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This document, which comprises a prospectus relating to The Cayenne Trust plc (the “Company”) prepared in accordance with the Listing Rules and the Prospectus Rules in order to make an offer of transferable securities to the public and to admit the transferable securities to trading on the Main Market of the London Stock Exchange, has been approved by and filed with the Financial Services Authority in accordance with rule 3.2 of the Prospectus Rules.

Winterflood Securities Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, acting through its division Winterflood Investment Trusts, is acting solely for the Company and for no one else in connection with the Proposals and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Winterflood Securities Limited or for affording advice in relation to the Proposals or any other matter referred to in this document.

THE CAYENNE TRUST PLC

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

BONUS ISSUE OF UP TO 7.475 MILLION SUBSCRIPTION SHARES

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING TO CONSIDER PROPOSALS FOR THE BONUS ISSUE AND ADOPTION OF NEW ARTICLES OF ASSOCIATION

Application has been made to the UK Listing Authority for the Subscription Shares to be admitted to the Official List and to the London Stock Exchange for the Subscription Shares to be admitted to trading on its Main Market. It is expected that Admission will occur, and that dealings in the Subscription Shares will commence, at 8:00 a.m. on or around 5 June 2009.

Notice of a general meeting of the Company to be held on Thursday, 4 June 2009 at 2:45 p.m. (or as soon thereafter as the AGM to be held at 2:30 p.m. has concluded or been adjourned) is set out in Part 9 of this document on pages 73 to 77. To be valid, the yellow form of proxy accompanying this document must be completed and returned in accordance with the instructions printed on it so as to be received by Capita Registrars, Proxy Department, 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 General Meeting. Completion and return of a form of proxy will not preclude a Shareholder from attending and voting in person at the General Meeting should they choose to do so.

This document does not constitute, and may not be used for the purposes of, any offer or invitation to sell or issue or the solicitation of any offer to purchase or subscribe for the Subscription Shares to anyone in any jurisdiction in which such offer, invitation or solicitation is unlawful or to any person to whom it is unlawful to make such offer or invitation or undertake such solicitation. This document is not for distribution in or into the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa. The Subscription Shares and the Ordinary Shares which result from the exercise of Subscription Rights have not been and will not be registered under the US Securities Act, or under the applicable state securities laws of the United States or under the applicable securities laws of Australia, Canada, Japan, New Zealand or the Republic of South Africa and, subject to certain exemptions, may not be offered or sold directly or indirectly in or into the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa or to or for the account or benefit of any US Person, or any person resident in Australia, Canada, Japan, New Zealand or the Republic of South Africa. In addition, the Company has not been and will not be registered under the Investment Company Act. The distribution of this document and the offering of the Subscription Shares in any jurisdiction other than the United Kingdom may be restricted by law and, accordingly, persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of the jurisdiction concerned. The Company will not incur any liabilities for its own failure or the failure of any other person or persons to comply with the provisions of any such restrictions. No person receiving a copy of this document in any territory other than the United Kingdom may treat the same as constituting an offer or invitation to him to participate in the Bonus Issue of Subscription Shares. Any person outside the United Kingdom wishing to participate in the Bonus Issue of Subscription Shares should satisfy himself that, in doing so, he complies with the laws of any relevant territory, and that he obtains any requisite governmental or other consents and observes any other applicable formalities.

This document is to be read in conjunction with all documents which are deemed to be incorporated by reference and should be read in its entirety before making any investment decision. In particular, the attention of potential investors is drawn to the section headed “Risk Factors” on pages 6 to 8 of this document.

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SUMMARY

This summary should be read as an introduction to the full text of this document. When making any decision to invest in any transferable securities in the Company, Shareholders should consider the full text of this document as a whole and not solely this summarised information. Where a claim relating to the information contained in this document is brought before a court, a plaintiff investor may, under the national legislation of an EEA State, have to bear the costs of translating this document before legal proceedings are initiated. Civil liability attaches to the Company and its Directors who are responsible for this summary, including any translation of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this document.

The Company and each of its Directors, whose names appear on page 11 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and each of its Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

1. The Proposals

The Company is proposing to make a bonus issue of Subscription Shares to Qualifying Shareholders on the basis of one Subscription Share for every five existing Ordinary Shares held by such Shareholders on the Record Date.

Each Subscription Share shall confer a right (but not an obligation) exercisable by notice to the Company in the twenty-eight days preceding each of 31 December 2009, 31 March 2010 and 30 June 2010, to subscribe for one Ordinary Share on the relevant Subscription Date, at the Subscription Price. The Subscription Price will be the price representing a 1 per cent. premium to the (unaudited) Net Asset Value per Share as at the Calculation Date, rounded up to the nearest whole penny.

Subject to the Company obtaining the required approval of Shareholders, the Subscription Shares will be listed on the Official List and admitted to trading on the Main Market of the London Stock Exchange.

2. Information on the Company

The Company is a UK investment trust established in 1992.

Since 2006, the objective of the Company has been to achieve consistent positive absolute returns. The Company does not have a limited life; however, the Articles require the Directors to propose an ordinary resolution at the Annual General Meeting of the Company in 2011 and every year thereafter that the Company continues as an investment trust.

3. CULS

The Company has in issue 3.25 per cent Convertible Unsecured Loan Stock 2011. As at 23 April 2009 (the latest practicable date prior to publication of this document), £9,171,000 remained outstanding. The CULS may be converted into Ordinary Shares on 31 January and 31 July in each year. The current Conversion Rate for each £100 in nominal value of CULS is 70.77 Ordinary Shares. This represents a conversion price of £1.413. In connection with the Bonus Issue it is proposed that the Conversion Rate is amended.

4. Summary of Investment policy

In order to achieve its investment objective the Company will invest principally in securities of UK investment trust companies and other closed-end funds. Up to 15 per cent. of the Company's assets, at the time of investment, may be invested in Apollo. Please note that this is a summary only and does not represent the definitive text of the investment policy of the Company.

5. Performance and outlook

Over the last three years since the Manager was appointed by the Company the total return per Share has declined 12.24p (11.11 per cent.) compared to falls in the FTSE 350 Equity Investment Instruments Index and FTSE All Share Index of 18.2 per cent. and 20.0 per cent. respectively. However, performance remains strong relative to the Company's peer group in the face of the extreme difficulties in the investment companies sector. While it is too early to say whether financial markets are ready to stage a recovery, the portfolio exhibits some very good value characteristics. The Company currently has one quarter of its assets held in short dated liquid securities which the Manager believes can be reinvested opportunistically

as cash is received over the next few months. In addition, should the subscription for new shares be forthcoming there will be opportunity to commit this cash to a sector which is likely to contain shares which demonstrate exceptional reward/risk characteristics.

6. **General Meeting**

The Proposals are conditional on the passing by Shareholders of the Resolution set out in the Notice of General Meeting. The Board unanimously recommends that Shareholders vote in favour of the Resolution at the General Meeting.

7. **Proceeds**

In due course, upon the Subscription Rights being exercised, the Directors intend to invest the net proceeds of such subscriptions in accordance with the Company's investment policy.

8. **Risk factors**

The principal risk factors affecting the Company and the Subscription Shares which are known to the Directors are considered to include the risk factors set out below. If any or a combination of these risks occurs, the financial condition, prospects and share price of the Company could be materially and adversely affected and each risk factor should be read accordingly. These risk factors are given for your protection and should be read and carefully noted. They are not set out in any order of importance or priority.

- ***Investment Objective***

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 value of an investment in the Company, and the income derived from it, if any, may go down as well as up and an investor may not get back the amount invested.

As a consequence of the use of derivative instruments to seek to hedge market risk, the Company's investment policy is likely to give rise to lower volatility in the NAV per Share than would be the case if the Company did not hedge market risk. Prospective investors should be aware that the NAV per Share is unlikely in rising equity markets to be as high as would be the case if the market risk was unhedged, but conversely the NAV per Share in falling equity markets is likely to be higher than would be the case if market risk was unhedged.

