The Cayenne Trust plc

Annual Report and Accounts
Year ended 31 January 2010

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THIS DOCUMENT IS IMPORTANT and, if you are a holder of Ordinary shares requires your attention. If you are in doubt as to what action to take you should seek advice from your own independent personal financial advisor. If you have sold or otherwise transferred all of your Ordinary shares in the capital of the Company you should send this document and the accompanying Form of Proxy immediately to the purchaser or transferee; or to the stockbroker, bank or other agent through whom the sale or transfer was effected.

Directors and Advisers

Directors

Jonathan Agnew (Chairman)
Aged 68. Joined the Board in January 2006 when he was elected Chairman. He is also Chairman of Ashmore Global Opportunities Limited, Beazley plc and LMS Capital plc, and Senior Independent Director of Rightmove plc.

Christopher Jones
Aged 69. Appointed in January 2006. He was head of investments at Merchant Investors Assurance Co Ltd until retiring in 2003. He is a non-executive director of Schroder UK Mid and Small Cap Fund plc, Atlantis Japan Growth Fund Ltd, Ecofin Water & Power Opportunities plc, Montanaro European Smaller Companies plc and Montanaro UK Smaller Companies Investment Trust plc.

Sir Laurence Magnus
Aged 54. Joined the Board in February 2006. He is Vice-Chairman of Lexicon Partners and non-executive Chairman of JP Morgan Income & Capital Trust plc. He is a non-executive Director of Climate Exchange plc. He is Deputy Chairman of the National Trust and an elected member of its Council, Chairman of Beat (Eating Disorders Association) and Deputy Chairman of The Windsor Leadership Trust.

www.thecayennetrust.com

Advisers

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Investment Policy

The Cayenne Trust plc is a UK investment trust listed on The London Stock Exchange. Its investment policy (full details of which can be found on page 54) can be summarised as follows:

- the Company invests principally in the securities of UK investment trust companies and other closed-end funds;
- up to 15% of the Company's assets, at the time of investment, may be invested in Apollo Fund plc (an open-ended fund also managed by Cayenne Asset Management Ltd);
- the Company will seek to ensure preservation of capital by use of derivative and similar instruments to the extent permissible within the regulations governing investment trust companies and the Listing Rules; and
- borrowings are restricted to twice the aggregate of the paid up nominal capital plus the capital and revenue reserves of the Company.

Principal Data

	At 31 January 2010	*At 31 January 2009*	*% change*
Shareholders' funds (£'000)	**42,938**	29,883	43.7
Gearing^	**122%**	131%	
Basic net asset value per Ordinary share per AIC guidelines:			
(CULS at par value – see note 15)	**120.51p**	86.63p	39.1
Discount†	**5.2%**	3.6%	
Diluted net asset value per Ordinary share per AIC guidelines:			
(CULS at par value – see note 15)	**118.29p**	86.63p	36.5
Discount†	**3.4%**	3.6%	
Basic net asset value per Ordinary share			
(CULS at debt value – see note 15)	**121.46p**	88.23p	37.7
Discount†	**5.9%**	5.4%	
Diluted net asset value per Ordinary share			
(CULS at debt value – see note 15)	**119.09p**	88.23p	35.0
Discount†	**4.1%**	5.4%	
Closing mid-market price per Ordinary share	**114.25p**	83.50p	36.8
Closing FTSE 350 Equity Investment Instruments Index (Source: Bloomberg)	**4,925.42**	3,865.31	27.4

	Year to 31 January 2010	*Year to 31 January 2009*	*% change*
Net revenue return after taxation (£'000)	**884**	629	40.5
Recommended dividends per Ordinary share	**2.2p**	1.4p	57.1
Dividend yield†	**1.9%**	1.7%	
Total expense ratio†	**1.7%**	1.6%	
FTSE 350 Equity Investment Instruments Index (total return) (Source: Bloomberg)	**30.6%**	(23.3)%	
Performance Fee high water mark*†	**139.12p**	132.49p	
Returns per Ordinary share – basic			
Revenue	**2.61p**	1.76p	
Capital	**32.61p**	(35.42)p	
Total return	**35.22p**	(33.66)p	

^ *This reflects the amount of loans already arranged and in use by the Company. This is the gearing figure calculated as published by the Association of Investment Companies. It is calculated by dividing total assets less current liabilities of £51,774,000 at 31 January 2010, (excluding the Convertible Unsecured Loan Stock at par value) by Ordinary shareholders' funds of £42,603,000 at 31 January 2010.*

**The performance fee high water mark for the year to 31 January 2011 is 146.07p.*

†*Terms defined in the Glossary (see page 55).*

Five Year Historical Record

Year	*Revenue*				*Capital*	
		Net revenue available for Ordinary shares	*Dividends on Ordinary shares*		*Basic net asset value per Ordinary share*	*Mid-market price per Ordinary share*
To 31 Jan	*Gross income £'000*	*£'000*	*Cost £'000*	*Rate p*	*p*	*p*
2006	866	340	446	3.5	109.9	107.5
2007	908	441	425	1.0	121.9	118.3
2008	990	479	373	1.0	122.7	117.8
2009	1,149	629	471	1.4	88.2	83.5
2010	**1,328**	**884**	**841**	**2.2**	**121.5**	**114.3**

Cayenne Asset Management Limited was appointed Investment Manager under an agreement dated 30 January 2006. Prior to this the Investment Manager was INVESCO Asset Management Limited.

Share and Loan Capital

Ordinary shares

At 31 January 2010 the Company had 37,460,224 (2009: 37,630,000) Ordinary shares of 25p each in issue. During the year it bought back 554,550 Ordinary shares, of which 487,800 Ordinary shares were cancelled. In addition, 1,720,000 of the Ordinary shares the Company was holding in treasury were re-issued into the market. At 31 January 2010 there were 2,109,000 Ordinary shares held in treasury. On 7 January 2010 the Company issued 318,024 Ordinary shares following the redemption of 318,024 Subscription shares.

Income entitlement

The revenue earnings of the Company, after providing for payment of interest to holders of the 3.25% Convertible Unsecured Loan Stock 2011 ("CULS"), are available for distribution to holders of Ordinary shares by way of interim, final and special dividends (if any) as may from time to time be declared by the Directors.

Capital entitlement

On a winding up of the Company, after settling the liabilities of the Company and amounts due to holders of CULS, holders of Ordinary shares would be entitled to receive a rateable proportion of any surplus assets depending on the amounts paid up or credited as paid up on their shares.

Voting entitlement

Each Ordinary shareholder is entitled to one vote on a show of hands, and on a poll to one vote for each Ordinary share held. Notices of Meetings and Proxy Forms set out the deadlines for valid exercise of voting rights and, other than with regard to Directors not being permitted to vote on matters upon which they have an interest, there are no restrictions on the voting rights of Ordinary shareholders.

Transfers

There are no restrictions on transfers except: a) dealings by Directors, Persons Discharging Managerial Responsibilities and their connected persons which may constitute insider dealing or is prohibited by the rules of the UKLA; b) transfers to US persons if the number of US shareholders were to exceed 50, or the Directors' consider that the assets of the Company might become "plan assets" for the purposes of US ERISA 1974; and c) transfers to more than 4 joint holders.

The Company is not aware of any agreements with or between shareholders which restrict the transfer of Ordinary shares, or which would take effect or alter or terminate in the event of a change of control of the Company.

Share and Loan Capital

continued

Subscription Shares

At 31 January 2010 there were 6,408,666 Subscription shares of 1p each in issue. During the year the Company redeemed 318,024 Subscription shares and issued 318,024 Ordinary Shares for a net consideration of £337,105, equivalent to 106p per Ordinary Share.

The Subscription shares were created on 5 June 2009. They entitle holders to a right (but not an obligation) to subscribe for one Ordinary share for each Subscription share held at a price of 106p per Ordinary share on 31 December 2009, 31 March 2010 and 31 July 2010. Ordinary shares issued to subscribers rank pari passu with existing Ordinary shares, other than in relation to distributions declared with record dates prior to the relevant date of subscription. In the event that 75% or more of the Subscription shares have been converted on any conversion date, the Company shall be entitled to compulsorily convert the remaining Subscription shares at its sole discretion.

The Subscription shares carry no rights to notices of meetings, nor any voting rights. They have no entitlement to income or capital distributions or any entitlement on a winding up of the Company. The Subscription shares are listed on the London Stock Exchange, are subject to the same transfer restrictions as apply to the Ordinary shares, and will lapse on 30 June 2010.

3.25% Convertible Unsecured Loan Stock 2011

At 31 January 2010 there were 9,171,000 units (2009: 9,171,000 units) of the Company's 3.25% Convertible Unsecured Loan Stock 2011 ("CULS") in issue. During the year the Company did not buy back and cancel any units.

Income entitlement

Holders of CULS are entitled to receive interest at a rate of 3.25% per annum, payable by half yearly instalments on 31 January and 31 July each year.

Capital entitlement

Upon redemption, whether by effluxion of time or an event of default, CULS holders are entitled to repayment of the principal amount and any outstanding interest. The final date for redemption of any CULS not previously converted or bought back is 31 July 2011. The CULS are unsecured.

Voting entitlement

The CULS do not carry any entitlement to attend and/or vote at general meetings of the Company unless the Board deems it desirable that CULS holders should be given an opportunity to vote.

Conversion

CULS may be converted into Ordinary shares on 31 January and 31 July each year to 31 July 2011. A letter is sent to holders of CULS not less than one month before the dates of conversion reminding CULS holders of their right to convert and setting out the deadlines for lodgement of conversion notices. The conversion rate at the date of this report for each £100 in nominal value of CULS is 73.85 Ordinary shares (2009: 70.77 – see note 13), equivalent to £1.35 (approximately) per Ordinary share.

Chairman's Statement

During the financial year under review the Company's diluted net asset value per Ordinary share (NAV), calculated in accordance with AIC guidelines, increased by 31.66p (36.55%) and a dividend of 1.4p was paid on 12 June 2009. This equates to a total return for the year of 38.16%. 31 January 2010 marks the end of the fourth year since Cayenne Asset Management became Investment Manager of your Company and during this period the diluted NAV (total return) per share has increased by 10.74% (compared with gains in the FTSE 350 Equity Investment Instruments Index and FTSE All Share of 1.48% and 6.17% respectively).

As a result of an increase in income received by the Company in the last financial year, your Board is recommending a final dividend of 2.2p per Ordinary share (2009: 1.4p). If approved by shareholders, this will be paid on 18 June 2010. This further increase on last year's dividend is a direct result of the defensive nature of the portfolio, especially during the early part of the year when investments in fixed income securities provided some protection from equity market fluctuations. Shareholders should not assume that the Company will attempt to maintain this level of dividend in future years.

As part of your Board's commitment to repurchase shares available in the market at prices representing discounts greater than 5% to NAV, a further 554,550 shares were repurchased during the year and placed in treasury. 487,800 of these shares were cancelled but the Company was able to re-issue 1,720,000 shares from treasury at prices which represented discounts of less than 4% to NAV. Your Board sees this ability to repurchase and re-issue shares as a key component of enhancing liquidity for shareholders. That such liquidity exists for both buyers and sellers of the Company's shares should be seen as a direct result of its steadfast adherence to the discount control policy despite extreme market volatility.

As a result of the exercise of 318,024 of the Company's Subscription shares on 31 December a corresponding number of new Ordinary shares were issued. A further 3,130,233 Ordinary shares were issued on 1 April 2010 as a result of the exercise of a corresponding number of Subscription shares. Subscription share holders are reminded that the final opportunity to exercise their right to subscribe for Ordinary shares at 106p is 30 June 2010.

Jonathan Agnew
Chairman
13 April 2010

Investment Manager's Report

At the interim stage it was reported that the Company had performed strongly in both absolute and relative terms despite a tumultuous start to the financial year. As markets pushed inexorably higher during the second period, absolute NAV returns continued to be in positive territory. However, relative performance was less notable, as hedge positions were increased and a significant allocation to fixed interest securities and low beta sectors was maintained. Despite this caution the Company's performance for the year as a whole makes for satisfactory reading with the diluted NAV appreciating 38.16% (total return). Over the same period the S&P500, the FTSE 100 and the DJ Euro Stoxx gained 30.0%, 25.0% and 25.0% respectively. The FTSE 350 Equity Investment Instruments Index appreciated by 30.6%. Most gratifyingly, over the three year period which encompasses the build up to and recovery from the credit crisis, the Company's portfolio has produced positive returns for investors while most equity investments are still deeply in negative territory. The value of Apollo Fund, the largest single position in the portfolio, enjoyed a strong recovery of 81% in the current financial year.

As stated at the half year the speed and scale of the rebound in equities has taken many (including your Managers) by surprise. Although the Company has clearly benefited from strong equity markets, caution remains that the current optimism for a 'V' shaped recovery may be misplaced. One likely outcome of the unprecedented bail-out package is that sooner or later we are likely to see the re-emergence of inflation. It may be difficult to predict the precise timing of an inflationary spike but it is not hard to be confident that one is due. Indeed politicians and central bankers may wish for a little inflationary assistance to avoid having to make difficult budgetary decisions. The real problem will be how to control its effect using the available monetary policy levers. Tighten too soon and a double-dip into recession is the likely outcome, too late and a return to 1970's style inflation may be possible.

The Company's portfolio is well balanced and focused on cautious exposure to the key themes of value, growth and recovery.

The Company made significant gains in its private equity investments during the year. Of particular note was the timely purchase of Electra Private Equity. This position, acquired at an average price well below £7, was realised just before the year ended at close to £13. Electra is considered to be one of the private equity sectors better quality names and it is therefore unsurprising to see it lead the recovery. Much value remains in this sector and a further recovery in share prices is long overdue for some funds. The Company currently holds two such positions; F&C Private Equity and Pantheon International Participations. These funds have suffered a savage deterioration in rating due to their high level of potential commitments and the market appears too draconian in its low valuation of them. Logically, it is difficult to envisage an environment where all existing commitments are called without the funds being able to realise investments or draw down bank lines to meet these cash calls. In short, if the private equity market is open for business on one side of the transaction it follows that it should be healthy enough to allow for realisations on the other.

In the property sector, the Company sold ING UK Real Estate as the discount narrowed significantly and further upside appeared limited on valuation grounds. The position in China Real Estate Opportunities (CREO) was increased early in the year as price weakness created an exceptional opportunity to take further advantage of this well resourced and conservatively managed company. Subsequently, CREO repurchased a number of shares at a significant discount to their net asset value and has recently announced the sale of its development site in Tangdao Bay at a premium to book value. Proceeds from this sale will finance further purchases of ordinary shares from shareholders who require an exit. Despite the price performing well over the last twelve months, this investment is still deeply discounted and the price could easily double before it could be considered to be approaching fair value. With a weighting of approximately 3% this position is large enough to make a significant contribution to performance while not loading undue risk into the portfolio.

A further investment into Asian property was acquired during the year as hedge funds needed to raise cash to meet redemptions. This enabled the Company to purchase Aseana Properties at an average price of 13.5 cents which equated to an estimated discount to net asset value of 80%. After several meetings with the management, there is confidence that this conservatively managed Malaysian property development company will continue to recover from the credit crisis. Action taken by its board has boosted the net asset value, refocused development efforts on core strategies and helped improve the rating. Also in the property sector, the takeover of Spazio by Terra Catalyst was reported at the interim stage. The Company sold its investment in Spazio but maintained its exposure to this exciting opportunity by subsequently purchasing Terra Catalyst shares. This holding ensures that the Company will continue to participate in upward revaluations as Spazio's portfolio is realised.

