

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should immediately consult an independent financial adviser authorised under the Financial Services and Markets Act 2000.**

If you have sold or otherwise transferred all your shares in the Company, please send this document, together with the accompanying white form of proxy, at once to the purchaser or transferee or to the stockbroker, banker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

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# **THE CAYENNE TRUST PLC**

*(Incorporated in England and Wales under the Companies Act 1985 with registered number 2774914)  
(An investment company under section 266 of the Companies Act 1985)*

## **Recommended proposals for the cancellation of the Company's Capital Redemption Reserve, amendment to Articles and renewal of share buyback authority**

**and**

## **Notice of Extraordinary General Meeting**

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The Proposals described in this document are conditional on Shareholder approval. Notice of an extraordinary general meeting of the Company to be held at the Crown Plaza Hotel, 45-51 Buckingham Gate, London, SW1E 6AF on Wednesday, 25 April 2007 at 9.30 a.m. is set out on pages 8 and 9 of this document. To be valid, the white form of proxy accompanying this document must be completed and returned by Shareholders in accordance with the instructions printed on it so as to be received at the Proxy Processing Centre, Telford Road, Bicester, OX26 4LD (or by hand delivery to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU) as soon as possible but in any event no later than 48 hours before the time appointed for holding the EGM. Completion and return of a white form of proxy will not preclude a Shareholder from attending and voting in person at the EGM should he choose to do so.

Dated 30 March 2007

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## EXPECTED TIMETABLE

	<b>2007</b>
Latest time and date for receipt by Capita Registrars of proxy forms for the EGM	9.30 a.m. on Monday, 23 April
Latest time and date for receipt by Capita Registrars of proxy forms for the CULS Holder Meeting	9.35 a.m. on Monday, 23 April
EGM	9.30 a.m. on Wednesday, 25 April
CULS Holder Meeting	9.35 a.m. on Wednesday, 25 April
Court Hearing Date	Wednesday, 16 May
Effective Date	on or around Friday, 18 May

## DEFINITIONS

“Act” or “Companies Act”	the Companies Act 1985 (as amended from time to time);
“Articles” or “Articles of Association”	the articles of association of the Company (as amended from time to time);
“Board” or “Directors”	the board of directors of the Company (or any duly authorised committee thereof) from time to time;
“Cancellation”	the proposed cancellation of the Capital Redemption Reserve;
“Capita Registrars”	a trading division of Capita IRG Plc;
“Capital Redemption Reserve”	the amount of £27,569,984.75 standing in the Company’s capital redemption reserve;
“Company”	The Cayenne Trust plc;
“Contract for Differences”	an arrangement made in a futures contract whereby differences in settlement are made through cash payments, rather than the delivery of physical goods or securities;
“Court”	the High Court of Justice of England and Wales;
“Court Hearing Date”	the date set for the Court to hear the petition for the Cancellation;
“C Share”	conversion shares of 100p each in the Company;
“CULS”	3.25 per cent. convertible unsecured loan stock 2011;
“CULS Holder”	a holder of CULS;
“CULS Holder Meeting”	the meeting of CULS Holders to be held on Wednesday, 25 April 2007;
“Effective Date”	the date on which the proposed Cancellation will become effective, being the date the Court order is registered by the Registrar;
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held on Wednesday, 25 April 2007, notice of which is set out on pages 8 and 9 of this document;
“Listing Rules”	the listing rules made by the FSA under section 73A of the Financial Services and Markets Act 2000;
“Manager”, “Investment Manager” or “Cayenne”	Cayenne Asset Management Limited;
“NAV”	the value of the assets of the Company less its liabilities, determined in accordance with the accounting policies adopted by the Company from time to time, or, as the context requires, the net asset value per Share calculated in accordance with the Company’s accounting policies;
“Proposals”	the recommended proposals as described in the Letter from the Chairman;

“Prospectus”	the prospectus of the Company dated 28 March 2006;
“Registrar”	the registrar of companies in England and Wales;
“Resolution”	the resolution to be proposed at the EGM;
“Secretary” or “Phoenix”	Phoenix Administration Services Limited;
“Shareholder”	a holder of Shares;
“Shares”	ordinary shares of 25p each in the capital of the Company.