The Company seeks to ensure preservation of capital by the use of derivative instruments to hedge market risk. There can be no guarantee that the hedging strategy will be effective in preserving capital and therefore the value of the Company's investments may fall.

- ***Ordinary Shares***

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 Share. The market price of the Ordinary Shares is therefore likely to fluctuate and may represent either a discount or premium to the NAV per Share.

- ***Subscription Shares***

The value of a Subscription Share may go down as well as up.

Subscription Shares represent a geared investment, so a relatively small movement in the market price of the Ordinary Shares may result in a disproportionately large movement, unfavourable or favourable, in the market price of the Subscription Shares. The market price of the Subscription Shares may therefore be volatile.

- ***Borrowings***

Prospective investors should be aware that, whilst the use of borrowings within the limits prescribed by the Board 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.

- ***Counterparty risk***

In respect of trades in derivative 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.

- ***Key Individuals***

The Company is substantially dependent on the services of the members of the Cayenne management team identified in this document and the loss of their services could have an adverse effect on the Company's performance. The Company has the right, subject to certain conditions, to terminate the Management Agreement in the event that the services of Len Gayler, Cayenne's chief executive, are not available to Cayenne.

RISK FACTORS

In addition to the other information set out in this document, the risks described below should be carefully considered by investors prior to making any investment decision relating to the Subscription Shares. The risks set out below are those risks which the Directors consider to be material relating to the Company, an investment in the Ordinary Shares and the Subscription Shares and the material risks of investment in the investment companies sector known to the Company as at the date of this document, but should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties which are not presently known to the Directors or that the Directors currently consider to be immaterial, may also have an adverse effect on the Company's business, financial condition, performance, prospects, operating results and/or share price of the Company.

Investors may lose a substantial proportion or even all of their investment in the Company. If investors are in any doubt as to the consequences of their acquiring, holding or exercising Subscription Shares, or whether an investment in the Company is suitable for them in the light of information in, or incorporated by reference into, this document or their personal circumstances including the financial resources available to them, they should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 or, in the case of investors outside the United Kingdom, another appropriately authorised independent financial adviser.

The Company

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, prospective investors should be aware of certain factors which apply to the Company and to investment trusts generally:

- 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 value of an investment in the Company, and the income derived from it, if any, may go down as well as up and an investor may not get back the amount invested.
- The investment approach utilised by the Company seeks to generate returns by investing in securities Cayenne believe to be undervalued. However, there can be no guarantee that the perceived value in the Company's portfolio will be released through a narrowing of discounts on the underlying investments or through relative outperformance by such investments.
- The Company seeks to ensure preservation of capital by the use of derivative instruments to hedge market risk. There can be no guarantee that the hedging strategy will be effective in preserving capital and therefore the value of the Company's investments may fall.
- As a consequence of the use of derivative instruments to seek to hedge market risk, the Company's investment policy is likely to give rise to lower volatility in the NAV per Share than would be the case if the Company did not hedge market risk. Prospective investors should be aware that the NAV per Share is unlikely in rising equity markets to be as high as would be the case if the market risk was unhedged, but conversely the NAV per Share in falling equity markets is likely to be higher than would be the case if market risk was unhedged.
- In respect of trades in derivative 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 price of the Shares will be determined by the interaction of supply and demand in the market as well as the NAV per Share. The market price of the Shares is therefore likely to fluctuate and may represent either a discount or premium to the NAV per Share. The rating of the Shares is itself variable as conditions for supply and demand change. This means that the Share price may go down as well as up and the Share price can fall when the NAV per Share rises, or vice versa.
- The exercise of Subscription Shares at a time when the Net Asset Value per Share is greater than the prevailing Subscription Price would cause the Net Asset Value per Share to be diluted and the perceived risk of dilution may cause the market price of the Ordinary Shares to reflect a lesser sensitivity to increases in

the Net Asset Value per Share than might otherwise be expected. The Company will, however, continue its active discount management policy, of buying back Ordinary Shares at prices representing discounts of greater than 5 per cent. to Net Asset Value.

- 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. It is intended that the Subscription Shares will be traded on the London Stock Exchange's Main Market, but it is possible that there may not be a liquid market in the Subscription Shares or Ordinary Shares and investors may have difficulty in selling such securities.

Subscription Shares

- The value of a Subscription Share may go down as well as up.
- Subscription Shares represent a geared investment, so a relatively small movement in the market price of the Ordinary Shares may result in a disproportionately large movement, unfavourable or favourable, in the market price of the Subscription Shares. The market price of the Subscription shares may therefore be volatile.
- The Company has applied for the Subscription Shares to be admitted to the Official List of the UKLA and to trading on the Main Market of the London Stock Exchange. The UKLA has the right to suspend listing in a company's securities. Any suspension of listing of the Subscription Shares may affect the ability of Shareholders to realise their investment.
- The published market price of the Subscription Shares will typically be their mid-market price. Due to the potential difference between the mid-market price of the Subscription Shares and the price at which Subscription Shares can be sold, there is no guarantee that the realisable value of the Subscription Shares will reflect their published market price.
- In the event of the winding-up of the Company prior to the exercise of the Subscription Rights, Subscription Shareholders may receive a payment out of the assets which would otherwise be available for distribution amongst the Shareholders. This payment to Subscription Shareholders may not necessarily be an amount equal to the market value of their Subscription Shares.
- In the case of any Subscription Shares whose Subscription Rights have not been exercised on or before the final date for exercising such rights, such Subscription Shares will cease to have any value unless a trustee appointed by the Company determines that the net proceeds of sale of the Ordinary Shares that would arise on the exercise of such rights after deduction of all the costs and expenses of sale would exceed the costs of exercise of such rights. In such circumstances, the trustee will either exercise all the outstanding Subscription Rights and sell the Ordinary Shares issued on such exercise in the market, or if it appears to the trustee that doing so is likely to raise greater net proceeds, it may accept any offer available to the Subscription Shareholders for the purchase of the outstanding Subscription Shares. The net proceeds of any such sale (after deducting the costs of exercising the Subscription Rights, if applicable, and any other costs and expenses incurred in relation to such sale) will be remitted to the Subscription Shareholders unless the amount to which a Subscription Shareholder is entitled is less than £5.00 in which case such sum shall be retained for the benefit of the Company.
- Although Subscription Shares are tradable securities, market liquidity of Subscription Shares may be less than the market liquidity of Ordinary Shares.
- The Subscription Shares, in so far as they give an entitlement to subscribe for Ordinary Shares, are affected by the same risk factors as the Ordinary Shares as set out in this section headed "Risk Factors".
- The intrinsic value of a Subscription Share at any time will be the prevailing market price of an Ordinary Share less the price payable on the exercise of the Subscription Rights and, as such, it is expected to rise or fall depending on whether the market price of an Ordinary Share rises or falls. The market price of a Subscription Share may be higher than the intrinsic value of a Subscription Share, reflecting the potential geared returns available from an investment in the Subscription Shares. However, the market price of the Subscription Shares will be determined by market forces and there is no guarantee that they will have a market value.

Borrowings

Whilst the use of borrowings within the limits prescribed by the Board 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.

Key Individuals

The Company is substantially dependent on the services of the members of the Cayenne management team identified in this document and the loss of their services could have an adverse effect on the Company's performance. The Company has the right, subject to certain conditions, to terminate the Management Agreement in the event that the services of Len Gayler, Cayenne's chief executive, are not available to Cayenne.

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 reliefs from, taxation may change. The tax reliefs referred to in this document are those currently available and their 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 in accordance with UK GAAP and the AIC Guidelines. Both UK GAAP and the AIC Guidelines are subject to change and this may have an affect on the Company's calculation of NAV. The Company has a policy of charging 80 per cent. of the periodic management fee and interest on the CULS, and the entirety of any performance fee earned under the terms of the Management Agreement, to capital. Such charges will reduce the NAV per Share. Changes in the Company's accounting policies could adversely affect Shareholders.