The Company maintains exposure to the convertible bond market as a result of investments in two distressed private equity issues and two new issues. Both the private equity bonds, 3i and SVG, can now be considered to be out of imminent danger of default and trade much closer to par value than they did at this stage last year. Meanwhile the new issues, Ecofin and Black Rock Latin America, both made spectacular debuts and trade well in excess of their issue price. Given the spectre of inflation and its potential impact on interest rates, the Company is keeping these positions under careful review. In the meantime they provide an excellent home for cash and are an economically efficient way of utilising the structural leverage of the Company's own loan stock whilst maintaining some equity upside potential.

A new development for 2009 was the large number of warrants (increasingly known as subscription shares) being issued by investment companies. These instruments are often sold by large investors and index tracking funds soon after issue and are frequently mispriced. The Company took advantage of several such opportunities to gain leveraged exposure to Asia and some other emerging markets. The benefit of such exposure is that the Company will participate in any further equity market recovery while not putting excessive capital at risk.

Throughout the year, the Company maintained selective positions in a small number of equity funds which offer exposure to particular management styles or sectors. Of these, Law Debenture Corporation represents the Company's largest such investment. This fund has been undervalued for some time due to a lack of retail investor understanding of the corporate structure. Poor historical performance had not helped the rating but James Henderson's recent exceptional returns also appear to have gone unrewarded. The fund languishes on a discount to net asset value such that the trustee business is effectively being valued at nothing. It is difficult to know what will turn this around but some leadership from the board in repurchasing their own shares at the current discount might be a good start.

Since the appointment of Jeroen Huysinga as manager, JP Morgan Overseas (JMO) has made great progress and is consistently a top performer within the Global Growth Sector. His management style is to seek good value companies with growth potential and its overseas portfolio allows exposure to non-Sterling assets. It is thought that this could be of significant benefit to the Company as fears over the state of the UK economy return to the fore. The Board of JMO has rigorously stuck to its commitment to maintain a narrow discount to net asset value and this gives the investor much comfort that an exit at a reasonable price will be available as and when sought. An investment of similar style, although with a less impressive track record, is Electric & General Trust. Performance has been acceptable, if a little pedestrian, and no discount control is operated by the Board. Therefore, this fund is less likely to be a core holding in future but, on a discount in excess of 15%, no early exit is sought.

Investors may remember when the Company was launched four years ago that some blue chip funds, such as British Empire and RIT Capital, were trading at a significant premium to NAV. At the time, critics suggested that such premia may be unjustified and bad for shareholders who would suffer as the rating subsided. These trusts have both traded at close to a 10% discount this year and the opportunity was taken to buy a position in these shares while they were out of favour. Another former industry favourite is SVM Global which, until the onset of the credit crunch, produced consistently commendable returns. The managers have struggled to generate positive performance in these turbulent times and as a result

Investment Manager's Report

continued

the fund is somewhat unloved and trading at a 20% discount to NAV. As there is little doubt over the manager's investment ability over the longer term, this appears to be a deep value investment which should produce exceptional returns once portfolio performance is turned around.

Two of the Company's most disappointing investments, Majedie and New Star, continue to languish at excessive discounts. Neither trust has exhibited any reasonable level of performance recently but both have undergone significant change this year. Both trusts are controlled by majority shareholders and time will tell whether the new managers are given free rein to enable a turn around in performance. Early signs are encouraging as portfolio rebalancing appears sensible, but consistent performance will be required if the current discounts of 20% and 30% are to be significantly reduced. Failure to produce results this time must surely try the patience of even the most loyal of investors.

Although the Company's portfolio composition is almost never compared with that of an index, exposure to certain sectors is sometimes desired. At present utilities, pharmaceuticals and technology appear to exhibit positive fundamentals. Ecofin is at the forefront of investing in water, power (and alternative power) generation. The team have a proven track record of being involved in sensible deals and, after a relatively quiet twelve months, could be in the right place for renewed portfolio activity this year now that their corporate restructuring is behind them. Finsbury Worldwide Pharmaceutical and Polar Capital Technology both provide access to globally diverse portfolios in these interesting sectors.

Investors will note that the Company has a holding in BlackRock World Mining Trust. This investment has performed extremely well since early last year when the position was first purchased. Despite this outstanding performance the trust trades at close to a 20% discount to net asset value. A discount of this magnitude is normally reserved for fourth quartile not first quartile performance. Maybe their board should consider whether, with a market capitalisation of nearly £1billion, there is now too much stock in issue and act accordingly.

The issue of an over supply of stock is not limited to BlackRock World Mining. Many trusts are now of such a size that the marginal retail buyer is having less impact on valuations. Many institutions have vacated the sector, most arbitrageurs are impotent and proprietary market-making is virtually non-existent. While this has caused a decline in liquidity it has also created an opportunity for your Company. It may take more patience to acquire a position and greater care to exit it but the potential rewards for investors are increased as competition in the sector declines. Despite being a positive environment for your Company, this is a situation that the industry needs to address. Fund managers and boards need to show leadership to help minimise share price volatility. While some, such as Edinburgh Partners, Troy and JP Morgan, are always on hand to be the buyer of last resort, others seem happy to let investors fend for themselves in difficult times, only to be more than willing to issue new stock if their particular style is ever back in favour. There is no reason, other than self interest, why trusts with liquid portfolios should trade at a significant discount to net asset value. The sooner managers and boards realise this, the better life will be for investment companies and their shareholders.

Over the year the Company's hedge position was significantly increased and at the year-end covered approximately 40% of the portfolio. This hedge is comprised of short positions in FTSE 100 futures, puts on the FTSE 100 and puts on the MSCI Emerging Market iShares. Cash and short dated gilts held in the portfolio will provide further downside protection should current optimism subside. These liquid assets, together with any new capital received as a result of the re-issue of Ordinary shares from treasury or the exercise of Subscription shares, will ensure that the Company is in a position to make opportune investments in a timely manner.

Cayenne Asset Management Limited
Investment Manager
13 April 2010

Investments in Order of Valuation

at 31 January 2010

(Ordinary shares unless otherwise indicated)	*At Fair Value £'000*	*% of Portfolio*
Listed investments		
Apollo Fund (Participating Shares)	3,370	6.51
Law Debenture Corporation	3,060	5.91
3i Group 3.625% CULS 29/05/2011	2,476	4.78
Ecofin Water & Power Opportunities 6% CULS 31/07/2016	2,240	4.33
JPMorgan Fleming Overseas Investment Trust	2,041	3.94
Electric & General Investment Trust	1,780	3.44
British Empire Securities & General Trust	1,756	3.39
Terra Catalyst Fund	1,740	3.36
China Real Estate Opportunities	1,597	3.08
Ecofin Water & Power Opportunities	1,596	3.08
Finsbury Worldwide Pharmaceutical Trust	1,562	3.02
Treasury 4.25% 07/03/2011	1,558	3.01
BlackRock World Mining Trust	1,536	2.97
3I Infrastructure	1,505	2.91
SVM Global Fund	1,198	2.31
Polar Capital Technology Trust	1,194	2.31
Aseana Properties	1,065	2.06
New Star Investment Trust	1,032	1.99
Anglo & Overseas Trust	945	1.83
Majedie Investments	941	1.82
Caledonia Investments	874	1.69
Mercantile Investment Trust	860	1.66
Utilico	856	1.65
Invesco Perpetual Select Trust	825	1.59
SVG Capital 8.25% CULS 05/06/2016	755	1.46
RIT Capital Partners	741	1.43
Artemis Alpha Trust	737	1.42
Cambium Global Timberland	735	1.42
Temple Bar Investment Trust	730	1.41
Hansa Trust 'A'	720	1.39
F&C Private Equity Trust	677	1.31
Cazenove Absolute Equity	618	1.19
Foreign & Colonial Eurotrust	513	0.99
JPMorgan Emerging Market Investment Trust (Subscription Shares)	379	0.73
Pantheon International Participations	378	0.73
Utilico Emerging Markets Utilities (Warrants 31/07/2010)	367	0.71
Advance Developing Markets Trust (Subscription Shares)	305	0.59
Real Estate Opportunities (Zero Dividend Preference Shares 31/05/2011)	304	0.59
Invesco Asia Trust (Subscription Shares)	289	0.56
Finsbury Worldwide Pharmaceutical Trust (Subscription Shares)	229	0.44
Perpetual Income & Growth Investment Trust (Subscription Shares)	227	0.44
Schroder Asia Pacific Fund (Subscription Shares)	215	0.42
Real Estate Opportunities 7.5% CULS 31/05/2011	156	0.30
BlackRock Latin American 3.5% CULS 15/09/2015	151	0.29
Ecofin Water & Power Opportunites (Subscription Shares)	116	0.22
BlackRock New Energy Investment Trust (Subscription Shares)	101	0.20
Schroder UK Growth Fund (Subscription Shares)	90	0.17
JP Morgan Private Equity (Warrants 30/06/2014)	50	0.10
Advance Frontier Markets (Warrants 15/06/2010)	12	0.02
The Throgmorton Trust (Subscription Shares)	11	0.02
M&G Equity Investment Trust (Capital Shares)	8	0.02
Total Investments	**47,221**	**91.21**
Derivatives		
FTSE 100 16-Apr-10 put option @ 5350	455	0.88
FTSE 100 19-Mar-10 put option @ 5200	362	0.70
iShares MSCI Emerging Market 19-Jun-10 put option @ 40	240	0.46
FTSE 100 Index 19-Mar-10 Future	235	0.45
	1,292	**2.49**
Other net current assets	**3,261**	**6.30**
Total assets less current liabilities	**51,774**	**100.00**

No geographical analysis has been disclosed as it is not considered relevant since the Company predominantly invests in other UK Investment companies.

Report of the Directors

for the year ended 31 January 2010

Introduction

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 January 2010.

The Company is registered in England & Wales under number 2774914. It was incorporated as New City & Commercial Investment Trust plc on 14 December 1992 and changed its name to The Cayenne Trust plc on 31 January 2006. The Company is a member of the Association of Investment Companies.

Company's Business

The Company is an investment company as defined in Section 833 of the Companies Act 2006 and operates as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988. HM Revenue & Customs approval of the Company's status as an investment trust in respect of the year ended 31 January 2009 has been received and the Company has subsequently conducted its affairs so as to enable it to continue to obtain such approval. The Company is a qualifying trust for the purposes of Individual Savings Accounts.

During the financial year under review, the Board has continued to pursue its stated policy of investing in the securities of UK investment trust companies and other closed-end funds, to give shareholders an interest in a broad spread of underlying investment trusts and close-end funds.

The Chairman's Statement appears on page 5 and the Investment Manager's Report on pages 6 to 8.

Investment Policy

Details of the Company's investment policy are set out on page 54.

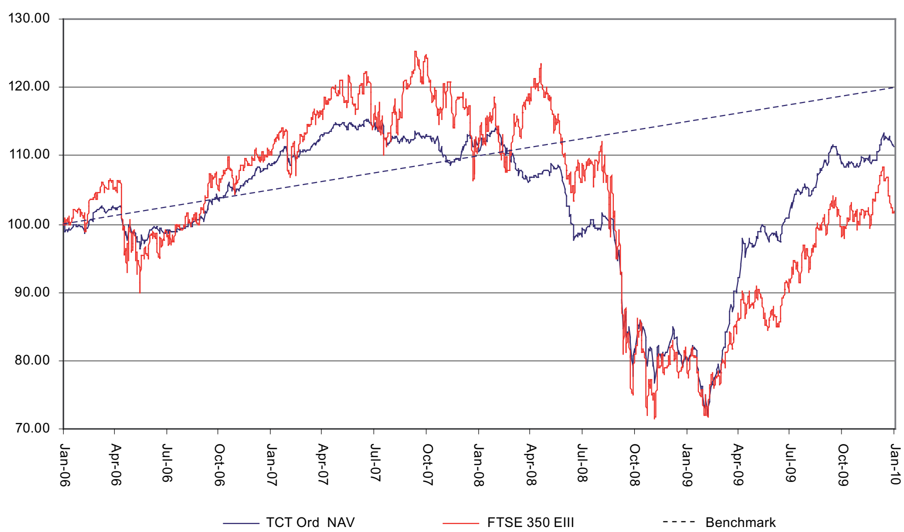
Business Review

The Company aims to achieve consistent positive absolute returns by investing principally in the securities of UK investment trusts and other closed-end funds. It seeks to ensure the preservation of capital by the use of derivatives or similar hedging instruments. Up to 15% of the Company's assets, at the time of investment, may be invested in Apollo Fund plc, an offshore fund also managed by Cayenne Asset Management Limited. Details of the activities which have taken place during the year are given in the Chairman's Statement and Investment Manager's Report.

Key Performance Indicator ("KPI")

The Company's principal KPI is net asset value ("NAV") performance against the Company's benchmark, the annualised cumulative total return of 5% from inception,* which the Board reviews at its meetings. The Chairman's Statement on page 5 summarises the findings of these reviews for the financial year.

Performance Relative to Benchmark and Index



Source: Bloomberg LLP/Phoenix Administration Services Limited

*see glossary

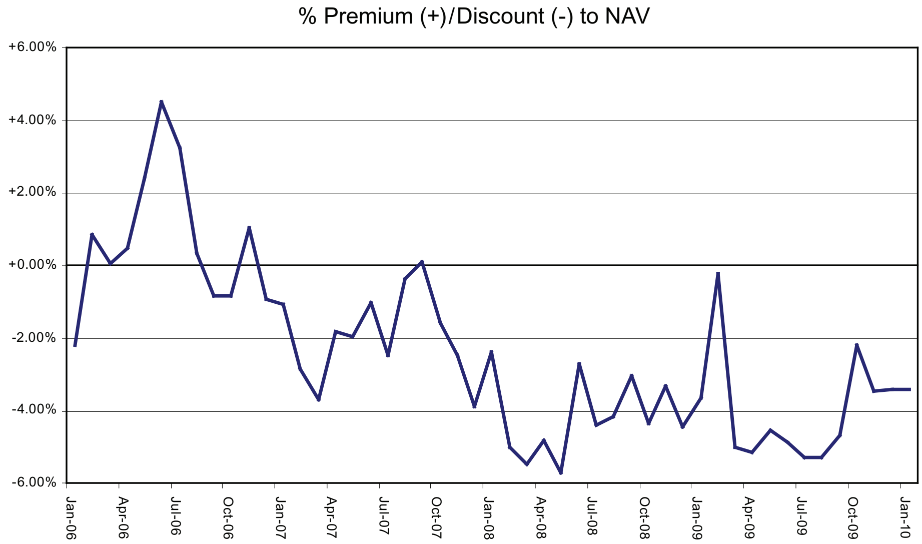
Total expense ratio ('TER')

The total expense ratio ('TER') is an expression of the Company's management fees and other operating expenses (including tax relief, where allowable) as a percentage of average net assets over the year. The TER for the year ended 31st January 2010 was 1.7% (2009: 1.6%). The Board reviews the TER of the Company regularly and, at least annually, the Company's TER against other companies having similar investment objectives and policies.

Principal Risks

There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the investment objective of the Company will be achieved. The Company's investment policy is to use derivatives and similar instruments to hedge against volatility in the NAV per share. Investors should be aware that the NAV per Ordinary share is unlikely in rising equity markets to be as high as would be the case if market risk was not hedged but, conversely, the NAV per Ordinary share in falling equity markets is likely to be higher than would be the case if market risk was not hedged.