## LETTER FROM THE CHAIRMAN

# THE CAYENNE TRUST PLC

*(Incorporated in England and Wales under the Companies Act 1985 with registered number 2774914)  
(An investment company under section 266 of the Companies Act 1985)*

### *Directors*

Jonathan Agnew (*Chairman*)  
Christopher Jones  
Sir Laurence Magnus

*Registered Office*  
Springfield Lodge  
Colchester Road  
Chelmsford  
Essex CM2 5PW

30 March 2007

Dear Shareholder

## **RECOMMENDED PROPOSALS FOR THE CANCELLATION OF THE COMPANY'S CAPITAL REDEMPTION RESERVE, AMENDMENT TO ARTICLES AND RENEWAL OF SHARE BUYBACK AUTHORITY**

### **Introduction**

Your Board announced today proposals to cancel the Company's Capital Redemption Reserve and thereby facilitate the repurchase by the Company of its own issued Shares in implementation of the Board's active discount management policy. The Proposals will require Shareholders' approval, and the cancellation of the Capital Redemption Reserve will also be subject to confirmation by the Court.

The Board is recommending that a special resolution be proposed at the EGM to cancel the Capital Redemption Reserve, to amend the Articles of Association to ensure that the resulting capital reserves are available to the Company to purchase its own Shares, and to renew the Company's authority to purchase its own Shares.

The purpose of this document is to explain the background to the Proposals and why your Board recommends that you vote in favour of the Resolution implementing the Proposals at the Extraordinary General Meeting.

### **Background**

In last year's Prospectus (issued on 28 March 2006), the Shareholders were requested to approve a resolution, which *inter alia*, renewed and extended the Company's authority to repurchase shares available in the market at prices representing a discount to NAV per share, which would have the effect of enhancing NAV per share for remaining shareholders, to hold such shares in treasury, and to sell such treasury shares in response to market demand. This was in implementation of the Board's stated active discount management policy with a view to supporting an improved rating in the Company's shares. Shareholders duly approved the resolution at the extraordinary general meeting of the Company on 20 April 2006.

Although the Company does have distributable reserves to finance repurchases of Shares, the Board's discount management policy could be more actively pursued with a greater amount of distributable reserves. This would also provide the Board with more flexibility in implementing its policy in the future.

The Proposals, if implemented, would give the Board such flexibility. In the meantime, the Company has made alternative arrangements, through the use of derivative contracts (such as Contracts for Differences), designed to manage any imbalance between the demand for and supply of the Shares in the same way as if Shares were actually being repurchased in the market.

## **The Proposals**

### ***Cancellation of Capital Redemption Reserve and Amendment to the Articles***

Last year's Prospectus also related to the issue of the CULS and C Shares. The C Shares converted into Shares in June 2006 in accordance with a conversion rate calculated on the basis of the NAV attributable to each class of share. The conversion mechanism resulted in the creation of redeemable deferred shares of 25p each in the Company on conversion of the C Shares. The deferred shares were then immediately redeemed pursuant to the Articles of Association at an aggregate consideration of 1p for every 100,000 deferred shares held. On redemption of the deferred shares, the Capital Redemption Reserve was created, as provided by the Act, in an amount of £27,569,984.75, being the amount by which the Company's issued share capital was reduced as a result. The Capital Redemption Reserve is treated as share capital under the Act and therefore cannot currently be applied to finance a repurchase of Shares.

It is proposed (subject to Shareholder approval and confirmation by the Court) to cancel the entire Capital Redemption Reserve, thereby creating capital reserves which the Company wishes to treat as distributable reserves for the purpose of making purchases of Shares at prices representing a discount to NAV per Share. It is also proposed that the Articles of Association be amended to ensure that capital reserves of the Company can be so treated, as is permitted by the Act.

The Resolution is therefore being proposed at the EGM to obtain Shareholder approval to the Cancellation and related amendment to the Articles of Association. Sub-paragraphs (1) and (2) of the Resolution seek this approval.