PRESENTATION OF FINANCIAL INFORMATION AND GENERAL INFORMATION

Presentation of Financial Information

Unless otherwise indicated, financial information for the Company in this document has been extracted without material adjustment from the annual report and accounts for year ended 31 January 2009, dated 15 April 2009 prepared in accordance with UK GAAP. For further information, see “Basis of Accounting” on page 31 of the Company’s Annual Report and Accounts 2009, such page being incorporated into this document by reference.

No Profit Forecast

No statement in, or incorporated by reference into, this document is intended to constitute a profit forecast or profit estimate for any period, nor should any statement be interpreted to mean that earnings or earnings per share will necessarily be greater or lesser than those for the relevant preceding financial periods for the Company.

Rounding

Certain figures included in this document and in the information incorporated by reference into this document have been subject to rounding adjustments. Accordingly, discrepancies in tables between the totals and the sums of the relevant amounts may be due to rounding.

Websites

Neither the content of the Company’s website (or any other website) nor the content of any website accessible from hyperlinks on the Company’s website (or any other website) is incorporated into, or forms part of, this document.

Time

All references in this document to times are to UK time unless otherwise stated.

Forward looking statements

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts and include statements regarding the Company’s intentions, beliefs or current expectations.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that may or may not occur. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, the facts described in the risk factors section of the document.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document reflect the Company’s view with respect to future events as at the date of this document and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company’s operations and strategy. Save as required by applicable law, or any UK or EU regulatory requirements (including the Prospectus Rules, the Listing Rules and the Disclosure and Transparency Rules) which may oblige the Company to update the information contained in this document the Company is under no obligation publicly to release the results of any revisions to any forward-looking statements in this document that may occur due to any change in its expectations or to reflect events or circumstances after the date of this document.

Notwithstanding the foregoing, nothing contained in this document shall in any way be taken to qualify the working capital statement contained in paragraph 5 of Part 5 of this document.

EXPECTED TIMETABLE

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

<i>Event</i>	<i>Time and/or Date</i> 2009
Latest time and date for receipt of forms of proxy	2:45 p.m. on 2 June
Record Date for the Bonus Issue	5:00 p.m. on 3 June
Calculation Date	5:00 p.m. on 3 June
General Meeting	2:45 p.m. on 4 June*
Announcement of the Subscription Price and amended Conversion Rate	4 June
Admission of the Subscription Shares to the Official List and dealings in the Subscription Shares commence	8:00 a.m. on 5 June
Crediting to CREST stock accounts in respect of the Subscription Shares	5 June
Share certificates despatched in respect of the Subscription Shares	week commencing 8 June

* Or as soon thereafter as the AGM has concluded or been adjourned

DEALING CODES

The dealing codes for the Subscription Shares will be as follows:

ISIN: GB00B3SL8565

SEDOL: B3SL856

Ticker: TCTS

DIRECTORS, SECRETARY, MANAGER AND ADVISERS

Directors

Jonathan Geoffrey William Agnew (Chairman)
Christopher Jones
Sir Laurence Henry Philip Magnus

all non-executive and of Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW

Investment Manager

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23 Buckingham Gate
London SW1E 6LB

Secretary and Registered Office

Phoenix Administration Services Limited
Springfield Lodge
Colchester Road
Chelmsford
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Telephone number: +44 (0) 1245 398 950

Corporate Broker, Financial Adviser and Sponsor

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London EC2Y 5AB

Auditors

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Chartered Accountants
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London
W1U 7EU

Registrars

Capita Registrars
The Registry
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Beckenham
Kent BR3 4TU

Trustee to the CULS

The Law Debenture Trust Corporation p.l.c.
100 Wood Street
London EC2V 7EX

Solicitors to the Trustee

Allen & Overy LLP
One Bishops Square
London E1 6AD

PART 1

**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 833 of the Companies Act 2006)

Directors

Jonathan Agnew (Chairman)
Christopher Jones
Sir Laurence Magnus

Registered Office

Springfield Lodge
Colchester Road
Chelmsford
Essex CM2 5PW

27 April 2009

To Shareholders (and for information only, to Stockholders)

BONUS ISSUE OF UP TO 7.475 MILLION SUBSCRIPTION SHARES AND NOTICE OF GENERAL MEETING

Introduction

Further to the Company's announcement on 6 March 2009 announcing proposals for a bonus issue of Subscription Shares to existing Shareholders, the Board is today publishing its proposals in relation to the Bonus Issue.

The purpose of this letter is to provide you with details of the Proposals and the related General Meeting to be held on 4 June 2009, at which Shareholders will be asked to approve the Resolution which is required to implement the Proposals.

As part of the Proposals, and in order to protect the interests of holders of the 3.25 per cent Convertible Unsecured Loan Stock 2011, it is proposed that the Conversion Rate of the CULS is amended to take into account the dilution to the growth in NAV per Share resulting from the exercise of the Subscription Shares.

Background

The Company is an investment trust company, incorporated in 1992. In 2006 its name was changed to The Cayenne Trust plc to reflect the appointment of a new manager; at the same time, the Company adopted a revised investment objective and policy. The Company invests principally in the securities of UK investment trust companies and other closed-end funds, while seeking to ensure preservation of capital by the use of derivatives and similar instruments to the extent permissible under the regulations governing investment trust companies. As at 23 April 2009 (the latest practicable date prior to publication of this document) the Company had gross assets of £41.35 million, and net assets of £32.18 million.

The Proposals

Bonus Issue of Subscription Shares

The Company is proposing to issue Subscription Shares, subject to the passing of the Resolution which is set out in the Notice of General Meeting. If the Resolution is passed, Qualifying Shareholders will each receive, without payment, one Subscription Share for every five Ordinary Shares held by them on the Record Date, being 5:00 p.m. on 3 June 2009. Fractions of Subscription Shares will not be allotted or issued and entitlements will be rounded down to the nearest whole number of Subscription Shares.

Each Subscription Share will confer the right, but not the obligation, to subscribe for one Ordinary Share on any of 31 December 2009, 31 March 2010 and 30 June 2010 (or if such date is not a Business Day, on the next following Business Day). Such Subscription Rights will be exercisable on payment of the Subscription Price, which will be the price representing a 1 per cent. premium to the (unaudited) Net Asset Value per Share as at the Calculation Date, rounded up to the nearest whole penny. It is expected that an announcement setting out the Subscription Price will be made on 4 June 2009.

Notice of exercise of Subscription Rights may be given in the twenty-eight days preceding each of the Subscription Dates and the Ordinary Shares arising on subscription will be allotted within 14 days of the relevant Subscription Date.

Subscription Shares will rank equally with each other and will not carry the right to receive any dividends from the Company. The Ordinary Shares resulting from the exercise of the Subscription Rights will rank *pari passu* with the Ordinary Shares then in issue.

Adoption of new Articles of Association

The Company proposes to adopt the New Articles which will set out the rights pertaining to the Subscription Shares but otherwise will be identical to the existing articles of association of the Company that were adopted at an extraordinary general meeting of the Company on 25 April 2007 and amended by special resolution on 27 October 2008. The rights attaching to the Subscription Shares that are to be included in the New Articles are set out in Part 4 of this document.

The New Articles will be on display at the registered office of the Company and at the offices of Maclay Murray & Spens LLP, One London Wall, London, EC2Y 5AB from the date of this document until the end of the General Meeting and at the General Meeting itself for the duration of the meeting and for at least 15 minutes prior to the start of the meeting.

Creation of Subscription Shares

The Company will seek Shareholder approval at the General Meeting to sub divide and redesignate 600,000 Ordinary Shares of 25p each in the authorised share capital of the Company into 15,000,000 Subscription Shares of 1p each. This sub division and redesignation is necessary in order to create the Subscription Shares to satisfy the Bonus Issue (and further Subscription Shares as may require to be issued in accordance with the terms attaching to the Subscription Shares described in Part 4 of this document).