The price of the Ordinary shares will be determined by the interaction of supply and demand in the market as well as the NAV per Ordinary share. Irrespective of hedging, the market price of the shares is likely to fluctuate and may represent either a discount or premium to the NAV per Ordinary share.



Source: Winterflood Securities/Thompson Financial Datastream

The market value of the 3.25% Convertible Unsecured Loan Stock 2011 (CULS) is determined by a number of factors, including supply and demand for the CULS, the price, NAV and dividend yield of the shares into which the CULS are convertible, prevailing interest rates, market conditions and general investor sentiment. There can be no guarantee that the market value of the CULS will fully reflect any value inherent in their convertibility into shares.

Investors should be aware that, whilst the use of borrowings (including through the CULS) should enhance the NAV per share where the value of the Company's underlying assets is rising at a rate greater than the interest rate on the borrowings, it will have the opposite effect where the underlying asset value is falling or is rising at a rate lower than the interest rate on the borrowings. This may increase the volatility of the NAV per share.

The Subscription shares entitle holders to a right, but not an obligation, to subscribe for Ordinary shares on 31 March 2010 and 30 June 2010. Their price will be influenced by market sentiment, liquidity and the value of the Ordinary shares which holders are entitled to subscribe for. As geared instruments, small changes in the price of Ordinary shares may result in a disproportionate movement in the price of Subscription shares.

Report of the Directors

continued

The Company is an investment trust. Investment trusts aim to generate returns for shareholders by investing in other companies. As an investment trust may invest in a range of different companies and sectors, it may represent a method for investors to gain a diversified investment exposure. However, investors should be aware of certain factors which apply to the Company:

- The investment approach utilised by the Company seeks to generate returns by investing in securities Cayenne Asset Management Limited believes to be undervalued. There can be no guarantee that the perceived value in the Company's portfolio will however be released, in any expected timeframe or at all.
- In respect of trades in derivative and similar instruments, the Company will be exposed to credit risk on the counterparties with which it trades. The Company will seek to transact only with major established counterparties. The Company will also bear the risk of settlement default by clearing houses and exchanges. Any default by a counterparty or on settlement could have a material adverse effect on the Company.
- The Company's portfolio is constructed without reference to any stock market index. It is therefore likely that there will be periods when its performance will be quite unlike that of any index and there can be no assurance that such divergence will be wholly or even primarily to the Company's advantage.
- Market liquidity in the shares of investment trusts is frequently inferior to the market liquidity of shares issued by larger companies traded on the London Stock Exchange. The Ordinary shares, CULS and Subscription shares are traded on the London Stock Exchange's Main Market, but it is possible that there may not be a liquid market in them and investors may have difficulty selling such securities. The Company invests in other investment trusts which may suffer from similar liquidity issues at times of volatility and the NAV of the Company may be adversely affected.

Taxation

Any change in the Company's tax status, including failure to satisfy the conditions of Section 842 of the Income and Corporation Taxes Act 1988, or any change in taxation legislation, could affect the value of the investments held by the Company, affect the Company's ability to provide returns to shareholders, or alter the post-tax returns to shareholders. The levels of, and relief from, taxation may change. The tax relief currently available and its value depends on the individual circumstances of investors.

Economic Conditions

Changes in economic conditions, including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and trends and tax laws, can substantially and adversely or favourably affect the Company's prospects and the value of the Company's portfolio.

Accounts

The Company prepares its accounts and calculation of NAV in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") and the Statement of Recommended Practice ("SORP") issued by the AIC, which are subject to change. The Company currently has a policy of charging 80% of the periodic management fee, interest on the CULS, and the entirety of any performance fee earned under the terms of the Investment Management Agreement, to capital. Expenses incurred where a connection with the maintenance or enhancement of the value of the investments can be demonstrated or expenses associated with share and CULS buy backs are charged to capital. All other expenses are charged to revenue.

Duration of the Company

The Articles of Association require the Directors to propose an ordinary resolution at the Annual General Meeting of the Company in 2011 and each Annual General Meeting thereafter, that the Company should continue as an investment trust. If an ordinary resolution for continuation is not put or is not passed at an Annual General Meeting the Directors are obliged to convene, within three months thereafter, a General Meeting to propose a special resolution for the voluntary winding-up of the Company.

Financial Results and Dividends

The results for the year are shown in the Income Statement on page 27. The Directors are proposing a final dividend of 2.2p (2009: 1.4p) per Ordinary share for the year which, if approved by shareholders at the forthcoming Annual General Meeting, will be payable on 18 June 2010 to holders on the register at the close of business on 28 May 2010 (ex dividend 26 May 2010).

Use of Financial Instruments

The Company's use of financial instruments is disclosed in note 19 to the Financial Statements.

Share Capital, Loan Stock and Subscription shares

During the year the Company purchased 554,550 (2009: 4,637,893) Ordinary shares for an aggregate consideration of £522,024 (2009: £4,880,454) as part of its stated policy to buy back shares (where available) at discounts to net asset value of 5% or less if the Board considers it appropriate. On 7 January 2010 the Company issued 318,024 Ordinary shares for a net consideration of £337,105 from the redemption of 318,024 subscription shares. The Company cancelled 487,800 (2009: 3,975,643) and re-issued 1,720,000 (2009: none) Ordinary shares held in treasury during the year for aggregate proceeds of £1,946,275. The issued Ordinary share capital of the Company at the year end amounted to 37,460,224 (2009: 37,630,000) Ordinary shares in issue. At the year end the Company was holding 2,109,000 (2009: 3,762,250) Ordinary shares in treasury, as a result of which the total voting rights attaching to the issued share capital was 35,351,224 (2009: 33,867,750) votes.

Subsequent to the year end the Company bought back into treasury a further 264,806 Ordinary shares for an aggregate consideration of £299,310. The purchases were made in accordance with the Company's stated discount management policy. In addition, on 1 April 2010 3,130,233 Ordinary shares were allotted following the exercise of a corresponding number of Subscription shares. As a result of these transactions at the date of this report the number of Ordinary shares in issue is 40,590,457, the number of Ordinary shares held in treasury is 2,373,806 representing 5.85% of the Ordinary shares in issue (6.21% of the Ordinary shares excluding treasury shares) and the total voting rights attaching to shares in issue is 38,216,651.

At 31 January 2010 the Company still had authority to buy back 4,727,000 Ordinary shares in the market from the authority granted by shareholders at the Annual General Meeting on 4 June 2009 to buy back up to 5,050,000 Ordinary shares. A resolution to renew the authority to buy back shares will be proposed at the forthcoming Annual General Meeting.

No units of the Company's 3.25% Convertible Unsecured Loan Stock 2011 were bought back for cancellation during the year (2009: 829,000).

On 5 June 2009 the Company issued 6,726,690 Subscription shares as a bonus issue to the Ordinary shareholders on the basis of one Subscription share for every five Ordinary shares held. Each Subscription share confers the right (but not the obligation) to subscribe for one Ordinary share at a subscription price of 106p per Subscription share on 31 December 2009, 31 March 2010 and 30 June 2010. The rights under the Subscription shares will lapse on 30 June 2010. During the year the Company redeemed 318,024 Subscription shares and issued 318,024 Ordinary shares for a net consideration of £337,105.

Details of the Ordinary shares, 3.25% Convertible Unsecured Loan Stock 2011 and Subscription shares are given on pages 3 and 4.

At 31 January 2010, the mid-market price and the net asset value per Ordinary share were 114.25p (2009: 83.50p) and 121.46p (2009: 88.23p) respectively. At 31 January 2010, the mid-market price of the CULS was 99.00p (2009: 97.00p).

Report of the Directors

continued

Substantial Holdings in the Company

At the year end and at 31 March 2010 the Company had been notified or was aware of the following holdings of 3% and over of the Company's capital carrying unrestricted voting rights:

	Holding 31 January 2010	*Holding 31 March 2010*	*Ordinary share %*
East Riding of Yorkshire Pension Fund	4,000,000	4,000,000	10.75
Investec Asset Management	2,794,886	2,829,866	7.61
Henderson Global Investors Ltd	2,325,000	2,570,000	7.18
Premier Asset Management	2,560,000	2,530,000	6.91
JPMorgan Asset Management UK	2,340,000	2,340,000	6.29
Astaire & Partners*	2,023,502	2,023,502	5.44
Reliance Mutual Insurance Society	2,011,144	2,011,144	5.41
Philip J Milton & Company	2,020,902	2,007,573	5.40
Brewin Dolphin	1,768,076	1,729,901	4.65
Jupiter Asset Management	1,424,058	1,515,743	4.07
South Yorkshire Pensions Authority	1,100,000	1,300,000	3.49
Smith & Williamson Investment Management	1,232,621	1,232,621	3.31

**Includes 1,745,000 Ordinary shares held for Mr L J Gayler and connected persons.*

Directors

The present members of the Board are listed on page 1. All Directors served in office throughout the year.

Jonathan Agnew retires at the Annual General Meeting in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.

Directors' Interests

At 31 January the beneficial interests of the Directors in the share capital of the Company were:

	Ordinary shares		*Subscription shares*		*Convertible Loan Stock*	
	2010	*2009*	***2010***	*2009*	***2010***	*2009*
Jonathan Agnew	**150,000**	150,000	**30,000**	n/a	**–**	–
Christopher Jones	**20,000**	20,000	**4,000**	n/a	**–**	–
Sir Laurence Magnus	**116,982**	66,982	**13,396**	n/a	**35,000**	35,000

No changes in the above interests, other than the exercise of all subscription rights by all Directors on 31 March 2010, occurred between 31 January 2010 and 31 March 2010.

Disclosable Interests

No Director is under a contract of service with the Company and no contract subsists which was significant in relation to the Company's business in which any Director was or is materially interested.

Mr Jones is a director of Ecofin Water & Power Opportunities plc ("EWPO"), in which the Company has an investment. Accordingly he refrains from participating in discussions relating to the Company's investment in this company. In the circumstances the Board is satisfied that his position as a director of this company does not impair his impartiality or independence in relation to the affairs of the Company, nor does it generate a direct conflict of interest as decisions on individual investments are delegated to the Investment Manager. The Board has accordingly authorised the potential conflict of interest which this directorship might give rise to.

Mr Agnew is chairman of LMS Capital plc in which the Company had an investment for part of the year.

Investment Manager

Cayenne Asset Management Limited was appointed Investment Manager under an agreement dated 30 January 2006. This agreement is terminable by either party at six months' notice or by the Company immediately on the occurrence of certain specified events. The fee for these services is calculated at 1% per annum by reference to the Company's net assets (excluding the value of its investment in Apollo). Under the same agreement, the Company also pays a performance fee of 10% of any outperformance above a hurdle rate of 5% per annum on a total return basis, subject to a high water mark. For the year ended 31 January 2010 the high water mark was 139.12p and for the year to 31 January 2011 the high water mark is 146.07p.

The Investment Manager is generally responsible for the day-to-day investment management activities of the Company, seeking and evaluating investment opportunities and analysing the results of investee companies. The Investment Manager has full discretion to manage the assets of the Company in accordance with the Company's stated objectives and policies as determined from time to time by the Board. Within the guidelines specified by the Board, the Investment Manager has discretion to make purchases and sales, place and withdraw cash deposits, execute currency transactions, enter into underwriting commitments and exercise all rights over the investment portfolio.

Administrator and Company Secretary

Administration and Company Secretarial services are provided by Phoenix Administration Services Limited ("Phoenix") under an agreement dated 20 June 2006 terminable by either party on not less than six months' notice. Phoenix ensures that the Company complies with all legal and regulatory requirements, and services Board and shareholders' meetings. Phoenix maintains records of the Company's investment transactions, portfolio and monetary transactions, from which they prepare interim and annual financial statements on behalf of the Company.

Assessment of the Investment Manager and Administrator

The Board reviews the performance of the Investment Manager at each Board meeting and its performance relative to the terms of the Investment Management Agreement annually. The Board is of the opinion that the continued appointment of the Investment Manager on the terms agreed is in the best interests of the Company and shareholders.

The Company's administrative arrangements are also considered annually by the Board. The Board has determined that the continuing appointment of Phoenix Administration Services Limited as Company Secretary and Administrator on the terms agreed is in the best interests of shareholders as a whole.

Other suppliers

In addition to the above the Company uses the services of a stockbroker, Winterflood Securities Limited, who are engaged on an annual retainer basis. It also has an external Registrar, Capita Registrars Limited, who are engaged on a contract terminable by six months' notice by either side.

Revisions of the services provided by these third parties are also undertaken at least annually. The Board is currently satisfied with the level of service it receives.

Creditor Payment Policy

It is the Company's policy to obtain the best terms for all business, including purchases of investments, and to abide by those agreed terms. The Company had no trade creditors at the year end (2009: nil).

Employees, Social and Environmental matters

The Company has no employees or premises. Since the business of the Company is to invest in a broad range of equities, as set out in the Investment Policy on page 54, it has no direct social or environmental impact from its operations.

Corporate Governance

The Company's statement on corporate governance, which forms part of this Report, can be found on pages 19 to 23.

Articles of Association

At a General Meeting of the Company, held on 4 June 2009, the Company adopted new Articles of Association. A copy of the new Articles of Association has been filed with the Registrar of companies.

Going concern

As the majority of the Company's assets are securities traded on recognised exchanges the Directors are satisfied that it can continue in business for the foreseeable future, and accordingly consider it appropriate to prepare the Company's financial statements on a going concern basis.

Report of the Audit Committee

The Audit Committee is responsible for reviewing all aspects of the Company's financial reporting, its internal control and the management of financial risks, the audit process, compliance with laws

Report of the Directors

continued

and regulations, and any non-audit work to be undertaken by the external independent auditor. The Committee considers annually whether the Company should have an internal audit function and has determined that this is not necessary given the Company's circumstances.

The external audit findings are considered by the Audit Committee and discussed with the Auditors, the Investment Manager and the Administrator prior to approval and signing of the financial statements.

The Audit Committee recommended approval by the Board of an audit fee of £16,000, exclusive of VAT, for the year. Non-audit work undertaken on behalf of the Company by the Auditors is restricted to the Company's taxation affairs, for which a fee of £3,000, exclusive of VAT, has been agreed. The Audit Committee has reviewed the objectivity and independence of the external auditor, BDO LLP, and is satisfied on both of these points. The Audit Committee accordingly was pleased to recommend to the Board that a resolution to re-appoint BDO LLP as auditors for the year to 31 January 2011, be put to the forthcoming Annual General Meeting.

Disclosure of information to auditors

In the case of each of the persons who are Directors of the Company at the date of approval of this report:

– so far as each is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware; and

– each has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

The confirmations above are given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditors

A resolution to re-appoint BDO LLP as the Company's auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting to be held on 10 June 2010.

Directors' Responsibility Statements

The Statement of Directors' Responsibilities, and Directors' Confirmation Statement as required under the UKLA's Disclosure and Transparency Rule DTR4.1.12R can be found on page 24.

Special business at the Annual General Meeting

At the forthcoming Annual General Meeting, the following Special Resolutions will be proposed. Resolution 6 – to allot a limited number of shares without applying pre-emption rights.

Resolution 7 – to permit the Company to sell and/or transfer shares held in treasury in response to market demand without applying pre-emption rights, at a discount to prevailing net asset values not exceeding 5%.

