter referred to in paragraph 7.1 above;
  - 8.1.6. the service contracts of each Executive Director and the letters of appointment of each Non-Executive Director, referred to in paragraph 5 above;
  - 8.1.7. the irrevocable commitment letter received from Cayzer Trust referred to in paragraph 6.1 above; and
  - 8.1.8. details of the other Concert Party holdings of Ordinary Shares referred to in paragraph 3.6 above.

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the seventy-eighth annual general meeting of Caledonia Investments plc will be held at the Crowne Plaza London-St James Hotel, 45-51 Buckingham Gate, London SW1E 6AF on 19 July 2007 at 11.30 a.m. for the purposes of considering and, if thought fit, passing the following resolutions, which, in the case of resolutions 11 and 14 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 2007, together with the auditors' report to the members, be received and adopted.
2. THAT the directors' remuneration report for the year ended 31 March 2007 be approved.
3. THAT a final dividend of 21.6 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 C M Allen-Jones be re-elected as a director of the company.
6. THAT Mr M E T Davies be re-elected as a director of the company.
7. THAT Mr J H Cartwright 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 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 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 own ordinary shares of 5 pence each provided that:
  - a. the maximum number of ordinary shares hereby authorised to be so acquired is 5,862,500;
  - 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. five 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 2009 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 approval is granted for the obligation that could arise, pursuant to Rule 9 of the City Code on Takeovers and Mergers (the "Takeover Code"), for members of the Concert Party (as defined in the circular to shareholders dated 12 June 2007 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 shares carrying voting rights in which the Concert Party is interested, provided that such interest in shares is not more than 49.9 per cent., arising on the exercise by the company of the authority to purchase its own ordinary shares granted to the company pursuant to resolution 11, with such waiver to expire on 19 July 2008.

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 £977,080.
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 £146,562.
15. THAT, in accordance with section 347D of the Act, Caledonia Group Services Limited, being a wholly-owned subsidiary of the company, is authorised to make donations to EU political organisations, as defined in section 347A of the Act, not exceeding £60,000 in total during the period beginning with the date of the passing of this resolution and ending on 1 January 2009 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 2007

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 (in the form which accompanies this document) 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 17 July 2007, with the company's UK 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 hand during normal business hours to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or (iii) electronically at [www.capitashareportal.com](http://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. Completion of a form of proxy does not preclude a member from attending and voting at the meeting.
3. To be valid, a form of proxy (in the form which accompanies this document) 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 17 July 2007 (NZ time), with the company's NZ registrars, 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. 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.
4. 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 Registers (as defined in the Circular) as at 6.00 p.m. on 17 July 2007 or, in the event that the meeting is adjourned, on the Registers 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 Registers after 6.00 p.m. on 17 July 2007 or, in the event that the meeting is adjourned, on the Registers 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 CRESTCo's 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 this 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 CRESTCo 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.