If Shareholder approval is forthcoming at the EGM, the CULS Holders will be requested to sanction the Cancellation at the CULS Holder Meeting to take place immediately after the EGM. If the CULS Holder Meeting sanctions the Cancellation, the Company will then file a petition at the Court to seek its confirmation of the Cancellation. It will be necessary for the Company to satisfy the Court that consents have been obtained from, and/or that appropriate arrangements have been made for the protection of, creditors of the Company. In particular, it is intended that the minutes of the CULS Holder Meeting will be exhibited to the Court.

The Capital Redemption Reserve will not be cancelled until the Effective Date, which is expected to be on or around Friday, 18 May 2007.

### ***Share Repurchase Authorities***

At the extraordinary general meeting of the Company held on 20 April 2006, Shareholders approved a special resolution authorising the Company to repurchase up to 14.99 per cent. of the Company's shares then in issue, including the C Shares issued at that time and the Shares arising on their conversion. Since 20 April 2006, no shares have been bought back by the Company.

The Board is taking this opportunity to seek Shareholder approval to renew the existing authority of the Company to buy back its Shares. As with the previous authority, it is intended that on an ongoing basis Shares available in the market at prices representing discounts greater than 5 per cent. to NAV will be repurchased by the Company subject to Shareholders granting the Company the necessary authority and to the limits of that authority and the Act. Shares may also be bought back at a discount to NAV which is less than 5 per cent. if the Board considers appropriate.

Sub-paragraphs (3) and (4) of the Resolution seek the renewed authority as follows:

- sub-paragraph (3) seeks authority, in substitution for the existing authority and to expire 18 months after the passing of the Resolution, for the Company to repurchase up to 14.99 per cent. of the issued Share capital of the Company immediately following the EGM. The minimum repurchase price would be 25p per Share (the nominal value) and, in accordance with the Listing Rules, the maximum repurchase price would be the higher of (a) 105 per cent. of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that Share is purchased; and (b) the higher of the price of the last independent trade in Shares and the highest then current independent bid for Shares on the London Stock Exchange. The Board will only authorise repurchases at prices representing a discount to NAV per Share, which would have the

effect of enhancing the NAV per Share for remaining Shareholders. In the event that the Company repurchases the maximum permitted amount of 14.99 per cent. of the Company's issued Share capital the Board will seek Shareholder approval for a further Share repurchase authority; and

- sub-paragraph (4) seeks authority to disapply the pre-emption rights which would otherwise require the Company first to offer Shares pro rata to existing holders to the extent necessary to allow the Company to sell any Shares held by the Company in treasury having been purchased by the Company in accordance with the authority sought in sub-paragraph (3), up to an aggregate maximum value of £1,061,878 nominal of Shares (or, if less, 10 per cent. of the nominal value of the issued Share capital from time to time). The Board will only authorise the sale of Shares from treasury at prices representing narrower discounts to NAV per Share than that at which the Shares were repurchased. Any Shares held in treasury for more than six months will be cancelled.

### **Extraordinary General Meeting**

The Proposals are conditional upon the approval of the Shareholders. You will find on pages 8 and 9 of this document a notice convening the EGM. At the EGM, the Resolution will be proposed as a special resolution. Therefore, in order to be passed, the Resolution requires at least 75 per cent. of the votes cast to be in favour of it.

The EGM will be held at the Crown Plaza Hotel, 45-51 Buckingham Gate, London SW1E 6AF, on Wednesday, 25 April 2007 at 9.30 a.m.

A copy of the Articles of Association will be available for inspection (i) at the Company's registered office from the date hereof and (ii) at the venue of the EGM for at least 15 minutes prior to the EGM, in each case until the end of the EGM.

### **Action to be taken**

Shareholders will find enclosed with this document a white form of proxy for use at the EGM. **Whether or not you intend to attend the EGM you are requested to complete the white form of proxy in accordance with the instructions printed on it and return it to Proxy Processing Centre, Telford Road, Bicester, OX26 4LD (or by hand delivery to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU) to arrive as soon as possible. To be valid, the white form of proxy must be lodged with Capita Registrars not later than 9.30 a.m. on Monday, 23 April 2007.** Completion and return of the white form of proxy will not prevent you from subsequently attending and voting in person at the EGM should you so wish.