Resolution 8 – to authorise the Company to buy back shares for cancellation or, at the discretion of the Directors, to hold in treasury.

The Board does not have any immediate plans to exercise all of these powers and would only exercise them if they considered it to be in the best interests of shareholders generally. The Board therefore recommends that shareholders vote in favour of the resolutions to ensure that the Directors have the maximum number of options available to them.

Recommendation

The Directors consider the Resolutions to be put to the Annual General Meeting to be in the best interests of the Company and recommend that shareholders vote in favour of them, as they themselves intend to do. Any shareholder who is in doubt of the action they should take should consult their own independent financial advisor.

By order of the Board
Phoenix Administration Services Limited
Company Secretary
13 April 2010

The Cayenne Trust plc, registered in England and Wales, No: 2774914

Directors' Remuneration Report

for the year ended 31 January 2010

The Company has prepared this Remuneration Report in accordance with the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. An ordinary resolution for the approval of this Report will be put to shareholders at the Annual General Meeting.

Your Company's auditors are required to audit certain of the disclosures provided in this Report. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their Report on pages 25 and 26.

Remuneration Responsibilities

The Board have resolved that a remuneration committee is not appropriate for a company of this size and nature. All Directors are non-executive and all participate in meetings of the Board at which Directors' remuneration is considered. The Board seeks advice, *inter alia*, from the Company Secretary, Phoenix Administration Services Limited, when considering the level of Directors' fees.

During the financial year the annual fees payable to the Directors have been at a rate of £23,000 (Chairman of the Board), £17,500 (Audit Committee Chairman) and £15,000 (Other Directors).

Policy on Directors' Remuneration

The Board's policy is that the remuneration of non-executive Directors should be fair and reasonable in relation to the responsibilities involved, and the commitment required when compared with other investment trusts. It is intended that this policy will continue for the year ending 31 January 2011.

Fees for the Directors are determined by the Board within the limits stated in the Company's Articles of Association. The maximum permitted by the Company's Articles of Association is £100,000 per annum. The Directors are not eligible for bonuses, pension benefits, share options, other incentives or benefits (other than reimbursement of properly incurred expenses).

Directors' Service Contracts

It is the Board's policy that none of the Directors has a service contract. The terms of the Directors' appointment provide that a Director shall retire and be subject to re-election at the first Annual General Meeting after appointment and at least every three years thereafter. The terms also provide that a Director may retire or be removed from office by written notice having immediate effect and that no compensation will be due on leaving office.

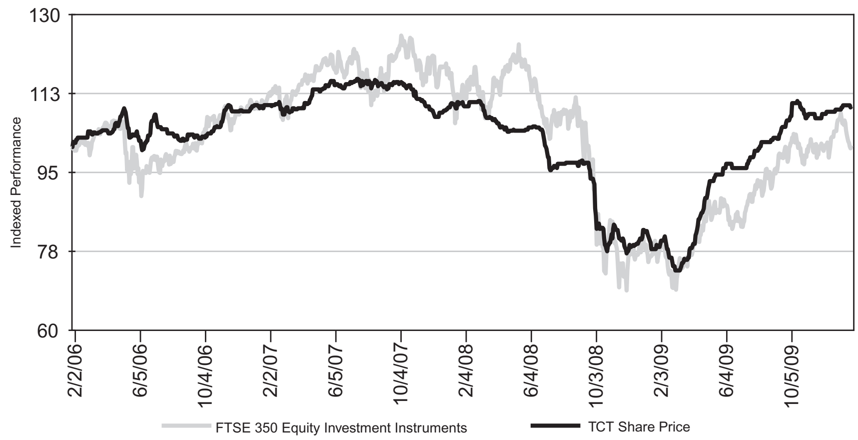
Directors & Officers' liability insurance is maintained by the Company on behalf of the Directors and Officers.

Directors' Remuneration Report

continued

Your Company's Performance

Regulations require that a performance graph be included within the Directors' Remuneration Report which compares the total return to each class of shareholder to a notional total return of a broad equity market index. The graph below shows the total return on the Company's Ordinary shares against the FTSE 350 Equity Investment Instruments Index (total return), which the Directors feel is the most appropriate comparator, for the period since inception as The Cayenne Trust plc.



Source: Winterflood Securities, Thomson Reuters

Directors' Emoluments (audited)

The Directors who served during the year received the following emoluments in the form of fees:

	2010	*2009*
	£'000	*£'000*
Jonathan Agnew	**23.0**	23.0
Christopher Jones	**15.0**	15.0
Sir Laurence Magnus	**17.5**	17.5
Total	**55.5**	55.5

Of the Directors' emoluments detailed above nil was paid to third parties (2009: nil).

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 13 April 2010.

By order of the Board
Phoenix Administration Services Limited
Company Secretary

13 April 2010

Corporate Governance Statement

Directors' Statement of Compliance with the Combined Code on Corporate Governance 2008 ("the Code") and the AIC Code of Corporate Governance published by the Association of Investment Companies (AIC) in 2009 ("the AIC Code")

The Principles

The Directors believe that, during the period under review, they have complied with the provisions of section 1 of the Combined Code, insofar as they are relevant to the Company's business, and with the provisions of the AIC Code except as explained under the relevant sections.

The Board is accountable to shareholders for the governance of the Company's affairs. This Statement describes how the principles of the Code have been applied in the affairs of the Company. The Directors are committed to maintaining the highest standards of Corporate Governance. In applying the principles of the Code, the Directors have also taken account of the recommendations of the AIC Code, which establishes a framework of best practice specifically for the boards of investment companies. There is some overlap in the principles laid down by the two Codes and areas where the AIC Code is more tailored for investment trust companies. Where the Directors have relied on the greater flexibility of the AIC Code, the variance with the Code has been highlighted in this Statement.

The Board has however elected not to read out proxy votes after each Resolution is put to General Meetings of the Company, but will instead provide a written report on proxy voting to attending shareholders. It will also ensure that proxy voting results are posted on the Company's website after the meeting.

Directors

Independence

The Board consists of three Directors, all of whom are non-executive and all considered to be independent. The Directors have a range of business, financial and asset management skills and experience relevant to the direction and control of the Company. Brief biographical details of the Directors are given on page 1 and details of a potential conflict of Mr Jones is given on page 14.

Chairman

The Chairman is Mr Jonathan Agnew. He is non-executive, independent of the Investment Manager, and has no conflicting relationships.

Senior Independent Director

The Directors are equally responsible under the law for the proper conduct of the Company's affairs. They are also responsible for ensuring that the policies and operations adopted are in the best interests of all shareholders and that creditors and suppliers are considered properly. In view of this and the small size of the Board, the Directors do not consider it appropriate to identify a 'senior independent director' as recommended by the Code or Deputy Chairman as recommended by the AIC Code. All Directors are available to shareholders should they have any concerns which contact through the normal channels of Chairman, Investment Manager or Company Secretary fails to resolve or for which such contact is inappropriate.

Supply of Information

The Investment Manager and Administrator ensure that Directors have timely access to all relevant management, financial and regulatory information to enable informed decisions to be made. The Board meets on a regular basis at least four times each year and additional meetings are arranged as necessary. Regular contact is maintained between the Investment Manager, the Administrator, the Secretary and Board between formal meetings.

Board meetings follow a formal agenda, which includes a review of the investment portfolio. It receives reports from the Investment Manager and the Administrator on the current investment position and outlook, strategic direction, performance, asset allocation, gearing policy, cash management, revenue forecasts for the financial year, shareholder relations, corporate governance, industry and other issues.

Corporate Governance Statement

continued

Board Responsibilities

The Board is responsible for promoting the success of the Company by directing and supervising its affairs within a framework of effective controls which enable risk to be assessed and managed. There is a formal schedule of matters reserved for decision by the Board. The schedule was reviewed and updated in March 2009 to ensure compliance with the latest legislation and best practice. The main responsibilities include: setting the Company's objectives and standards, ensuring that the Company's obligations to shareholders and others are understood and complied with, approving accounting policies and dividend policy, managing the capital structure; setting long-term objectives and strategy; assessing risk; reviewing investment performance; approving loans and borrowing; and controlling risks.

The powers of the Directors are set out in the Company's Articles of Association, which are publicly available at Companies House. They comprise the right to exercise all the powers of the Company including inter-alia: to issue shares, purchase shares, hold shares in treasury and re-issue and sell shares from treasury; to borrow; to provide awards, annuities and other benefits for Directors and employees; to purchase and maintain policies of insurance; and to provide indemnities to Directors and Officers of the Company. There are no specific rules relating to the exercise of the powers of the Directors.

The Investment Manager's Responsibilities

The Investment Manager is responsible for the day-to-day investment management decisions of the Company. In addition to taking day-to-day decisions on investments, the Investment Manager also advises the Directors on investments, liquidity and borrowings to enable them to make informed decisions, and liaises with major shareholders on behalf of the Board.

Company Secretary

All Directors have direct access to the advice and services of the Company Secretary, Phoenix Administration Services Limited. The Company Secretary is responsible for ensuring that Company, Board and Committee procedures are followed and all applicable regulations observed. The Company Secretary is also responsible for providing timely delivery of information and reports, keeping the Directors apprised of legal and regulatory developments, and ensuring that the statutory obligations of the Company are met.

There is an agreed procedure for Directors, in the furtherance of their duties, to take independent legal advice at the Company's expense up to an initial cost of £5,000, having first consulted the Chairman.

Appointment and Re-election

As the Board comprises only three Directors all responsibilities relating to nominations are taken by the Board as a whole. These are to review the size and structure of the Board, and agree any changes considered necessary or new appointments. No Director has a contract of employment with the Company. Directors' terms and conditions of appointment are set out in letters of appointment, copies of which are available for inspection at the Registered Office of the Company and will be available at the Annual General Meeting ("AGM"). The Articles of Association require that each Director shall retire at least every three years after appointment or (as the case may be) last reappointment, and may offer themselves for re-election.

On appointment to the Board, Directors are fully briefed as to their responsibilities and are kept informed throughout their terms in office of industry and regulatory developments. The Directors endeavour to keep up to date with new legislation and changing risks through industry publications and conferences. The Articles of Association, and Directors' letters of appointment, provide that the Directors may, by notice in writing, remove any Director from the Board without compensation.

Mr Jonathan Agnew, Chairman of the Board, retires by rotation and will offer himself for re-election at the 2010 AGM. The Board, having reviewed his performance, considers Mr Agnew to be an effective Chairman who dedicates himself to the role, leads the Board well, and provides valuable contributions to its deliberations. The Board accordingly recommends that shareholders vote in favour of his re-election.

Directors' Remuneration

Details of the Company's policy on remuneration and of payments to Directors are given in the Directors' Remuneration Report on pages 17 and 18.

Board and Directors' Performance Appraisal

The Board recognise the importance of the Code in terms of evaluating the performance of both the Board as a whole and individual Directors. Because the Board only comprises three Directors, who also undertake the responsibilities of the Audit, Remuneration and Nomination Committees, the Directors have determined that the use of a tailored questionnaire encompassing all functions is the most appropriate method of appraising the performance of the Board and individual Directors. Because the Board is small, appraisals are only carried out bi-annually shortly after year ends.

Accountability and Audit

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 24. The Auditors' Report appears on pages 25 and 26.

Audit Committee

As the Board is small, all Directors are members of the Audit Committee under the Chairmanship of Sir Laurence Magnus. Committee members consider that individually and collectively they are appropriately experienced to fulfil the role required. The Committee has written terms of reference which clearly define its responsibilities. The terms of reference were reviewed and updated in February 2006, will be available for inspection at the Annual General Meeting (AGM) and can be obtained from the Registered Office of the Company.

The Committee meets at least twice a year to review the internal financial and non-financial controls of the Investment Manager and Administrator, to approve the contents of the Half Year and Annual Reports to shareholders, and to review accounting policies. In addition, the Committee reviews the Auditors' independence, objectivity and effectiveness, the quality of services provided to the Company, any non-audit work and its cost and effectiveness. The Audit Committee satisfies itself as to the external auditor's independence by requiring the auditor to confirm that any partners and staff providing non-audit work are not also engaged in providing services in relation to the statutory audit of the Company's financial affairs.

The Chairman of the Audit Committee will be present at the AGM to deal with any questions relating to the financial statements.

Internal Financial and Non-Financial Controls

The Directors acknowledge that they are ultimately responsible for the Company's system of internal financial and non-financial controls which have been in place throughout the year and up to the date of this report. The effectiveness of the Company's operations has been reviewed, and the control systems codified to facilitate regular monitoring, management of risks, and review by the Committee. The Directors consider that these procedures enable the Company to comply with Turnbull Guidance.

As stated above, the Board meets regularly, at least four times a year, and reviews financial reports and performance against the benchmark. In addition, the Investment Manager, the Administrator and the Custodian maintain their own systems of internal controls and provide regular reports on these to the Board and Audit Committee. Formal reports on the internal controls and procedures in place for the operation of custodial, investment management and accounting activities are reviewed at least annually by the Board.

Corporate Governance Statement

continued

As the Company outsources all of its operational and accounting functions to independent third parties, its own system of internal control and risk management revolves principally around ensuring that those service providers maintain adequate and effective controls at all times. The Audit Committee has identified various risks which could materially impact on the affairs of the Company, and the effectiveness of the controls over these are reviewed by the Committee twice annually. The Company's independent external auditor, BDO LLP, will bring any significant control weaknesses they identify during their audit to the attention of the Board so that such action as may be necessary, if any, can be taken.

The Secretary and Administrator, Phoenix Administration Service Limited, ensures that the Company is compliant with all applicable financial reporting and regulatory requirements. Representatives of BDO LLP and Phoenix attend the meeting of the Audit Committee at which the Annual Report & Accounts are tabled for review prior to release to shareholders.

The control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risk of failure to achieve business objectives.

As the Company has no employees it does not consider there is a need for a whistle-blowing procedure but the Audit Committee does review the whistle-blowing procedures of its third party service providers.

Internal Audit Function

The Directors have reviewed the need for the Company to establish an internal audit function but consider that such a function is not necessary.

Auditors' Non-audit Services

The Company's auditors provide taxation and other advisory services to the Company. The cost of providing these services is stated in note 4 to the financial statements on page 34. In the opinion of the Audit Committee, the Auditors' role in providing taxation and other advisory services to the Company does not compromise their objectivity and independence in carrying out their statutory audit function.

The Management Engagement Responsibilities

As the Board is small all responsibilities relating to management engagement are taken by the Board as a whole. The Board reviews annually the agreements with the Company's Investment Manager and Administrator and reviews the services provided by them.

Board and Committee Meeting Attendance

The following table sets out the number of meetings held during the year and the number of meetings attended by each Director:

	Board	*Audit Committee*	*Management Engagement Committee*
Number of meetings held	6	3	1
Jonathan Agnew	6	3	1
Christopher Jones	6	3	1
Sir Laurence Magnus	6	3	1

Relations with Shareholders

Shareholder relations are given high priority by both the Board, the Investment Manager and the Administrator. The prime media by which the Company communicates with shareholders is through the Half Year and Annual Reports, which aim to provide shareholders with a full understanding of the Company's activities and results, and the Company's website (www.thecayennetrust.com). This information is supplemented by the daily calculation of the net asset value of the Company's Ordinary shares which is published via the London Stock Exchange. At each AGM shareholders have the opportunity to address questions to the Chairman and the Chairman of the Audit Committee. All shareholders are encouraged to attend the AGM.