Authority to allot

The Company proposes by means of a special resolution to be proposed at the General Meeting to seek authority under section 80 of the Companies Act to allot up to a maximum aggregate nominal amount of £150,000 of Subscription Shares pursuant to the Bonus Issue and up to a maximum aggregate nominal amount of £3,750,000 of Ordinary Shares for the purposes of satisfying the Bonus Issue. This authority will expire at the conclusion of the Company's Annual General Meeting in 2012. In accordance with section 95 of the Companies Act the Resolution will also empower the Directors to allot Ordinary Shares in connection with and for the purpose of the exercise of Subscription Rights pursuant to such authority otherwise than on a pre-emptive basis (this allotment authority and disapplication of statutory pre-emption rights under section 95 of the Companies Act will expire 15 months following the passing of the Resolution).

Authority to repurchase Subscription Shares

Shareholders are being requested to grant the Board authority to allow the Company to repurchase up to 14.99 per cent. of the issued Subscription Share capital in issue following completion of the Bonus Issue. Repurchases of Subscription Shares will be made at the discretion of the Board and will only be made when market conditions are considered by the Board to be appropriate and in accordance with the Listing Rules. Any Subscription Shares repurchased by the Company will be cancelled and will not be held in treasury for resale.

Capitalisation of reserves

If the Proposals are successful, the Company will capitalise up to £74,747 standing to the credit of the Company's share premium account or capital redemption reserve or any reserve (other than the profit and loss account) otherwise available for the purpose in order to pay up the nominal price (1p) of each Subscription Share issued under the Bonus Issue.

Benefits of the Proposals for Existing Shareholders

The Directors believe that the Bonus Issue of Subscription Shares will have the following benefits:

- Qualifying Shareholders will receive a tradable security with monetary value which they may sell in the market and which carries a right to subscribe for Ordinary Shares;
- they represent an attractive way in which investors can participate in any future net asset growth of the Company through subscribing for Ordinary Shares at the Subscription Price;
- on exercise of any Subscription Rights, the assets of the Company will increase which should result in a reduction in the total expense ratio as operating costs will be spread across a larger number of Ordinary Shares; and
- following the exercise of any Subscription Rights, the Company will have an increased number of Ordinary Shares in issue, which may in due course improve the liquidity in the market for its Ordinary Shares.

Performance and Outlook

Over the last three years since the Manager was appointed by the Company the total return per Share has declined 12.24p (11.1 per cent.) compared to falls in the FTSE 350 Equity Investment Instruments Index and FTSE All Share Index of 18.2 per cent. and 20.0 per cent. respectively. However, performance remains strong relative to the Company's peer group in the face of the extreme difficulties in the investment companies sector. While it is too early to say whether financial markets are ready to stage a recovery, the portfolio exhibits some very good value characteristics. The Company currently has one quarter of its assets held in short dated liquid securities which the Manager believes can be reinvested opportunistically as cash is received over the next few months. In addition, should the subscription for new shares be forthcoming there will be opportunity to commit this cash to a sector which is likely to contain shares which demonstrate exceptional reward/risk characteristics.

CULS

The Company has in issue 3.25 per cent Convertible Unsecured Loan Stock 2011. As at 23 April 2009 (the latest practicable date prior to publication of this document), £9,171,000 remained outstanding. The CULS may be converted into Ordinary Shares on 31 January and 31 July in each year. The Conversion Rate for each £100 in nominal value of CULS is 70.77 Ordinary Shares. This represents a conversion price of £1.413.

There are circumstances in which the issue of the Subscription Shares may negatively impact the holders of CULS if the Conversion Rate is not amended. Accordingly, at the same time as the Bonus Issue is made it is proposed that the Conversion Rate is amended to compensate the Stockholders for the potential dilution resulting from the issue of Subscription Shares, so that the asset growth required to make conversion attractive (i.e. for the CULS to be "in the money") is unchanged by the issue of Subscription Shares.

As at 23 April 2009 (the latest practicable date prior to publication of this document), the growth in total assets required to increase the Net Asset Value per Share to the CULS conversion price of £1.413 is 37.1 per cent. Following the issue of the Subscription Shares (and assuming that all Subscription Shares are subscribed for Shares) such asset growth would only increase the Net Asset Value per Share to £1.3392, 5.2 per cent. below the unadjusted Conversion Price, as a result of dilution.

For illustrative purposes only, on the assumption that the Conversion Rate was amended based on the NAV per Share as at 23 April 2009, the revised Conversion Rate would be 74.67 Ordinary Shares for each £100 in nominal value of CULS, equivalent to a conversion price, being the effective Ordinary Share price at which CULS convert into Ordinary Shares, of £1.3392.

As part of the Proposals, the approval of Shareholders is being sought to the amendment to the Conversion Rate.

Under the terms of the Trust Deed, the approval of Stockholders is required to issue the Subscription Shares. Accordingly, a meeting of Stockholders has been convened to be held on 4 June 2009 to approve both the Bonus Issue and the amendment to the conversion price (by amending the Conversion Rate). If the approval of Stockholders is not obtained, the Bonus Issue will not proceed.

Admission and dealings

The Subscription Shares will be in registered form and may be issued either in certificated or uncertificated form. No temporary documents of title will be issued. Pending despatch of definitive certificates, transfers of Subscription Shares in certificated form will be certified against the Register. All documents or remittances will be sent through the post at the risk of the Shareholder.

Application will be made to the UK Listing Authority for the Subscription Shares to be admitted to the Official List and to the London Stock Exchange for such shares to be admitted to trading on its Main Market. It is expected that Admission will occur, and that dealings will commence, on 5 June 2009.

Conditions

The Bonus Issue is conditional upon:

- the Resolution being passed by Ordinary Shareholders at the General Meeting (which includes approval by the Shareholders to an amendment to the Conversion Rate); and
- the approval by Stockholders at a meeting of the Stockholders to the issue of Subscription Shares.

General Meeting

To enable the Bonus Issue to proceed, it is necessary to create the Subscription Shares and to grant the Directors the appropriate power and authority to issue the Subscription Shares and allot Ordinary Shares following exercise of the Subscription Rights. Under the 2006 Act, this requires the approval of Shareholders. The Resolution also seeks approval of Shareholders to an amendment to the Conversion Rate applicable to the CULS, upon which the Board believes Shareholders should have the opportunity to vote given that it may effect their economic rights. Accordingly, a general meeting of the Company is being convened for Thursday, 4 June 2009 at 2:45 p.m. or as soon thereafter as the AGM has concluded or been adjourned at which the Resolution will be proposed as a special resolution comprising the following sub-paragraphs:

- to sub divide and redesignate 600,000 Ordinary Shares in the authorised share capital of the Company into 15,000,000 Subscription Shares;
- to adopt the New Articles which set out all of the rights attaching to the Subscription Shares;
- to authorise the Directors pursuant to section 80 of the Companies Act to allot the Subscription Shares pursuant to the Bonus Issue up to a maximum nominal amount of £150,000 and the Ordinary Shares resulting from the exercise of Subscription Rights up to a maximum nominal amount of £3,750,000 (which represents 40.14 per cent. of the Company's total issued Ordinary Share capital as at the date of this document, is in addition to the Directors' existing authority and power to allot Ordinary Shares and will expire at the conclusion of the Company's Annual General Meeting in 2012 consistent with such existing authority and power) and to disapply statutory pre-emption rights in connection therewith (this allotment authority and disapplication of statutory pre-emption rights will expire 15 months following the passing of the Resolution);
- to capitalise any part of the amount then standing to the credit of any of the share premium account or the capital redemption reserve or any reserve (other than the profit and loss account) of the Company and to apply the same in paying up at par the Subscription Shares for the purposes of the Bonus Issue;
- to authorise the capitalisation of any reserve account of the Company available for distribution in (i) paying up Ordinary Shares to be allotted pursuant to the exercise of Subscription Rights or (ii) in issuing further Subscription Shares to which the holders may be entitled in accordance with the rights attaching to the Subscription Shares;
- to approve any consolidation, sub-division or redemption of share capital required to give effect to the rights of the Subscription Shareholders;
- to grant authority to the Company to purchase through the market up to 14.99 per cent. of the Subscription Shares issued pursuant to the Bonus Issue; and
- to approve an amendment to the Trust Deed in order to amend the conversion rate applicable to the CULS to compensate them for the dilutive effect of the Bonus Issue.