### **Recommendation**

Your Board considers that the proposals provided for in the Resolution are in the best interests of Shareholders as a whole. Accordingly, your Board unanimously recommends all Shareholders to vote in favour of the Resolution.

The Directors intend to vote in favour of the Resolution in respect of their own beneficial holdings, which amount in aggregate to 186,982 Shares, representing approximately 0.44 per cent. of the Shares in issue.

Yours faithfully

Jonathan Agnew  
*Chairman*

## NOTICE OF EXTRAORDINARY GENERAL MEETING

# THE CAYENNE TRUST PLC

*(Incorporated in England and Wales under the Companies Act 1985 with registered number 2774914)*

Notice is hereby given that an Extraordinary General Meeting of The Cayenne Trust plc (the "Company") will be held at 9.30 a.m. on Wednesday, 25 April 2007 at the Crown Plaza Hotel, 45-51 Buckingham Gate, London SW1E 6AF to consider, and if thought fit, pass the following resolution which will be proposed as a special resolution:

### SPECIAL RESOLUTION

"That:

#### **Cancellation of Capital Redemption Reserve**

- (1) the capital redemption reserve of the Company be cancelled;

#### **Amendment to Articles of Association**

- (2) the Company's articles of association be and are hereby amended by the addition in article 136.1 thereof of the words " , except that any part of the Capital Reserve may be treated as such profits for the purpose of section 160 or section 162 of the Companies Act 1985, as amended (the "Act")," immediately after the words in parentheses in lines nine to ten of the said article;

#### **Authority to repurchase Shares**

- (3) in substitution for all existing powers, the Company be generally and unconditionally authorised in accordance with section 166 of the Act to make one or more market purchases (within the meaning of section 163 of the Act) of ordinary shares of 25p each in the Company's capital ("Shares") provided that:
  - (a) the maximum aggregate number of Shares authorised to be purchased is 6,367,024 Shares (or, if less, the number representing 14.99 per cent. of the Company's issued Share capital immediately following this meeting);
  - (b) the minimum price which may be paid for a Share is 25p;
  - (c) the maximum price (exclusive of expenses) which may be paid for a Share is an amount equal to the higher of (a) 105 per cent. of the average of the middle market quotations for the Share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that Share is purchased; and (b) the higher of the price of the last independent trade in Shares and the highest then current independent bid for Shares on the London Stock Exchange;
  - (d) the authority hereby conferred shall expire 18 months after the date of the meeting at which this resolution is passed; and
  - (e) the Company may make a contract to purchase Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Shares in pursuance of any such contract; and

#### **Sale of treasury shares**

- (4) pursuant to section 95(1) and 95(2A) of the Act, section 89(1) shall not apply to the allotment of Shares which are or will be held by the Company as treasury shares having been purchased by the Company in accordance with the authority given by sub-paragraph (3) above arising out of the sale of such treasury shares for cash, up to an aggregate value of £1,061,878 nominal of Shares (or, if less, 10 per cent. of the nominal value of the Company's issued Share capital (excluding treasury Shares) from time to time."

*By Order of the Board*  
Phoenix Administration Services Limited  
*Company Secretary*

*Registered Office*  
Springfield Lodge  
Colchester Road  
Chelmsford  
Essex CM2 5PW

Dated 30 March 2007

*Notes:*

1. A member entitled to attend and vote at the EGM may appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company.
2. A white form of proxy for use at the EGM is enclosed with this document. To be effective, the white form of proxy (together with the power of attorney or other authority, if any, under which it is executed, or a notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power of attorney or authority) must be completed, signed and lodged at Proxy Processing Centre, Telford Road, Bicester, OX26 4LD (or by hand delivery to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU) not later than 48 hours before the time for holding the EGM. Deposit of a white form of proxy will not preclude a member from attending the EGM and voting in person should he so wish.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the EGM (and for the purposes of determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members by 6.00 p.m. on 23 April 2007. Changes to entries on the register of members after 6.00 p.m. on that date shall be disregarded in determining the rights of any person to attend and vote at the EGM.