It is the intention of the Board that the annual report, financial statements and notice of AGM ordinarily be issued to shareholders so as to provide at least 20 working days' notice. Shareholders wishing to lodge questions in advance of the AGM are invited to do so, in writing to the Company Secretary at the Registered Office address given on page 1. At other times, the Company responds to letters from shareholders on a range of issues as appropriate.

There is regular dialogue with individual institutional shareholders and general presentations to both institutional shareholders and analysts following the publication of annual results. Formal meetings between the Investment Manager and institutional shareholders are reported to the Board.

Details of the Ordinary shares, Subscription shares, and 3.25% Convertible Unsecured Loan Stock 2011 are given on pages 3 and 4.

Institutional Voting

The Board considers that the Company has a responsibility for ensuring that high standards of Corporate Governance are maintained in the companies in which it invests and, where necessary, will take the initiative to ensure those standards are met. The principal means of putting this into practice is through the exercise of voting rights and your Company's voting rights are exercised pro-actively on an informed and independent basis.

Corporate Social Responsibility

As the Company has no employees and invests principally in other investment vehicles it has no direct impact on social, economic or environmental issues, nor produces any carbon footprint in its own right. The Board, through the Investment Manager, uses its voting rights and contact with senior executives of investee companies to make its views known where it has any concerns on social or environmental matters.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each year. Under that law the Directors are required to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Company and of the profit or loss for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' Confirmation Statement

The Non-executive Directors listed on page 1, as the persons responsible within the Company, hereby confirm to the best of their knowledge:

a) that the financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

b) the annual report, and Management Report (which comprises the Chairman's Statement and Investment Manager's Report), includes a fair review of the development and performance of the business and the position of the Company, together with the principal risks and uncertainties that the Company faces.

Independent Auditors' Report

to the shareholders of The Cayenne Trust plc

We have audited the financial statements of The Cayenne Trust plc for the year ended 31 January 2010 which comprise of the Income Statement, the Reconciliation of Movement in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 January 2010 and of the Company's total return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditors' Report

continued

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 15, in relation to going concern and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Neil Fung-On (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

13 April 2010

BDO LLP is a limited liability partnership registered in England and Wales
(with registered number OC305127).

Income Statement

for the year ended 31 January

	Notes	2010 Revenue £'000	2010 Capital £'000	2010 Total £'000	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000
Gains/(losses) on investments held at fair value	10	**–**	**14,906**	**14,906**	–	(16,355)	(16,355)
Current assets held at fair value:							
(Losses)/gains on futures contracts		**–**	**(2,910)**	**(2,910)**	–	497	497
(Losses)/gains on listed put options		**–**	**(348)**	**(348)**	–	5,357	5,357
Gains/(losses) on forward currency contracts		**–**	**107**	**107**	–	(1,480)	(1,480)
Gains on cancellation of 3.25% Convertible Unsecured Loan Stock 2011		**–**	**–**	**–**	–	90	90
Exchange differences		**–**	**8**	**8**	–	(33)	(33)
Investment and other income	2	**1,328**	**–**	**1,328**	1,149	–	1,149
Investment management fee	3	**(89)**	**(357)**	**(446)**	(78)	(313)	(391)
VAT refund on management fees		**73**	**73**	**146**	–	–	–
Other expenses	4	**(326)**	**(8)**	**(334)**	(342)	(21)	(363)
Net return/(loss) before finance costs and taxation		**986**	**11,471**	**12,457**	729	(12,258)	(11,529)
Interest payable and similar charges	5	**(102)**	**(405)**	**(507)**	(100)	(400)	(500)
Return/(loss) on ordinary activities before taxation		**884**	**11,066**	**11,950**	629	(12,658)	(12,029)
Tax on ordinary activities	7	**–**	**–**	**–**	–	–	–
Transfer to/(from) reserves		**884**	**11,066**	**11,950**	629	(12,658)	(12,029)
Return/(loss) per Ordinary share:							
Basic	9a	**2.61p**	**32.61p**	**35.22p**	1.76p	(35.42)p	(33.66)p
Diluted	9b	**2.42p**	**28.18p**	**30.60p**	1.72p	(35.42)p	(33.66)p

The total column of this statement is the profit and loss account of the Company. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

A statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.

The accompanying notes are an integral part of this statement

Reconciliation of Movements in Shareholders' Funds

	Notes	Ordinary Share Capital £'000	Sub-scription Share Capital £'000	Share Premium £'000	Special Reserve £'000	Capital Redemption Reserve £'000	Equity Component CULS 2011 £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
At 31 January 2009		**9,407**	**–**	**9,192**	**18,045**	**1,212**	**1,065**	**(9,928)**	**890**	**29,883**
Issue of Subscription shares	14	**–**	**67**	**–**	**(67)**	**–**	**–**	**–**	**–**	**–**
Expenses relating to the issue of Subscription shares		**–**	**–**	**–**	**(185)**	**–**	**–**	**–**	**–**	**(185)**
Redemption of Subscription shares	14	**–**	**(3)**	**–**	**(3)**	**3**	**–**	**–**	**–**	**(3)**
Issue of new Ordinary shares from redemption of Subscription shares	14	**79**	**–**	**261**	**–**	**–**	**–**	**–**	**–**	**340**
Ordinary shares bought back and held in treasury		**–**	**–**	**–**	**(522)**	**–**	**–**	**–**	**–**	**(522)**
Ordinary shares cancelled out of treasury	14	**(121)**	**–**	**–**	**–**	**121**	**–**	**–**	**–**	**–**
Ordinary shares re-issued out of treasury		**–**	**–**	**231**	**1,715**	**–**	**–**	**–**	**–**	**1,946**
Net return from ordinary activities		**–**	**–**	**–**	**–**	**–**	**–**	**11,066**	**884**	**11,950**
Final dividend paid year ended 31 January 2009	8	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(471)**	**(471)**
At 31 January 2010		**9,365**	**64**	**9,684**	**18,983**	**1,336**	**1,065**	**1,138**	**1,303**	**42,938**

	Notes	Ordinary Share Capital £'000	Share Premium £'000	Special Reserve £'000	Capital Redemption Reserve £'000	Equity Component CULS 2011 £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
At 31 January 2008		10,401	9,192	22,926	218	1,161	2,722	634	47,254
3.25% Convertible Unsecured Loan Stock 2011 bought back and cancelled		–	–	–	–	(96)	8	–	(88)
Ordinary shares bought back and held in treasury		–	–	(4,881)	–	–	–	–	(4,881)
Ordinary shares cancelled out of treasury		(994)	–	–	994	–	–	–	–
Net (loss)/return from ordinary activities		–	–	–	–	–	(12,658)	629	(12,029)
Final dividend paid year ended 31 January 2008	8	–	–	–	–	–	–	(373)	(373)
At 31 January 2009		**9,407**	**9,192**	**18,045**	**1,212**	**1,065**	**(9,928)**	**890**	**29,883**

The accompanying notes are an integral part of this statement

Balance Sheet

as at 31 January

	Notes	2010 £'000	2009 £'000
Fixed Assets			
Investments held at fair value through profit or loss	10	**47,221**	37,212
Current Assets			
Listed put options held at fair value through profit or loss		**1,057**	–
Futures contracts held at fair value through profit or loss		**235**	488
Debtors	11	**761**	157
Cash at bank		**3,068**	969
		5,121	1,614
Creditors: amounts falling due within one year			
Other creditors	12	**(568)**	(316)
		(568)	(316)
Net current assets		**4,553**	1,298
Total assets less current liabilities		**51,774**	38,510
Creditors: amounts falling due after more than one year			
3.25% Convertible Unsecured Loan Stock 2011	13	**(8,836)**	(8,627)
Net assets		**42,938**	29,883
Capital and reserves			
Ordinary share capital	14	**9,365**	9,407
Subscription share capital	14	**64**	–
Share premium account		**9,684**	9,192
Other reserves:			
Special reserve		**18,983**	18,045
Capital redemption reserve		**1,336**	1,212
Equity component 3.25% Convertible Unsecured Loan Stock 2011		**1,065**	1,065
Capital reserve		**1,138**	(9,928)
Revenue reserve		**1,303**	890
Equity Shareholders' funds		**42,938**	29,883
Net asset value per Ordinary share:			
Basic	15	**121.46p**	88.23p
Diluted	15	**119.09p**	88.23p

These financial statements for The Cayenne Trust plc (registered in England and Wales No: 2774914) were approved by the Board of Directors on 13 April 2010.

Signed on behalf of the Board of Directors

Jonathan Agnew
Chairman

The accompanying notes are an integral part of this statement

Cash Flow Statement

for the year ended 31 January

	Notes	**2010 £'000**	2009 £'000
Net cash (outflow)/inflow from operating activities	16(a)	**(3,659)**	6,576
Servicing of finance	16(b)	**(298)**	(303)
Financial investment	16(b)	**4,943**	(2,218)
Equity dividends paid		**(471)**	(373)
Net cash inflow before financing		**515**	3,682
Financing			
Cancellation of 3.25% Convertible Unsecured Loan Stock 2011		**–**	(760)
Shares bought back and held in treasury		**(522)**	(4,881)
Re-issue of Ordinary shares from treasury		**1,946**	–
Redemption of Subscription shares and issue of Ordinary shares		**337**	–
Expenses relating to the issue, and conversions, of Subscription shares		**(185)**	–
Increase/(decrease) in cash during the year		**2,091**	(1,959)

Reconciliation of net cash flow to movement in net debt

	Notes	2010	2009
Increase/(decrease) in cash during the year		**2,091**	(1,959)
Exchange movements		**8**	(33)
Non-cash flow movements:			
Notional interest charge on 3.25% Convertible Unsecured Loan Stock 2011 – income		**(42)**	(40)
Notional interest charge on 3.25% Convertible Unsecured Loan Stock 2011 – capital		**(167)**	(158)
Cancellation of 3.25% Convertible Unsecured Loan Stock 2011:			
Cancellation of debt element		**–**	762
Change in net debt		**1,890**	(1,428)
Opening net debt		**(7,658)**	(6,230)
Closing net debt	16(c)	**(5,768)**	(7,658)

The accompanying notes are an integral part of this statement

Notes to the Financial Statements

for the year ended 31 January 2010

1. Accounting policies

A summary of the principal accounting policies is set out below. They are consistent with the policies set out in the annual report for the year ended 31 January 2009.

a) Basis of accounting

The financial statements have been prepared under the historical cost convention under the Companies Act 2006 except that certain assets and liabilities, as described below, are stated at their fair value as allowed under the fair value accounting rules of Accounting Standards and with the Statement of Recommended Practice ("SORP") "Financial Statements of Investment Trust Companies", issued by the Association of Investment Companies in January 2009.

b) Investments

Investments are classified at fair value through profit or loss. As the Company's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increases in fair value, listed equities and fixed income securities are designated at fair value through profit or loss on initial recognition. Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within a timeframe established by the market concerned. Where securities are designated upon initial recognition as fair value through profit or loss, gains and losses arising from changes in fair value are included in the net profit or loss for that period as a capital item and transaction costs on acquisition or disposal of the security are expensed. Financial assets designated at fair value through profit or loss, are measured at subsequent reporting dates at fair value, which is the bid price.

c) Listed put options and futures contracts

Listed put options and futures contracts are classified at fair value through profit or loss and further fall within the classification of held for trading in accordance with FRS26. The fair value is the applicable closing price of the underlying option or contract.

d) Forward currency contracts

Forward currency contracts are used to hedge foreign exchange exposures arising on investments in foreign currencies. These forward currency contracts are classified as held for trading financial instruments and are held at fair value through profit or loss. The forward currency contracts are revalued to the rates of exchange at the balance sheet date.

e) Debtors, and other creditors

Debtors are classified as loans and receivables which are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. Other creditors are classified as other financial liabilities. After initial measurement at fair value these assets and liabilities are subsequently measured at amortised cost using the effective interest rate method adjusted, in the case of assets, for any amounts written off and any provisions for impairment.

f) 3.25% Convertible Unsecured Loan Stock 2011

Convertible Unsecured Loan Stock issued by the Company is regarded as a compound instrument, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using a comparable bond with a coupon rate and maturity for a similar non-convertible debt. The difference between the proceeds of issue of the Convertible Unsecured Loan Stock and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Company, is included in equity. The liability is subsequently measured at amortised cost using the effective interest rate method.

Notes to the Financial Statements

continued

The interest expense on the liability component is calculated according to the effective interest rate method by applying the prevailing market interest rate at initial recognition for a similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the Convertible Unsecured Loan Stock.

When units are repurchased for cancellation, the gains or loss is calculated as the difference between the fair value of the consideration and the carrying value of the debt and equity elements. At the time of each re-purchase, the fair value of the consideration is assigned between debt and equity by reference to a comparable bond with a coupon rate and maturity for a similar non-convertible debt. Gains/losses assigned to the early redemption of debt are recognised in the income statement. Gains/losses assigned to the conversion option are recognised directly in equity. All gains/losses on repurchase are recognised in capital.

g) Income

All dividends and any related tax credits are recognised on the date investments are marked ex-dividend. The fixed returns on debt securities and non-equity shares have been accounted for on an effective interest rate basis. The effective interest rate on non-equity shares is calculated by reference to comparable bonds which have similar coupon rates and maturity dates, but are non-convertible debt. Deposit interest and underwriting commission receivable are recognised on an accruals basis.

h) Expenses

The investment management fee and finance costs have been allocated 80% to capital reserves – realised and 20% to the revenue account within the Income Statement in line with the Board's expected long-term split of returns from the investment portfolio of the Company. Performance fees are charged entirely to capital reserves. Expenses incurred where a connection with the maintenance or enhancement of the value of investments can be demonstrated, and expenses associated with share buy-backs, are charged to capital reserves. All other expenses are charged to the revenue account.

i) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax effect of different items of expenditure is allocated between capital and revenue on the same basis as the particular item to which it relates, using the marginal method. This basis is in accordance with the SORP issued by the Association of Investment Companies.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are not discounted.

j) Foreign currency

Transactions in foreign currency, whether of a revenue or capital nature, are translated to Sterling at the rates of exchange ruling on the dates of such transactions. Foreign currency assets and liabilities are translated to Sterling at the rates of exchange ruling at the Balance Sheet date. Any gains or losses are taken to revenue reserve or capital reserve, as appropriate.

k) Treasury shares

Consideration paid for the purchase of shares held in treasury is recognised directly in equity. The cost of treasury shares held is presented in the Special Reserve.

l) **Capital Reserve**

Capital reserve – other

The following are taken to this reserve:

– Gains and losses on the disposal of investments

– Exchange differences of a capital nature

– Expenses, together with the related taxation effect, allocated to this reserve in accordance with the above policies

Capital reserve – investment holding gains

The following are taken to this reserve:

– Increase and decrease in the valuation of investments held at the year end.

2. Investment and other income

	2010	*2009*
	£'000	*£'000*
Income from investments		
UK dividends	**762**	787
Unfranked investment income	**198**	74
UK fixed interest	**308**	189
Short term investment fund income	**10**	86
	1,278	1,136
Other income		
Deposit interest	**–**	13
Interest received re VAT refund on management fees	**50**	–
Total income	**1,328**	1,149
Total income comprises:		
Dividends	**960**	861
Interest	**368**	288
	1,328	1,149

There were no special dividends treated as capital received during the year (2009: nil).