The Board is recommending Shareholders vote in favour of the Resolution to be proposed at the General Meeting in order for the Bonus Issue to be implemented.

In order to be passed, the special resolution requires at least 75 per cent. of the votes cast to be in favour of it.

The General Meeting will be held at the The Crowne Plaza Hotel, 45 – 51 Buckingham Gate, London, SW1E 6AF. The notice convening the General Meeting is set out in Part 9 of this document on pages 73 to 77.

Overseas Shareholders

The allotment of the Subscription Shares to persons who have a registered or mailing address in countries outside of the United Kingdom may be affected by the law or regulatory requirements of the relevant jurisdiction. Accordingly, Overseas Shareholders will not be Qualifying Shareholders for the purposes of the Bonus Issue and any Subscription Shares due to Overseas Shareholders will be allotted to a market maker who will sell such Subscription Shares promptly at the best price obtainable. The proceeds of sale will be paid to the Overseas Shareholders entitled to them save that entitlements of less than £5 per Overseas Shareholder will be retained by the Company for its own account.

The attention of Overseas Shareholders is drawn to page 23 of this document.

Action to be taken

To vote at the General Meeting

Shareholders will find enclosed with this document a yellow coloured form of proxy for use at the General Meeting. **Whether or not you intend to attend the General Meeting you are requested to complete the form of proxy in accordance with the instructions printed on it and return it to Capita Registrars Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU to arrive as soon as possible. To be valid, the form of proxy must be lodged with Capita Registrars not later than 2:45 p.m. on Tuesday, 2 June 2009.** Completion and return of the form of proxy will not prevent you from subsequently attending and voting in person at the General Meeting should you so wish.

ISAs/SIPPs

The Subscription Shares will be a qualifying investment for the stocks and shares component of an ISA.

The Subscription Shares acquired pursuant to the Bonus Issue are expected to be eligible for inclusion in SIPPs and SSASs, although this should be confirmed independently by Subscription Shareholders with their professional tax or financial advisers after taking into account the relevant scheme rules.

General

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.

Additional information

Your attention is drawn to the information set out in the rest of this document, including the risk factors set out on pages 6 to 8 of this document.

Recommendation

Your Board, which has received financial advice from Winterflood Investment Trusts, considers that the proposals provided for in the Resolution to be proposed at the General Meeting are in the best interests of the Company and its Shareholders as a whole. In providing its financial advice, Winterflood Investment Trusts has taken into account the Board's commercial assessment of the Proposals. Accordingly, your Board unanimously recommends all Shareholders to vote in favour of the Resolution to be proposed at the General Meeting.

The Directors intend to vote in favour of the Resolution in respect of their own beneficial holdings, which amount in aggregate to 236,982 Ordinary Shares, representing approximately 0.70 per cent. of the total voting rights of the Ordinary Shares currently in issue.

Yours faithfully

Jonathan Agnew
Chairman

PART 2

INFORMATION ON THE COMPANY

Investment Objective, Policy and Approach

Investment Objective

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

Investment Policy

The Company invests principally in the securities of UK investment trust companies and other closed-end funds. The Company also has the flexibility to invest in listed or unlisted open-end funds and may invest in 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 per cent. of the Company's assets, at the time of investment, may be invested in Apollo. Apollo is an open-ended offshore fund, managed by Cayenne, 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 the 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 per cent. 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 and Customs as an investment trust set out in section 842 of the Income and Corporation Taxes Act 1988. Accordingly, the Company will not invest more than 15 per cent. 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 and is set out in more detail in paragraph 4.1(h) of Part 6 of this document.

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

The Company may only make material changes to its investment policy with the approval of Shareholders. In the event of any breach of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Manager by an announcement issued through a Regulatory Information Service.

Investment Approach

The Company invests with the objective of spreading investment risk in accordance with its published investment policy. In seeking to achieve the investment objective, the Manager seeks to invest in securities that it believes to be undervalued; value in this context is relative as well as absolute. Relative value may exist where certain securities appear to be mispriced, compared with other securities which exhibit similar characteristics.

The Manager believes that the sector in which it specialises, namely UK investment trust companies and other closed-end funds, is subject to pricing inefficiencies. The Manager utilises a quantitative and qualitative screening process to seek to identify value opportunities.

The Manager utilises a hedging strategy through the use of derivative and similar instruments to seek to preserve and minimise the volatility of the Company's capital. This efficient portfolio management strategy typically involves an exposure to Index Put Options and/or Index Futures on major stock market indices with a view to mitigating against absolute falls in the value of the portfolio.

The Company does not conduct any significant trading activity, as required by the regulations governing investment trust companies and the Listing Rules.

Details of the Company's portfolio

As at 23 April 2009 (being the latest practicable date prior to the publication of this document), the Company's assets comprised 5.8 million of cash/cash equivalents and a portfolio of 56 investments.

The following shows the composition of the Company's portfolio as at 23 April 2009:

	<i>% of the Company's portfolio</i>
UK investment trusts/closed-end funds	79.90
Apollo	5.70
Cash	14.40
Total	100
Derivative and similar instruments	-18.70

The following shows the Company's portfolio by number of investments as at 23 April 2009:

Ten largest investments	44.1%
Next ten investments	23.6%
Balance of portfolio	(36) 28.4%

The following table shows the geographical distribution of the assets underlying the Company's portfolio as at 23 April 2009:

Region	<i>% of the Company's portfolio</i>
UK	28.9
Europe	17.6
N America	9.2
Asia	8.6
Japan	1.7
Other	10.1
Cash	23.9
Total	100

As at 23 April 2009 the Company's largest investments by value which together represented more than 50 per cent. of the unaudited assets of the Company as at the date were as follows:

<i>Investee Company</i>	<i>% of Company's assets</i>	<i>% of investee company's capital held</i>	<i>Discount (%)*</i>	<i>Yield (%)</i>	<i>Gearing (times)</i>
Apollo	5.68	23.5	n/a	n/a	n/a
UK Treasury 4.25% 2011	5.09	n/a	n/a	1.4	n/a
UK Treasury 4.75% 2009	5.04	n/a	n/a	0.9	n/a
Ecofin Water Power Income	4.73	6.2	n/a	8.8	n/a
Electric & General	4.70	1.0	13	2.7	0.88
Scottish Mortgage	4.67	0.2	14	3.1	1.19
Ecofin Water Power Ord	4.30	0.8	20	4.1	1.21
Caledonia	3.71	0.2	18	2.5	0.90
3i Infrastructure	3.32	0.2	22	6.1	n/a
Gartmore Irish	2.84	2.7	15	0.3	0.95
Schroder Income	2.71	1.1	-2	5.6	0.97
Blackrock World Mining	2.75	0.2	11	1.6	0.96
Law Debenture	2.61	0.4	-6	5.6	1.12
Total	52.15%				

*Discount at which the security held by the Company traded to the underlying net asset value.

Unless otherwise indicated, the information set out above is unaudited, has been extracted from internal management accounting records maintained by the Company and is consistent with the Company's accounting policies.

Directors

The Board has overall responsibility for the Company's activities, notwithstanding the delegation of the management of the Company's investment portfolio to the Manager and the accounting, taxation, secretarial and administrative functions to the Administrator.

At the date of this document, the Board comprises the following individuals, all of whom are non-executive:

Jonathan Agnew (Chairman)

Age: 67

Experience: Jonathan Agnew is chairman of Beazley Group plc, Ashmore Global Opportunities Limited, LMS Capital plc and senior independent director of Rightmove plc. During his career he has been a managing director of Morgan Stanley, group chief executive of Kleinwort Benson and was chairman of Limit plc, Gerrard Group plc and Henderson Geared Income & Growth Trust plc.

Length of Service: He was appointed a Director and Chairman on 30 January 2006

Other connection with the Manager: None

Shared directorships with any other Directors: None

Christopher Jones

Age: 68

Experience: Christopher Jones MSI has over 30 years' investment experience and was Head of Investments at Merchant Investors Assurance Co Ltd from 1985 until his retirement in December 2003. From 1971 to 1985 he was the Fixed Interest and Money Manager for Property Growth Assurance Co Ltd (a subsidiary of Royal & Sun Alliance Insurance Group PLC). 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, Japan Accelerated Performance Fund plc, Jupiter Second Enhanced Income Trust plc, Montanaro European Smaller Companies plc and Montanaro UK Smaller Companies Investment Trust plc.

Length of Service: He was appointed a Director on 30 January 2006

Other connection with the Manager: None

Shared directorships with any other Directors: None

Sir Laurence Magnus

Age: 53

Experience: Sir Laurence Magnus is currently Vice Chairman of Lexicon Partners. He has been involved in the corporate advisory business for over 30 years, initially at Samuel Montagu and subsequently at Phoenix Securities, Donaldson Lufkin & Jenrette and Credit Suisse First Boston. He specialises in the financial institutions sector. Sir Laurie is non-executive Chairman of Xchanging ins-sure Services and non-executive chairman of JPMorgan Income & Capital Trust plc. He is a non-executive director of Climate Exchange plc. Deputy Chairman of the National Trust and an elected member of its Council, Chairman of The Eating Disorders Association, Deputy Chairman of the Windsor Leadership Trust and a member of The UK Listing Authority Advisory Committee.

Length of Service: He was appointed a Director on 13 February 2006

Other connection with the Manager: None

Shared directorships with any other Directors: None

Investment Management and Administration

Introduction

The Directors are responsible for the determination of the Company's investment policy but the Company delegates day-to-day investment management of the Company to Cayenne under the terms of the Management Agreement and day-to-day administration of the Company to the Administrator under the terms of the Administration Agreement.

Investment Manager

Cayenne, which is authorised and regulated by the FSA in the conduct of its investment business, is an independent fund management company which specialises in the management of funds invested in the securities of investment trusts and other closed-end funds. Cayenne was established in July 2004. It has managed the Company since February 2006. As at 31 March 2009, Cayenne had total assets under management of £45.86 million.

The management team primarily responsible for the Company's portfolio consists of:

- *Len Gayler – Chief Executive*

Len Gayler has over thirty years' experience trading in international markets. He worked at Hambros Bank from 1969 to 1981 where he became manager in charge of Eurobond trading and sales. From 1981 to 1984 he worked for Morgan Guaranty Limited (MGL) as risk manager for the international capital markets trading business in London. In 1984 he and three colleagues from MGL established International Financial Markets Trading Limited (IFM) with a share capital of US\$25 million. By 1991, when he left IFM, it had developed into a successful specialist fund management operation in London, managing over US\$300 million. As part of this transition, he spent two years in North America, investing in risk arbitrage, junk bonds and bankruptcy situations. In 1991 he returned to JP Morgan as managing director responsible for European equity trading. From 1993 to mid-1997 he was managing director of J.G.W. Agnew & Co. Limited where he originally established Apollo, then moved to Hamilton Lunn Asset Management Limited until July 2004 when the contract to manage Apollo was transferred to Cayenne.

- *James Hart – Fund Manager*

After graduating from The University of Exeter in 1992, he joined Olliff & Partners; a stockbroker specialising in closed-end funds where he was responsible for advising institutions on investments in split-capital trusts and emerging market funds. In 1996 he joined Bank Julius Baer, to develop the bank's emerging market funds trading and advisory desk. In 2000, moved to Julius Baer Investments Ltd where he managed a portfolio of closed-end funds. Joined Hamilton Lunn Asset Management in 2002 to assist in managing Apollo Fund plc and other discretionary portfolios. Moved to Cayenne Asset Management Ltd on its establishment in 2004, where he is one of three individuals responsible for the management of Apollo and the Company.

- *John Tappenden – Fund Manager*

John has over twenty five years of investment experience. He started his career in 1978 with Grieveson Grant & Co (later taken over by Kleinwort Benson) as a portfolio manager in the Private Banking Division, responsible for portfolio management (including international equities and bonds). In 1985 he joined the Kleinwort Benson Investment Funds Division and in 1986 became the director in charge of the team, responsible for sales, market making, research, and new issues. In 1989 he joined SG Warburg Investment Funds Division (later to become a part of UBS AG) as a director specialising in institutional sales of closed end funds. In 2002 within UBS he became the director of investment funds responsible for the proprietary trading of investment trusts, US closed-end funds, offshore funds and unit trusts. During this period, he developed hedging techniques using traditional options, over the counter derivatives, futures and currencies. He joined Cayenne in 2005.

Management Agreement

Under the Management Agreement the Manager is entitled to receive an annual management fee of 1 per cent. of NAV (excluding any investment in Apollo) payable quarterly in arrears, and an annual performance fee equivalent to 10 per cent. of the out performance of a hurdle rate of 5 per cent. per annum increase in NAV per Share on a total return basis compounded over the accounting periods since a performance fee was last paid. Since the Management Agreement was entered into on 30 January 2006 no performance fee has been paid. For the year ended 31 January 2009 the hurdle is 132.49p and for the year to 31 January 2010 the hurdle will be 139.12p. The Management Agreement is terminable by either party on 6 months' notice or by the Company immediately on the occurrence of certain events including the insolvency of, or a material breach of contract by, the Manager or the loss by Cayenne of the services of Len Gayler, Cayenne's chief executive, for a period of more than 30 days (if in the latter case Cayenne has failed to provide the Company with satisfactory alternative proposals within a further 60 day period). Further details of the Management Agreement are set out in paragraph 9.1 of Part 6 of this document.

The Board intends at the time of the Annual General Meeting of the Company in 2011 to review the performance fee payable to the Manager to consider whether it is appropriate to propose to Shareholders an adjustment to the hurdle rate applying to the fee, having regard to the dilutive effect that the Bonus Issue may have had on the NAV per Share.

General

Further information on the Manager is set out in paragraph 9 of Part 6 of this document.

Company Secretary and Administrator

Under the Administration Agreement, the Administrator has agreed to provide accounting, taxation, company secretarial and administrative services to the Company, for which it receives an annual fee of £80,000 (plus VAT), subject to annual review. The Administration Agreement may be terminated by the Company on six month's written notice to the Administrator and vice versa.

Further details of the Administration Agreement are set out in paragraph 9.2 of Part 6 of this document.

Capital Structure

The Company's capital structure currently consists of Ordinary Shares and CULS.

Ordinary Shares

The Ordinary Shares give Shareholders the entitlement to all of the capital growth in the Company's assets and to all income from the Company that is resolved to be distributed. The Ordinary Shares are in registered form and traded on the London Stock Exchange's Main Market. As at 23 April 2009 (the latest practicable date prior to the publication of this document) there were 37,373,500 Ordinary Shares in issue which includes 3,737,300 Shares held in treasury, which represents 9.99 per cent. of the entire issued Ordinary Share capital of the Company (11.11 per cent. excluding treasury shares). As at the same date, the unaudited Net Asset Value (including accumulated income) per Share was 95.66 p.

CULS

The interest rate on the CULS is 3.25 per cent. per annum.

Stockholders are entitled to convert their CULS into Ordinary Shares twice annually throughout the life of the CULS. The current rate of conversion is 70.77 Ordinary Shares per £100 nominal value of CULS which represents a conversion price of £1.413. Any CULS not converted will be redeemed by the Company at par on 31 July 2011.