All the above income relates to assets held at fair value through profit or loss except for deposit income which is from assets recorded at amortised cost using the effective interest rate method.

3. Investment management fee

		2010			*2009*	
	Revenue £'000	***Capital £'000***	***Total £'000***	*Revenue £'000*	*Capital £'000*	*Total £'000*
Investment management fee	**89**	**357**	**446**	78	313	391

To avoid the double charging of management fees, the market value of the Company's holding in Apollo Fund Plc (also managed by Cayenne Asset Management Limited) is excluded from the investment management fee calculation.

As at 31 January 2010 the Company held 155.02 shares in the Apollo Fund at a total cost of £2,886,209 and a market value of £3,369,648.

As at 31 January 2010 £122,287 (2009: £91,943) was due for payment in respect of management fees. There was no liability for performance fees (2009: nil).

Details of the Investment Management Agreement are disclosed in note 6 to the financial statements.

Notes to the Financial Statements

continued

4. Other expenses

	2010 £'000	2009 £'000
Administration fee	**99**	94
Directors' emoluments	**56**	56
Auditors' remuneration for:		
– annual audit	**19**	20
– taxation	**3**	3
– other advisory services to the Company	**–**	6
Custodian fees	**7**	11
Printing fees	**14**	22
Directors' liability insurance	**16**	16
London Stock Exchange/FSA fees	**17**	12
Brokerage fees	**28**	29
Registrar's fees	**18**	27
Employer's national insurance contributions	**6**	6
Other support services	**43**	40
	326	342

The maximum Directors' fees authorised by the Articles of Association are £100,000 per annum.

Of the Directors' fees disclosed above, nil was payable to third parties in respect of making available the services of Directors (2009: nil).

In addition to the above, a further £8,000 of capital related expenses were charged to capital reserves (2009: £21,000).

5. Interest payable and similar charges

		2010			2009	
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Interest on 3.25% Convertible Unsecured Loan Stock 2011	**102**	**405**	**507**	100	398	498
Overdraft interest	**–**	**–**	**–**	–	2	2
	102	**405**	**507**	100	400	500

6. Disclosure of interests

In accordance with the Investment Management Agreement dated 30 January 2006, between the Company and Cayenne Asset Management Limited (Cayenne), Cayenne has been appointed to provide investment research and discretionary fund management services to the Company, for which Cayenne receives an annual management fee of 1% of total assets (excluding any investment in Apollo) payable quarterly in arrears, and an annual performance fee equivalent to 10% of the out performance of a hurdle rate of 5% per annum on a total return basis, subject to a high water mark.

Cayenne's appointment as Investment Manager is subject to termination by either party on six months' notice.

Under an Administration Agreement dated 21 June 2006 between the Company and Phoenix Administration Services Limited (Phoenix), Phoenix has been appointed to provide administration and company secretarial services to the Company, for which Phoenix receives an annual fee of £90,000 plus VAT.

7. Tax on ordinary activities

Factors effecting tax charge for the year

	2010 £'000	2009 £'000
Return/(loss) on ordinary activities before taxation	**11,950**	(12,029)
Reconciliation of current tax charge		
Theoretical tax at UK Corporation Tax rate of 28% (2009: 28.36%*)	**3,346**	(3,411)
Effects of:		
– Capital (gains)/losses which are not taxable	**(3,099)**	3,589
– UK dividends which are not taxable	**(213)**	(223)
– Overseas dividends which are not taxable	**(45)**	–
– Expenses not deductable for tax purposes	**12**	12
– Income taxable in different periods	**–**	–
– Movement in excess expenses	**(1)**	33
Actual current tax amount	**–**	–

*Under the Finance Act 2008, the rate of Corporation Tax was lowered to 28% from 30% on 1 April 2008. An average rate of 28.36% was applicable for the year ended 31 January 2009.

As allowable and utilised excess expenses exceeded taxable income for the year, no corporation tax is payable for the year (2009: nil).

Factors that may affect future tax charges

The Company has excess management expenses and non-trading loan relationship deficits of £12,561,000 (2009: £12,566,000) that are available to offset future taxable revenue. A deferred tax asset has not been recognised in respect of these expenses since they are recoverable only to the extent that the Company has sufficient future taxable revenue.

Due to the Company's status as an investment trust company, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

8. Dividends

	2010 £'000	2009 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 January 2009 of 1.4p per share (2008: 1.0p per share)	**471**	373

For the year ending 31 January 2010 the directors recommend a final dividend of 2.2p per share.

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9. Return per Ordinary share

(a) Basic earnings

	2010	2009
Total earnings per Ordinary share		
Total earnings	**£11,950,000**	£(12,029,000)
Weighted average number of Ordinary shares in issue during the year	**33,928,514**	35,732,298
Total earnings per Ordinary share	**35.22p**	(33.66)p

The total earnings per Ordinary share above can be further analysed between revenue and capital, as follows:

	2010	2009
Revenue earnings per Ordinary share		
Revenue earnings	**£884,000**	£629,000
Weighted average number of Ordinary shares in issue during the year	**33,928,514**	35,732,298
Revenue earnings per Ordinary share	**2.61p**	1.76p
Capital earnings per Ordinary share		
Capital earnings	**£11,066,000**	£(12,658,000)
Weighted average number of Ordinary shares in issue during the year	**33,928,514**	35,732,298
Capital earnings per Ordinary share	**32.61p**	(35.42)p

(b) Diluted earnings

Year ended 31 January 2010

The diluted earnings per Ordinary share have been calculated on the assumption that the 3.25% Convertible Unsecured Loan Stock 2011 was fully converted on the first day of the financial period, giving a weighted average of 40,701,298 Ordinary shares in issue and revenue earnings on ordinary activities after taxation of £986,000, capital earnings of £11,471,000 and total earnings of £12,457,000. The diluted earnings per Ordinary share of 2.42p, 28.18p and 30.60p respectively reflect the savings in finance costs of the loan stock. The unexercised Subscription shares have no dilutive effect on the earnings per Ordinary share.

Year ended 31 January 2009

The revenue earnings (but not the capital and total earnings) for the year ended 31 January 2009 are diluted. The diluted revenue earnings per Ordinary share have been calculated on an assumption that the 3.25% Convertible Unsecured Loan Stock 2011 was fully converted on the first day of the financial period, giving a weighted average of 42,401,138 Ordinary shares in issue and revenue earnings on ordinary activities after taxation of £729,000. The diluted revenue earnings per Ordinary share of 1.72p reflect the savings in finance costs of the loan stock. The diluted capital and total earnings per Ordinary share are therefore equal to the basic returns per Ordinary share.

10. Investments

	2010 £'000	2009 £'000
(a) Analysis of investments by listing status		
Investments listed on a recognised stock exchange		
– Equities	**37,494**	29,702
– Fixed Interest bearing securities	**7,336**	6,743
– Subscription shares	**1,962**	266
– Warrants	**429**	501
	47,221	37,212

	2010 £'000	2009 £'000
(b) Analysis of investment gains/(losses)		
Opening book cost	**53,795**	49,938
Opening unrealised depreciation	**(16,583)**	(1,404)
Opening valuation	**37,212**	48,534
Movements in the year:		
Purchases at cost	**32,182**	36,730
Sales – proceeds	**(37,079)**	(31,697)
– realised losses on sales	**(584)**	(1,176)
Decrease/(increase) in unrealised depreciation	**15,490**	(15,179)
Closing valuation	**47,221**	37,212
Closing book cost	**48,314**	53,795
Closing unrealised depreciation	**(1,093)**	(16,583)
	47,221	37,212
Sales proceeds	**37,079**	31,697
Investments at cost	**(37,663)**	(32,873)
Realised losses on sales based on historical cost	**(584)**	(1,176)
Losses recognised as unrealised in previous year	**7,169**	354
Realised gains/(losses) on sales based on carrying value at previous years balance sheet date	**6,585**	(822)
Unrealised appreciation/(depreciation) for the year	**8,321**	(15,533)
Net gains/(losses) on investments	**14,906**	(16,355)

(c) Transaction costs

Investment transaction costs on purchases and sales of investments during the year to 31 January 2010, amount to £172,000 and £58,000 respectively (2009: £144,000 and £42,000 respectively).

(d) Registration of investments

The investments of the Company are registered in the name of the Company or in the name of nominees and held to the order of The Cayenne Trust plc.

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11. Debtors

	2010 **£'000**	2009 £'000
Amounts due from brokers	**200**	–
Prepayments and accrued income	**561**	157
	761	157

12. Creditors: amounts falling due within one year

	2010 **£'000**	2009 £'000
Amounts due to brokers	**394**	148
Accruals and deferred income	**174**	168
	568	316

13. Non current liabilities: 3.25% Convertible Unsecured Loan Stock 2011

	2010		2009	
	No. of units 000's	***£'000***	*No. of units 000's*	*£'000*
Balance at beginning of year	**9,171**	**8,627**	10,000	9,191
Cancellation of 3.25% Convertible Unsecured Loan Stock 2011	**–**	**–**	(829)	(762)
Finance charge to the Income Statement (see note 1f)	**–**	**209**	–	198
Balance at end of year	**9,171**	**8,836**	9,171	8,627

On 25 April 2006 the Company issued a 3.25% Convertible Unsecured Loan Stock 2011 ("CULS") for a nominal value of £10,000,000 which can be converted twice a year into Ordinary shares during the months of January and July commencing January 2008, the final conversion date being 31 July 2011. Post the "C" share conversion the CULS were convertible at a rate of 70.77 Ordinary shares for every £100 nominal of CULS. As a result of the issue of Subscription shares on 5 June 2009, the conversion ratio of the CULS was adjusted from 70.77 Ordinary shares for every £100 nominal of CULS to 73.85 Ordinary shares for every £100 nominal of CULS. Interest is paid on the CULS on 31 January and 31 July each year. The interest is charged 20% to revenue and 80% to capital in line with the Board's expected long-term split of returns from the investment portfolio of the Company.

During the year the Company bought back and cancelled nil (2009: 829,000) units of the CULS at a cost of £nil (2009: £759,600).

14. Called-up share capital

	2010 £'000	2009 £'000
Authorised:		
220,000,000 Ordinary shares of 25p each (2009: 220,000,000)	**55,000**	55,000
15,000,000 Subscription shares of 1p each (2009: nil)	**150**	–
Called-up and fully paid:		
37,460,224 Ordinary shares of 25p each (2009: 37,630,000)	**9,365**	9,407
6,408,666 Subscription shares of 1p each (2009: nil)	**64**	–

	Number of Ordinary shares	*Ordinary share capital £'000*	*Number of Subscription shares*	*Subscription share capital £'000*
Balance at beginning of year	37,630,000	9,407	–	–
Shares bought back and cancelled during the year	(487,800)	(121)	–	–
Issue of Subscription shares	–	–	6,726,690	67
Issue of new Ordinary shares from redemption of Subscription shares	318,024	79	(318,024)	(3)
Balance at end of year	37,460,224	9,365	6,408,666	64

During the year 554,550 Ordinary shares were bought back and placed in treasury for an aggregate consideration of £522,024 and 1,720,000 Ordinary shares held in treasury were re-issued into the market with aggregate proceeds of £1,946,275. 487,800 Ordinary shares have been cancelled out of treasury. On 5 June 2009 the Company issued 6,726,690 Subscription shares as a bonus issue to the Ordinary shareholders on the basis of one Subscription share for every five Ordinary shares held. Each Subscription share confers the right (but not the obligation) to subscribe for one Ordinary share at a subscription price of 106p per Ordinary share on 31 December 2009, 31 March 2010 and 30 June 2010 whereupon the rights under the Subscription shares will lapse. During the year the Company redeemed 318,024 Subscription shares and issued 318,024 Ordinary shares for a net consideration of £337,105.

The Ordinary shares in issue at the year end includes 2,109,000 Ordinary shares held in treasury (2009: 3,762,250). See note 20 for details of transactions in the Company's own shares since the year end.

15. Net asset value per Ordinary share

	2010	2009
Net asset values attributable	**£42,938,000**	£29,883,000
Ordinary shares in issue at the year end	**35,351,224**	33,867,750
Basic net asset value per Ordinary share	**121.46p**	88.23p

The basic net asset value per Ordinary share is based on net assets of £42,938,000 which includes the deduction of the liability component of the 3.25% Convertible Unsecured Loan Stock 2011 and on 35,351,224 Ordinary shares being the number of Ordinary shares in issue at the year end, excluding 2,109,000 Ordinary shares held in treasury.

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The diluted net asset value per Ordinary share is based on the assumption that the Subscription shares are fully redeemed into 6,408,666 Ordinary shares at a subscription price of 106p per Ordinary share resulting in net assets of £49,732,000 which includes the deduction of the liability component of the 3.25% Convertible Unsecured Loan Stock 2011 and on 41,759,890 Ordinary shares in issue at the period end, excluding 2,109,000 Ordinary shares held in treasury. The 3.25% Convertible Unsecured Loan Stock 2011 has no dilutive effect on the net asset value per Ordinary share.

Under The Association of Investment Companies (AIC) guidelines, the basic net asset value per Ordinary share and diluted net asset value per Ordinary share are calculated as follows:

	2010	*2009*
Total assets less current liabilities (per the balance sheet)	**£51,774,000**	£38,510,000
Redemption value of 3.25% Convertible Unsecured Loan Stock 2011	**£(9,171,000)**	£(9,171,000)
Net assets (CULS at par value)	**£42,603,000**	£29,339,000
Ordinary shares in issue at the year end	**35,351,224**	33,867,750
Basic net asset value per Ordinary share	**120.51p**	86.63p

The diluted net asset value per Ordinary share is based on the assumption that the Subscription shares are fully redeemed into 6,408,666 Ordinary shares at a subscription price of 106p per Ordinary share resulting in net assets of £49,397,000 which includes the redemption value of the 3.25% Convertible Unsecured Loan Stock 2011 and on 41,759,890 Ordinary shares in issue at the period end, excluding 2,109,000 Ordinary shares held in treasury. The 3.25% Convertible Unsecured Loan Stock 2011 has no dilutive effect on the net asset value per Ordinary share.

16. Notes to the cash flow statement

(a) Reconciliation of net return/(loss) on ordinary activities before tax to net cash (outflow)/inflow from operating activities

	2010 £'000	*2009 £'000*
Net return/(loss) before finance costs and taxation	**12,457**	(11,529)
(Gains)/losses on investments	**(14,906)**	16,355
Gains on cancellation of 3.25% Convertible Unsecured Loan Stock 2011	**–**	(90)
Movement in Derivative contracts held	**(804)**	2,418
Exchange differences	**(8)**	33
(Increase)/decrease in debtors	**(433)**	7,340
Decrease/(increase) in accrued income	**29**	(54)
Increase/(decrease) in creditors	**6**	(7,897)
Net cash (outflow)/inflow from operating activities	**(3,659)**	6,576

(b) Analysis of cash flows for headings netted in the cash flow statement

	2010 £'000	*2009 £'000*
Servicing of finance		
Interest paid allocated to income	**(60)**	(60)
Interest paid allocated to capital	**(238)**	(243)
Net cash outflow from servicing of finance	**(298)**	(303)
Financial investment		
Purchase of investments	**(31,936)**	(37,654)
Sale of investments	**36,879**	35,436
Net cash inflow/(outflow) from financial investments	**4,943**	(2,218)

(c) Analysis of changes in net debt

	1 February 2009 £'000	***Cash flow £'000***	***Non cash flow £'000***	***Exchange Movements £'000***	***31 January 2010 £'000***
Net cash:					
Cash at bank	**969**	**2,091**	**–**	**8**	**3,068**
3.25% Consolidated Unsecured Loan Stock 2011	**(8,627)**	**–**	**(209)**	**–**	**(8,836)**
Net debt	**(7,658)**	**2,091**	**(209)**	**8**	**(5,768)**

17. Contingencies, guarantees or financial commitments

There were no contingencies, guarantees or financial commitments of the Company at the year end (2009: none).