In accordance with the Proposals the conversion rate applicable to the CULS will be amended to compensate the Stockholders for any negative impact arising from the dilutive effect of the Bonus Issue. The result of this amendment will be that the asset growth required to make conversion of the CULS attractive (i.e. for the CULS to be "in the money") will be unchanged by the Bonus Issue.

Dividend Policy

The Company's investment objective is to achieve consistent positive absolute returns. Income return will not be sought for its own sake and accordingly dividends payable by the Company are likely to fluctuate. The Board intends that the Company will distribute as dividend substantially all of the Company's net income by way of a final dividend payable subject to Shareholder approval at each annual general meeting.

A dividend of 1.40p has been proposed for the financial year ended 31 January 2009 subject to approval by Shareholders at the annual general meeting of the Company to be held on 4 June 2009. If approved, the dividend will be payable on 12 June 2009 to Shareholders on the register at the close of business on 8 May 2009. Shareholders should not assume that the Company will attempt to maintain this level of dividend in future years.

Current Gearing Limits

It is the Board's current intention that maximum net gearing will be 125 per cent. of the Company's net assets. In calculating the maximum net gearing level, borrowings (which includes the CULS) are offset against cash and short term cash equivalents. As at 23 April 2009 (the latest practicable date prior to the publication of this document) the only gearing was provided by the CULS. £9,171,000 of the CULS are in issue. The Trust Deed provides that so long as any of the CULS remain outstanding no additional loan capital of the Company shall be paid up in whole or in part by way of capitalisation of profits or reserves or be issued by way of collateral security.

Taxation

Information concerning the tax status of the Company and the taxation of Shareholders and Stockholders resident in the UK is contained in paragraph 11 of Part 6 of this document.

Duration of the Company

The Articles oblige the Directors to procure that there is proposed an ordinary resolution at the annual general meeting to be held in 2011 and at every annual general meeting of the Company thereafter providing that the Company should continue as an investment trust. If any such resolution is not put forward or passed, the Directors are obliged to convene within three months a general meeting to propose a special resolution for the Company's voluntary winding-up.

Reports to Shareholders

The annual report and accounts are made up to 31 January in each year and it is expected that copies will be sent to Shareholders by the following May. Shareholders will also receive the unaudited interim report covering the six months to 31 July each year.

PART 3

PROCEDURE IN RESPECT OF SUBSCRIPTION SHARES

The Subscription Shares, which provide a right (but not an obligation) to subscribe for further Ordinary Shares at certain times in the future, will be issued without payment to Qualifying Shareholders on the basis of one Subscription Share for every five Ordinary Shares held at the Record Date. The par value of the Subscription Shares will be paid out of any part of the amount then standing to the credit of any of the share premium account or the capital redemption reserve or any reserve (other than the profit and loss account) of the Company otherwise available for the purpose.

Shareholders who have registered addresses outside the UK are being sent this document and the accompanying documents in connection with their entitlement to attend and vote at the General Meeting but for no other purpose. Specifically, Overseas Shareholders (as that term is defined in this document) will not be Qualifying Shareholders for the purposes of the Bonus Issue.

Each Subscription Share will entitle the holder to subscribe for one Ordinary Share in respect of each Subscription Share held on each Subscription Date by paying the Subscription Price. Shareholders will be notified of the Subscription Price at the General Meeting. It is expected that an announcement setting out the Subscription Price will be made on 4 June 2009.

Detailed terms and conditions of the Subscription Shares are set out on Part 4 of this document.

The actual entitlement to Subscription Shares under the Bonus Issue will be rounded down to the nearest whole number. Fractional entitlements to Subscription Shares which may theoretically have arisen from the calculation of entitlements will not be allotted or issued.

Information regarding the taxation of the Subscription Shares is set out in paragraph 11 of Part 6 of this document.

Allocations and allotment

It is expected that allotment of the Subscription Shares will take place on 5 June 2009 and that dealings in the Subscription Shares will commence on that date.

CREST

Upon and after Admission the Subscription Shares will be eligible for settlement through CREST.

The names of shareholders owning uncertificated Subscription Shares in their CRESTCo accounts will be entered directly on to the share register of the Company.

Issue of Subscription Shares

Where Qualifying Shareholders have asked for their Subscription Shares to be issued in uncertificated form the Company will procure that the Registrar deposits such Subscription Shares in their nominated CREST Account on the day of Admission through the CREST system provided that the name of the CREST Account into which such Subscription Shares are to be deposited is in the same name as that of the applicant(s). If such names are not the same the Registrar retains the right to issue such Subscription Shares in certificated form and send the certificate to the first named applicant. Where Qualifying Shareholders have asked for their Subscription Shares to be issued in certificated form the Company will ensure that a certificate be despatched by the Registrar to the first named applicant (at his risk) during the week commencing 8 June 2009. Shareholders holding certificated Subscription Shares following the Bonus Issue may elect at a later date to hold such Subscription Shares in uncertificated form via CREST, provided they surrender their definitive certificates.

PART 4

PARTICULARS OF SUBSCRIPTION SHARES

The rights attaching to the Subscription Shares will be set out in the New Articles (as adopted pursuant to the passing of special resolution 1.2 at the General Meeting) and are summarised in this Part 4.

1. Subscription Rights

1.1 A registered holder for the time being of Subscription Shares (a “**Subscription Shareholder**”) shall have rights (“**Subscription Rights**”) to subscribe in cash on 31 December 2009, 31 March 2010 and 30 June 2010 (or if such date is not a Business Day, on the next following Business Day) (each a “**Subscription Date**”) for all or any of the Ordinary Shares to which the Subscription Shares relate at a price per Ordinary Share equal to 101 per cent. of the Net Asset Value per Share as at the close of business on the Calculation Date, rounded up to the nearest whole penny (the “**Subscription Price**”), payable in full in cash on subscription.

1.2 Any such subscription pursuant to the exercise of the Subscription Rights shall be effected in accordance with paragraph 1.14 of this Part 4. The number of Ordinary Shares to which each Subscription Share relates is one Ordinary Share, but the number of Subscription Shares outstanding and/or the Subscription Price will be subject to adjustment as provided in paragraph 2 of this Part 4. The Subscription Shares registered in a Subscription Shareholder’s name will be evidenced by a Subscription Share certificate issued by the Company (in the case of any Subscription Shares that are in certificated form) or in accordance with and subject to the provisions of the CREST Regulations and the facilities and requirements of CREST (in the case of any Subscription Shares that are in uncertificated form).

1.3 In order to exercise the Subscription Rights in respect of any Subscription Shares held in certificated form on any Subscription Date, the Subscription Shareholder must lodge the relevant Subscription Share certificate(s) (or such other evidence as the Directors may reasonably require as proof of the title of the person exercising the Subscription Rights), having completed the notice of exercise of Subscription Rights on the reverse of the relevant Subscription Share certificate(s) (or by giving such other notice of exercise of Subscription Rights as the Directors may, in their discretion, accept) (a “**Certificated Subscription Notice**”) at the office of the registrar for the time being of the Company (the “**Registrar**”) on or within 28 days prior to the relevant Subscription Date (but not later than 3:00 p.m. on that date) accompanied by a remittance for the aggregate Subscription Price payable for the Ordinary Shares resulting from the exercise of the Subscription Rights. The Directors may in their discretion accept as valid a Certificated Subscription Notice which is received after the relevant Subscription Date, provided it is accompanied by the correct remittance, as described above.