18. Related-party transactions

Cayenne Asset Management Limited also acts as Investment Manager for Apollo Fund plc.

Len Gayler is a director and major shareholder of Cayenne Asset Management Limited and a director of Apollo Fund plc. At 31 January 2010 he controlled by virtue of his direct holdings 1,745,000 (2009: 1,635,000) Ordinary shares, 750,000 (2009: 750,000) 3.25% Convertible Unsecured Loan Stock 2011 and 343,000 Subscription shares in The Cayenne Trust plc. The Subscription shares were subscribed on 31 March 2010.

Christopher Jones, a director of The Cayenne Trust plc, is also a director of Ecofin Water & Power Opportunities plc. The Company's investments in Ecofin Water & Power Opportunities plc are shown on page 9.

Mr Agnew is chairman of LMS Capital plc in which the Company had an investment for part of the year.

19. Financial instruments and fund risk profile

Risk Management Policies and Procedures

The Company's investment objective is to achieve consistent positive absolute returns.

As an investment trust the Company invests in equity shares, fixed interest investments, preference shares and quoted futures and options for the long-term so as to secure its investment objective. In pursuing its investment objectives, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a revenue shortfall. These risks,

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market risk (comprising currency, interest rate and price risk), liquidity risk, and credit risk together with the Director's approach to the management of them, are set out in this note to the financial statements. The Board of Directors and the Investment Manager co-ordinate the Company's risk management. No changes have been made to the risk policies from the prior year.

The Company invests principally in securities of UK investment trust companies and other closed-end funds. Up to 15% of the Company's assets, at the time of investment, may be invested in Apollo Fund plc as seen in the 'Investments in Order of Valuation' on page 9. The Company will seek to ensure preservation of capital by the use of derivatives and similar instruments to the extent permissible within the regulations governing investment trust companies and the Listing Rules. In addition the Company holds cash and liquid resources and various items such as debtors/creditors that arise directly from its operations.

The Company enters into derivative transactions which comprise forward currency contracts (the purpose of which is to manage currency risk arising from the Company's investing activities), futures contracts and listed put options on indices appropriate to sections of the portfolio (the purpose of which is to provide protection against falls in the capital values of the holdings).

The Company, as stated in the Report of the Directors on page 10, conducts its affairs so as to enable it to qualify as an investment trust. As part of the rules governing this status, no investment at the time of purchase can represent more than 15% by value of the Company's portfolio of investments.

Investments listed within the 'Investments in Order of Valuation' on page 9 are stated at fair value. The valuation policy for the Company's assets and liabilities is disclosed in Note 1 to the financial statements.

Market risk
The fair value or future cash flows of the Company's financial instruments may fluctuate due to changes in market risk. Market risk encompasses mainly equity price risk but also foreign exchange risk and interest rate risk which are discussed below.

Market risk is monitored by the Board on a quarterly basis and on a continuous basis by the Investment Manager.

The Company's exposure to equity price risk at the year end is represented primarily by fair value of ordinary shares in investment trusts held per the 'Investments in Order of Valuation' on page 9. The Company transacts futures contracts and put options on equity indices which alters its exposure to equity price risk.

The Company holds investments in investment trusts and other closed ended funds which are directly exposed to equity and other financial markets including the commercial property market. These investment trusts and funds may utilise leverage and be exposed to foreign currency exchange rate movements. The Company also holds various hedging positions to mitigate exposure to substantial movements in financial markets and these are monitored and traded constantly.

If the investment portfolio (excluding short dated gilts) increased/decreased by 10% at 31 January 2010 (2009: 10%), the impact would be a gain/loss of £4,566,000 (2009: gain/loss £3,150,000).

The Company employs hedging strategies which aim to mitigate any reduction in the value of the portfolio in declining markets. This strategy is based around the movement in stock market indices which will not necessarily react to changing economic conditions in the same way as the portfolio would. The hedge positions held at 31 January 2010 would have had a positive impact on the Company's portfolio of £2,388,000 for a 10% fall in the FTSE 100 and MSCI Emerging Markets Indices (2009: positive impact on the Company's portfolio of £615,000 for a 10% fall in the FTSE 100 Index).

Currency risk

The following table shows the foreign exchange risk analysis:

Currency of Assets	***Investments held at fair value through profit or loss***	***Listed put options and futures***
At 31 January 2010	***£'000***	***£'000***
Sterling	**45,943**	**1,052**
US Dollars	**1,278**	**240**
Euro	**–**	**–**
	47,221	**1,292**
At 31 January 2009		
Sterling	35,087	488
US Dollars	2,125	–
Euro	–	–
	37,212	488

No material foreign currency balances exist in other classes of financial asset.

It is the Board's policy to monitor foreign currency risk. The Investment Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the board on a quarterly basis. The Investment Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value through movements in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed.

The Company may use forward currency contracts to hedge foreign exchange movements and reduce the Company's exposure to anticipated future changes in exchange rates which might otherwise adversely affect the value of the Company's investments. This hedging is for economic purposes and hedge accounting has not been applied. During the year, the Company had partially hedged its exposure to the Euro. At the year-end the Company had not hedged its exposure to US Dollars/Euro's by selling US Dollars/Euro's against Sterling, (2009: nil).

Foreign currency amounts received by the Company are converted into Sterling in due course. The Company does not use financial instruments to mitigate currency exposure during the period between the time that a receipt is recorded in the financial statements and its receipt.

The following table illustrates the sensitivity of the profit after taxation for the year and the equity in regard to the Company's significant monetary financial assets and financial liabilities and the exchange rates for £/US Dollar, and £/Euro.

It assumes the £/US Dollar exchange rate strengthens or weakens by 4.69% (2009: 10.08%) and the £/Euro exchange rate strengthens or weakens by 2.09% (2009: 4.24%). These percentages have been determined based on the average daily market volatility in these exchange rates over the previous 12 months. The sensitivity analysis is based on the Company's significant foreign currency financial instruments held at each balance sheet date, and takes accounts of forward foreign exchange contracts that offset the effects of changes in currency exchange rates.

The currency exposure in underlying assets is dynamic and has not been disclosed.

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The effects of Sterling strengthening or weakening against the US Dollar or Euro on assets owned directly by the Company and assuming there is no movement in the underlying price of securities are shown below:

	2010		*2009*	
	US$ £'000	**Euro £'000**	*US$ £'000*	*Euro £'000*
Sterling strengthens against the US Dollar/Euro				
Profit after taxation for the year	**(71)**	**–**	(195)	–
Sterling weakens against the US Dollar/Euro				
Profit after taxation for the year	**78**	**–**	238	–

Interest rate risk

The Company is exposed to risk associated with the effects of fluctuations in prevailing levels of market interest rates on its financial position and cash flows.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions. The Investment Manager reviews on a regular basis the values of the fixed interest rate convertible securities.

Interest rate risk is limited by the Company's financial structure with operations mainly financed through its share capital, share premium and retained profits consisting of capital profits. In addition, until its conversion, financing is also provided by the 3.25% Convertible Unsecured Loan Stock 2011.

The Company, generally, does not hold significant cash balances, with short-term borrowings being used when required. Derivative contracts are not used to hedge against the exposure to interest rate risk.

As at 31 January, the exposure to interest rate risk of the Company's financial assets and financial liabilities is shown in the table below by reference to:

- Floating interest rates (cash flow interest rate risk) where the interest rate is due to be re-set;
- Fixed interest rates (fair value interest rate risk) where the financial instrument is held at fair value through profit and loss.

	2010 £'000	*2009 £'000*
Investments held at fair value through profit or loss – bonds – fixed rate assets	**7,336**	6,743
Cash at bank – floating rate assets	**3,068**	969

All the remaining assets and liabilities in the Company are non interest bearing.

The maturity dates and the nominal interest rates on the fixed interest bearing securities held at fair value through profit or loss are shown in the 'Investments in Order of Valuation' on page 9. The weighted average effective interest rate on these investments is 3.52% (2009: 4.09%).

The Company's fixed income portfolio at the year end was valued at £7,336,000 (2009: £6,743,000) and it had a modified duration (interest rate sensitivity) of approximately 5.71 years (2009: 1.60 years). A 1% increase/decrease in relevant market interest rates would be expected to decrease/increase the portfolio's value by approximately £419,000 (2009: £108,000), all other factors being equal.

The following table illustrates the sensitivity of the profit before taxation for the year to an increase or decrease of 1% (2009: 1%) in interest rates on cash balances, the only floating rate asset held.

Effects of 1% increase/decrease in interest rate:

	2010		2009	
	Increase £'000	***Decrease £'000***	*Increase £'000*	*Decrease £'000*
Profit after taxation for the year	**31**	**(31)**	10	(10)

Other price risk

Other price risks (i.e. changes in market prices other than those arising from interest rate risk or currency risk) arise mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements.

The Board of Directors manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Manager. The Board meets regularly and at each meeting reviews investment performance. The Board monitors the Investment Manager's compliance with the Company's objectives, and is directly responsible for investment strategy and asset allocation. When appropriate, the Company manages its exposure to risk by using listed put options and futures contracts on indices appropriate to sections of the portfolio.

An analysis of the Company's investment portfolio is shown on page 9. This analysis shows that the Company is predominantly invested in UK listed investments. It is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

The Company's exposure to other changes in market prices at 31 January on its equity investments, listed put options and futures contracts on indices was as follows:

	2010 £'000	*2009 £'000*
Fixed asset investments held at fair value through profit or loss (note 10)	**47,221**	37,212
Listed futures contracts held at fair value through profit or loss	**235**	488
Listed put options held at fair value through profit or loss	**1,057**	–
	48,513	37,700

Liquidity risk

Liquidity risk relates to the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The majority of the Company's assets are readily realisable, being listed or traded on regulated markets. The Investment Manager monitors the expected cash outflows and manages the Company's liquidity accordingly on a daily basis. The Board of Directors reviews it on a quarterly basis.

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The remaining contractual maturities of the financial liabilities at 31 January, based on the earliest date on which payment can be required was as follows:

At 31 January 2010	*3 months or less £'000*	*More than three months but not more than 1 year £'000*	*In more than 1 year but not more than 5 years £'000*	*Total £'000*
Creditors: amounts falling due after more than one year				
– 3.25% Convertible Unsecured Loan Stock 2011	**–**	**–**	**(9,171)**	**(9,171)**
– Interest on 3.25% Convertible Unsecured Loan Stock 2011	**–**	**(298)**	**(149)**	**(447)**
– Short-term creditors	**(568)**	**–**	**–**	**(568)**
Total financial liabilities	**(568)**	**(298)**	**(9,320)**	**(10,186)**
At 31 January 2009				
Creditors: amounts falling due after more than one year				
– 3.25% Convertible Unsecured Loan Stock 2011	–	–	(9,171)	(9,171)
– Interest on 3.25% Convertible Unsecured Loan Stock 2011	–	(298)	(447)	(745)
– Short-term creditors	(316)	–	–	(316)
Total financial liabilities	**(316)**	**(298)**	**(9,618)**	**(10,232)**

The amounts shown for the 3.25% Convertible Unsecured Loan Stock 2011 are the undiscounted contractual amounts that are to be paid, and as such differ from the amounts shown in the balance sheet.

Credit risk

The Company is exposed to credit risk as a result of holding cash balances, foreign exchange forward currency contracts and futures contracts and listed put options (2009: futures contracts). The Company will also take a credit risk on the parties with which it trades and therefore the Investment Manager will seek only to transact with established counterparties.

The maximum exposure to credit risk on 31 January is:

	2010 £'000	*2009 £'000*
Futures contracts	**235**	488
Listed put options	**1,057**	–
Cash	**3,068**	969
Debtors	**761**	157
	5,121	1,614

During the year forward currency contracts had been entered into with JP Morgan which is an international financial institution with a credit rating of A+ (2009: A+). The Company also takes positions in listed put options and futures contracts on the London International Financial Futures and options Exchange (LIFFE) via Merrill Lynch (Bank of America) which is an international financial institution with a credit rating of A (2009: A+). Cash balances are also held with JP Morgan, Merrill Lynch and the JP Morgan Money Market Fund.

No financial assets are past due or impaired.

Since the Company mainly invests in listed UK investment trusts, credit risk is not significant on any other financial asset.

Fair values of financial assets and financial liabilities

Except for those financial liabilities measured at amortised cost that are shown below, the fair values of the financial assets and financial liabilities, are either carried in the balance sheet at their fair value (investments and derivatives), or the balance sheet amount is a reasonable approximation of fair value (due from brokers, dividends receivable, accrued income, due to brokers, accruals, and cash at bank).

	2010		*2009*	
	Book Value	***Fair Value***	*Book Value*	*Fair Value*
	£'000	***£'000***	*£'000*	*£'000*
3.25% Convertible Unsecured Loan Stock 2011	**(8,836)**	**(8,896)**	(8,627)	(8,621)

The fair value of the 3.25% Convertible Unsecured Loan Stock 2011 is based on the bid market price.

Financial assets held at fair value through profit or loss on initial recognition relate to fixed asset investments (see note 10). At 31 January 2010, financial assets held at fair value through profit or loss which fall within the FRS26 definition of held for trading relate to futures contracts and listed put options totalled £1,292,000 (2009: £488,000). At 31 January 2010 there were no financial liabilities held at fair value through profit or loss classified as held for trading (2009: none).

Valuation of financial instruments

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

– Level 1 – valued using quoted prices unadjusted in active markets for identical assets or liabilities.

– Level 2 – valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included within Level 1.

– Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability.

The tables below set out fair value measurements of financial instruments as at the year end, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Financial assets at fair value through profit or loss

At 31 January 2010

	Level 1	***Level 2***	***Level 3***	***Total***
	£'000	***£'000***	***£'000***	***£'000***
Equity investments	**36,515**	**3,370**	**–**	**39,885**
Fixed interest bearing securities	**7,336**	**–**	**–**	**7,336**
Derivatives	**1,292**	**–**	**–**	**1,292**
	45,143	**3,370**	**–**	**48,513**

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continued

The valuation techniques used by the Company are explained in the accounting policies note on page 31.

There have been no transfers during the year between Levels 1 and 2. A reconciliation of fair value measurements in Level 3 is not required as the Company has no assets or liabilities that fall within this category.

Capital management policies and procedures

The Company's capital management objectives are:

– to ensure that the Company will be able to continue as a going concern;
– to maximise the income and capital return to its shareholders; and
– to ensure the Company conducts its affairs to continue to obtain Section 842 approval.

The borrowing policy is that 'debt' as shown below should be below 30% of net assets.

The Company's capital at 31 January comprises:

	2010 £'000	*2009 £'000*
Debt		
– 3.25% Convertible Unsecured Loan Stock 2011	**8,836**	8,627
Equity		
– Equity share capital	**39,617**	37,856
– Retained earnings and other reserves	**3,321**	(7,973)
Net assets	**42,938**	29,883
Total Capital	**51,774**	38,510
Debt as a percentage of net assets	**20.58%**	28.87%

The Board, with the assistance of the Investment Manager monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

– the planned level of gearing, which takes account of the Manager's views on the market;
– the need to buy back equity shares, either for cancellation or to hold in treasury, which takes account of the difference between the net asset value per share and the share price (i.e. the level of share price discount or premium);
– the need for new issues of equity shares, including issues from treasury; and
– the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period and the Company has complied with them.

The Company is subject to externally imposed capital requirements due to its status as an investment company. In order to pay out distributions, which can be paid out of accumulated revenue returns, the Company must ensure that:

(a) the amount of its assets is at least equal to one and a half times the aggregate of its liabilities to creditors, and

(b) the distribution does not reduce that amount to less than one and a half times the aggregate in (a) above.

20. Post balance sheet events

Since the year end the Company has completed the following transactions in its own shares:

Shares bought back and held in treasury:

Date	*Number of Ordinary shares*	*Cost £'000*
05/02/2010	82,857	94
19/02/2010	80,000	90
05/03/2010	24,210	27
19/03/2010	33,444	38
26/03/2010	44,295	51
	264,806	**300**

On 1 April 2010 the Company allotted 3,130,233 Ordinary shares to Subscription share holders who elected to exercise their subscription rights at 31 March 2010.

21. VAT

Following the ruling by the European Court of Justice in June 2007 that investment management fees charged to investment trusts are exempt from VAT, Invesco Asset Management repaid in full to the Company in the last financial year £145,824 VAT which was charged whilst being the investment manager. Interest amounting to £49,686 relating to this recovery has also been received by the Company.

Notice of Annual General Meeting

NOTICE IS GIVEN that the Annual General Meeting of The Cayenne Trust plc (the "Company") will be held at the Crowne Plaza Hotel, Buckingham Gate, London SW1E 6AF on 10 June 2010 at 3.00 pm for the following purposes:

Ordinary Business

To consider and if thought fit to pass the following resolutions proposed as Ordinary Resolutions of the Company:

1. To receive the Directors' Report and Accounts for the year ended 31 January 2010.
2. To approve the Directors' Remuneration Report for the year ended 31 January 2010.
3. To approve the proposed final dividend of 2.2p per Ordinary share.
4. To re-elect Mr Jonathan Agnew a Director of the Company.
5. To re-appoint BDO LLP as Auditors and authorise the Directors to determine their remuneration.

Special Business

To consider and if thought fit to pass the following resolutions proposed as Special Resolutions of the Company:

Special Resolutions:

6. THAT the Directors (being generally and unconditionally authorised to allot equity securities by virtue of an Ordinary Resolution of the Company passed on 7 May 2008) be and are hereby generally and unconditionally authorised and empowered pursuant to Section 570 of the Companies Act 2006 ("Act") to allot equity securities (as defined in Section 560 of the Act) as if Section 561 of the Act did not apply to such allotment, provided that the authority hereby granted shall expire at the earlier of the date fifteen months after the passing of this resolution or the conclusion of the next following Annual General Meeting of the Company after the passing of this Resolution and shall be limited to:

   i) the allotment of equity securities up to an aggregate nominal value of £507,380, being approximately 5% of the capital currently in issue;

   ii) the allotment of equity securities at a price (excluding expenses) not less than the net asset value per share for the business day immediately preceding allotment (or if earlier agreement to allot);

   save that the Company shall be hereby permitted to enter into agreements for the allotment of equity securities and/or sale or transfer of equity securities before expiry of the authority hereby granted and the Company may allot equity securities and/or sell or transfer equity securities pursuant to such agreements as if the authority hereby granted had not expired.

7. THAT in accordance with Section 573 of the Companies Act 2006 ("Act") the Directors be and are hereby generally and unconditionally authorised and empowered to sell, transfer and allot Ordinary shares held by the Company in treasury (whether or not those shares are held in treasury at the date this Resolution is passed or repurchased pursuant to the authority sought under Resolution 8 below) for cash at discounted prices (excluding expenses) not exceeding 5% below the net asset value per Ordinary share for the business day immediately preceding such sale, transfer or allotment, (or, if earlier, agreement to sell, transfer or allot) as if Section 561 of the Act did not apply to such sale, transfer or allotment, provided that the authority hereby granted shall expire at the earlier of the date fifteen months after the passing of this resolution or the conclusion of the next following Annual General Meeting of the Company after the passing of this Resolution save that the Company may before such expiry enter into offer(s) or agreement(s) which shall or may require Ordinary shares held in treasury to be sold or allotted after such expiry and the Company may sell or allot Ordinary shares pursuant to such offer(s) or agreement(s) as if the authority hereby granted had not expired.

8. THAT the Company be and are hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 ("Act") to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares of 25p each in the capital of the Company provided that:

   i) the maximum aggregate number of Ordinary shares to be purchased shall be 5,728,675 (being approximately 14.99% of the Ordinary shares currently in issue, excluding treasury shares);

   ii) the minimum price which may be paid per Ordinary share shall be 25p;

   iii) the maximum price which may be paid per Ordinary share (exclusive of expenses) shall be an amount equal to the higher of (i) 5% above the average of the mid-market quotations for the Ordinary shares as shown on the Daily Official UK List of the London Stock Exchange for the 5 business days immediately preceding the day of purchase and (ii) the higher of the last independent trade and the highest current independent bid;

   iv) unless otherwise varied or renewed the authority hereby granted shall expire at the earlier of the date fifteen months after the passing of this resolution or the conclusion of the next following Annual General Meeting of the Company after the passing of this Resolution, save that before such expiry the Company may enter into agreement(s) to purchase Ordinary shares which may be completed wholly or partly after such expiry and the Company may purchase such Ordinary shares pursuant to such agreement(s) as if the authority hereby granted had not so expired; and

   v) any Ordinary shares bought back under the authority hereby granted may, at the discretion of the Directors, be cancelled or held in treasury and if held in treasury may be resold from treasury or cancelled at the discretion of the Directors.

Dated this 13 April 2010

By order of the Board
Phoenix Administration Services Limited
Company Secretary

The Cayenne Trust plc
Springfield Lodge
Colchester Road
Chelmsford
Essex CM2 5PW
Registered No: 2774914

Notes:

1. This Report & Accounts is circulated to holders of Ordinary shares, all of whom are entitled to attend, speak and vote at the above Annual General Meeting ("AGM"). It is also sent to holders of the Company's Subscription shares and 3.25% Convertible Unsecured Loan Stock 2011 who are not entitled to attend, speak or vote at the AGM by virtue of those holdings.
2. Any member entitled to attend and vote at the AGM is also entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the AGM on their behalf, provided that if multiple proxies are appointed they must be appointed to exercise rights in respect of different Ordinary shares. A member may not appoint more than one proxy to exercise the rights attached to any one share.
3. Proxies need not be members of the Company. A form of proxy is sent to members with the Report & Accounts. To be valid, the form of proxy and any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority should be sent to the Company's Registrar, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive no later than 3:00 pm on 8 June 2010. If multiple proxies are being appointed the form of proxy should be copied and a separate form of proxy completed, identifying the different Ordinary shares each represents and stating that it is in respect of a multiple proxy appointment, for each proxy. Completion and return of form(s) of proxy will not preclude a member from attending, speaking and voting in person at the AGM.

4. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising 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.
5. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent Capita Registrars (ID: RA10) by 3:00 pm on 8 June 2010. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
6. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI 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 providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
7. 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.
8. A person who is not a member of the Company and receives this notice of meeting as a person nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 ("Act") does not have a right to appoint proxies. However, if a nominated person has an agreement with the member who nominated them, the nominated person may have a right to be appointed as a proxy or a right to instruct the member as to the exercise of voting rights at the AGM.
9. Shareholders entered on the Register of Members of the Company at 3:00 pm on 8 June 2010, or 48 hours prior to the time of an adjourned meeting, are entitled to attend and vote at the AGM. Any changes to the Register of Members after such time and date shall be disregarded in determining the rights of any shareholders to attend and vote at the AGM.
10. Under Section 319(A) of the Act, the Company must cause to be answered any question relating to the business being dealt with at the AGM put by a member attending the AGM unless answering the question would interfere unduly with the preparation for the meeting, would involve the disclosure of confidential information, an answer has already been given on a website, or is undesirable in the interests of the Company or the good order of the AGM.
11. Members may not use any electronic address provided in this notice or any related document(s) to communicate with the Company for any purpose other than as specifically stated.
12. As at 12 April 2010, the latest practicable date prior to the publication of this notice, the Company's issued share capital comprised 37,460,224 Ordinary shares of 25p each, of which 2,109,000 were held in treasury, and 6,408,666 Subscription shares of 1p each. Subscription shares do not carry voting rights. Each Ordinary share carries the right to one vote at a general meeting of the Company and accordingly the total number of voting rights in the Company as at 12 April 2010 is 35,351, 224.
13. Information regarding the AGM, including the information required by Section 311A of the Act, can be found on the Company's website at www.thecayennetrust.com.
14. No Director has a service agreement with the Company. Directors' letters of appointment will be available for inspection at the AGM venue from 15 minutes before the time for the meeting until conclusion of the meeting.
15. Under Section 338 of the Act, members may require the Company to give to members of the Company entitled to receive this notice of meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting. Under Section 338A of the Act, members may request the Company to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may properly be included in the business.
16. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Act, the Company may be required to publish on a website a statement setting out any matter relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under Section 527 of the Act to publish on a website.

Shareholder Information

Capital Gains Tax

Further to an EGM on 1 February 1993, City and Commercial Investment Trust plc was placed in members' voluntary liquidation, with shareholders being offered the option to invest in INVESCO City and Commercial Trust plc 25p Ordinary shares, with warrants attached. On 8 February 1993, the first day of trading, the market prices for capital gains tax purposes of these were 85.5p and 20.5p respectively.

The Company changed its name to The Cayenne Trust plc on 30 January 2006.

Apportionment of costs

For the purposes of UK taxation the Bonus Issue of Subscription shares constituted a reorganisation of the share capital of the Company and, as a result, the acquisition costs of the qualifying Ordinary shares has to be apportioned relative to the prices of the Ordinary shares and Subscription shares for the day the Subscription shares were admitted to trading. The Subscription shares were admitted to trading on 5 June 2009 and the mid-market prices on that day were:

Ordinary shares: 99p Subscription shares: 6p

Accordingly, for each five Ordinary shares held on 5 June 2009, for which one Subscription share was allotted, the acquisition cost would need to be apportioned 98.80% to the Ordinary shares and 1.20% to the Subscription shares.

Financial Calendar

In addition, the Company publishes information according to the following calendar:

Announcements	
Unaudited Interim results	September
Final results	April
Ordinary Share Dividends	
Final payment	18 June
Annual General Meeting	10 June
Year End	31 January

Location of Annual General Meeting

To be held at 3.00 pm on Thursday 10 June 2010 at the Crowne Plaza Hotel, Buckingham Gate, London SW1E 6AF.

Share Price Listings

The price of your shares can be found in the following place:

Financial Times	Investment Companies
Daily Telegraph	Investment Trusts
Reuters	Ordinary shares TCT.L 3.25% CULS 2011 TCTL.L Subscription shares TCTS.L
Bloomberg	Ordinary shares TCTLN 3.25% CULS 2011 TCTLN 3.25 Corp Subscription shares TCTSLN

NAV Publication

The NAV is calculated daily at the close of business each day and notified to the Stock Exchange the next business day.

Website

www.thecayennetrust.com

Registered in England & Wales: 2774914

Investment Objective & Policy

The Cayenne Trust plc is a UK investment trust listed on The London Stock Exchange with a limited life. Its investment objective is to achieve consistent positive absolute returns, and its Investment Policy is as follows:

The Company invests principally in the securities of UK investment trust companies and other closed-end funds. It also has the flexibility to invest in listed or unlisted open-ended funds and may invest any security issued by any exchange traded fund, investment fund, investment company, holding company or similar collective investment scheme. In order to seek to achieve consistent positive absolute returns, the Company may occasionally hold positions in other equities, bonds or money-market instruments.

Up to 15% of the Company's assets, at the time of investment, may be invested in Apollo Fund plc. Apollo is an open-ended offshore fund, managed by Cayenne Asset Management Ltd, with an investment objective of achieving higher rates of return than can generally be achieved by traditional long term stock market investment by maintaining investments which are thought to be significantly undervalued and are likely to have limited liquidity.

The Company will seek to ensure preservation of capital by use of derivative and similar instruments to the extent permissible within the regulations governing investment trust companies and the Listing Rules.

In selecting investments, the Manager is not constrained by any limits on geographical or sectoral distribution of investments by the funds in which the Company invests. As a fund of funds the portfolio is diversified through investment in a wide range of asset classes, geographical regions and currencies.

The Company may invest up to 100% of its assets in equities which are not investment entities, bonds or money market instruments.

The Company intends to conduct its affairs so that it satisfies the conditions for approval from HM Revenue & Customs as an investment trust as set out in section 842 of the Income and Corporation Taxes Act 1988. Accordingly, the Company will not invest more than 15% of its gross assets, at the time of investment, in any company which is not, itself, an investment trust.

Borrowings are restricted to twice the aggregate of the paid up nominal capital plus the capital and revenue reserves. The absolute limit on borrowings is more fully described in the Articles.

No more than 10% in aggregate of the value of the Company's assets will be invested in other closed ended listed investment funds, save that this restriction does not apply to the extent that such companies themselves have stated investment policies to invest no more than 15% of their total assets in other closed ended listed investment companies or investment trusts.

Glossary of Terms

Benchmark
The annualised cumulative total return of 5% from Inception.

Discount
The amount by which the mid-market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.

Gearing
The term applied to the effect of borrowings and prior charge share capital on assets that will increase the return on investment when the value of the Company's investments is rising but reduce the return when values are declining.

Gearing reflects the amount of loans already arranged and in use by the Company. This is the gearing figure published by the Association of Investment Companies. It is calculated by dividing total assets less current liabilities (31 January 2010: £51,774,000) excluding the Convertible Unsecured Loan Stock, by Ordinary Shareholders' funds of £42,603,000 at 31 January 2010.

High Water Mark
The level at which the net asset value (on a fully diluted basis) must exceed in order for a performance fee to become payable to the Investment Manager.

Inception
The date on which Shareholders approved an extension of the life of the Company and changes to its name, investment objective and policy, being 30 January 2006.

Market Capitalisation
For a company is calculated by multiplying the stockmarket price of an Ordinary share by the number of ordinary shares in use.

Net Asset Value ("NAV")
Also described as Shareholders' funds, the net asset value is the value of total assets less liabilities. Liabilities for this purpose include current and long-term liabilities. The net asset value per share is calculated by dividing the net asset value by the number of Ordinary shares in issue.

Shareholders' Funds
Equity Shareholders' Funds is the amount due to the Ordinary shareholders.

Total Expense Ratio
The total revenue expenses (excluding interest) incurred, plus management and performance fees charged to capital, divided by average total assets less current liabilities (excluding any Convertible Unsecured Loan Stock).

Winding-up Date
The date of an Extraordinary General Meeting, to be called in 2011 or any year thereafter, to consider a special resolution for the winding-up of the Company in the event that a continuation vote is not passed at the Annual General Meeting in that year.

Dividend Yield
Total dividends payable divided by market capitalisation of company.