1.4 In order to exercise the Subscription Rights in respect of any Subscription Shares held in uncertificated form on any Subscription Date, the Subscription Shareholder must procure that the Company or any sponsoring system-participant acting on behalf of the Company receives, at any time on or within 28 days prior to the relevant Subscription Date (but not later than 3:00 p.m. on that date):

- (i) a properly authenticated dematerialised instruction:
 - (a) in the form from time to time prescribed by the Directors and having the effect determined by the Directors from time to time (subject always, so far as the form and effect of the instruction is concerned, to the facilities and requirements of CREST); and
 - (b) that is addressed to the Company, is attributable to the system-member who is the holder of the Subscription Shares concerned and specifies (in accordance with the form prescribed by the Directors in accordance with sub-paragraph (i)(a)) the number of Subscription Shares in respect of which the Subscription Rights are to be exercised; and
- (ii) payment in settlement of the aggregate Subscription Price for the Ordinary Shares resulting from the exercise of the Subscription Rights, such payment to be made through CREST in accordance with its rules or by any other means permitted by the Directors;

provided always that:

- (1) subject always to the facilities and requirements of CREST, the Directors may, in their discretion, permit the holder of any Subscription Shares in uncertificated form to exercise their Subscription Rights by such other means as the Directors may approve;

- (2) the Directors may in their discretion require, in addition to receipt of a properly authenticated dematerialised instruction as referred to in sub-paragraph (i) above, the holder of any Subscription Shares in uncertificated form to complete and deliver to the Registrar on or within the 28 days prior to the relevant Subscription Date a notice in such form as may from time to time be prescribed by the Directors; and
- (3) for the avoidance of doubt, the effect of the properly authenticated dematerialised instruction referred to in sub-paragraph (i) above may be such as to divest the holder of the Subscription Shares concerned of the power to transfer such Subscription Shares to another person;

and, for the purposes of this Part 4, an “**Uncertificated Subscription Notice**” means the properly authenticated dematerialised instruction referred to in this paragraph 1.4 or any other notice that the Directors may permit to be given in substitution for such dematerialised instruction and together with (in either case) any other additional notice or information that the Directors may require to be given in order for Subscription Rights in respect of Subscription Shares held in uncertificated form to be exercised.

- 1.5 Once received by the Company, a Subscription Notice may not be withdrawn save with the consent of the Directors. Each Subscription Notice referred to in paragraphs 1.3 and 1.4 above will be deemed to contain a representation that at the time of submission to the Company the Subscription Shareholder is not a US Person, or if he is such a person, his exercise of Subscription Rights is permitted by, and will not infringe, the securities laws of the relevant jurisdiction. Notwithstanding the foregoing, the Directors may require, as a condition of exercise of any Subscription Rights, that the beneficial owner of the relevant Subscription Shares certifies that such exercise is not by or on behalf of, or with a view to a transfer of the Ordinary Shares resulting from the exercise of such Subscription Rights to, a US Person or delivers such other certifications as to nationality or residence as they deem necessary or desirable for the best interests of the Company. Exercising Subscription Shareholders must also comply with any applicable legal requirements.
- 1.6 Not earlier than 72 days nor later than 28 days before the final Subscription Date the Company shall give notice in writing (which may be contained in or accompany the Chairman’s letter enclosing the Annual Report and Accounts of the Company for the year ended 31 January 2010) to the holders of the outstanding Subscription Shares reminding them of their Subscription Rights and, in respect of Subscription Shares held in uncertificated form, stating the form of Uncertificated Subscription Notice prescribed by the Directors in relation to the relevant Subscription Date. Failure by any holder to receive such notice shall not prejudice their rights, or those of any other holder, to exercise their Subscription Rights in respect of their Subscription Shares.
- 1.7 Ordinary Shares resulting from the exercise of Subscription Rights will be registered in the name of the person in whose name the Subscription Shares are registered at the date of such exercise or (subject as provided by law and to payment of stamp duty, stamp duty reserve tax or any like tax as may be applicable) to such other persons as may be named in the Subscription Notice not later than 14 days after, and with effect from, the relevant Subscription Date. Unless the Directors otherwise determine, or unless the CREST Regulations or the facilities and requirements of CREST otherwise require, the Ordinary Shares resulting from an exercise of Subscription Rights shall be in certificated form (where the Subscription Shares in respect of which the Subscription Rights were exercised were in certificated form on the relevant Subscription Date) and in uncertificated form (where the Subscription Shares in respect of which the Subscription Rights were exercised were in uncertificated form on the relevant Subscription Date).
- 1.8 Certificates for Ordinary Shares resulting from an exercise of Subscription Rights in accordance with paragraph 1.7 of this Part 4 which are in certificated form will be issued free of charge and despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the relevant Subscription Date to the person(s) in whose name(s) the Ordinary Shares have been registered pursuant to paragraph 1.7 of this Part 4 (or, if more than one, to the first-named, which shall be sufficient despatch for all). In the event of a holder of Subscription Shares in certificated form on the relevant Subscription Date exercising the Subscription Rights conferred by some, but not all, of such Subscription Shares, the Company shall at the same time as the issue of the Ordinary Share certificate issue a new Subscription Share certificate in the name of the registered holder for the balance of such Subscription Shares with Subscription Rights remaining exercisable. Ordinary Shares resulting from an exercise of Subscription Rights in accordance with paragraph 1.7 of this Part 4 which are in uncertificated form will be credited to the relevant account within CREST of the Subscription Shareholders entitled thereto.
- 1.9 Ordinary Shares resulting from the exercise of Subscription Rights will not rank for any dividends or other distributions declared, paid or made on the Ordinary Shares by reference to a record date

which is prior to the relevant Subscription Date but, subject thereto, will rank in full for all other dividends and other distributions and *pari passu* in all other respects with the Ordinary Shares in issue on the relevant Subscription Date.

- 1.10 So long as the Ordinary Shares are listed on the Official List and traded on the London Stock Exchange's Main Market, the Company will apply to the UK Listing Authority and the London Stock Exchange for the Ordinary Shares resulting from any exercise of Subscription Rights to be admitted to the Official List and to trading on the Main Market respectively and the Company will use all reasonable endeavours to obtain such admissions as soon as practicable and, in any event, not later than 14 days after the relevant Subscription Date (or the date on which such exercise of Subscription Rights becomes effective or unconditional if that date is not a Subscription Date).

Compulsory exercise of and expiry of Subscription Shares

- 1.11 If, immediately after any Subscription Date (other than the final Subscription Date) and after taking account of any Subscription Rights exercised on that date, Subscription Rights shall have been exercised or cancelled in respect of 75 per cent. or more of the Subscription Shares originally issued (subject to adjustment of the number of Subscription Shares in accordance with paragraph 2 of this Part 4) (excluding Subscription Rights in respect of any Subscription Shares purchased by the Company or any of its subsidiaries but including any further Subscription Shares issued in accordance with the Articles), the Company shall be entitled at any time within the next following 14 days to serve notice in writing on the holders of the Subscription Shares then outstanding of its intention to appoint a trustee for the purposes set out in this paragraph 1.11 (the "**Early Subscription Trustee**") upon the expiry of 21 days from the date of such notice (the "**Notice Period**") and for this purpose the Notice Period shall expire at 3:00 p.m. on the 21st day. Such notice shall give in its terms the holders of the Subscription Shares so outstanding a final opportunity to exercise their Subscription Rights in the manner provided, *mutatis mutandis*, in paragraph 1.3 or 1.4 (as appropriate) of this Part 4 as though such 21st day were a Subscription Date. Forthwith after the expiry of the Notice Period, the Company shall appoint the Early Subscription Trustee who, provided that in such trustee's opinion the net proceeds of sale after deduction of all costs and expenses incurred by such trustee will exceed the costs of exercising the Subscription Rights, shall within the period of 14 days following the expiry of the Notice Period either:
- (i) exercise the Subscription Rights which shall not have been exercised on the terms on which the same could have been exercised immediately prior to the expiry of the Notice Period if they had then been exercisable and had been exercised and sell in the market the Ordinary Shares resulting from such exercise; or
 - (ii) (if it appears to the Early Subscription Trustee that doing so is likely to realise greater net proceeds for Subscription Shareholders) accept any bona fide offer available to Subscription Shareholders for the purchase of the outstanding Subscription Shares.

The Early Subscription Trustee shall distribute pro rata the proceeds of any such sale or acceptance of any such offer less, in either case, such costs of exercising the Subscription Rights and such other costs and expenses to the persons entitled thereto at the risk of such persons as soon as practicable after such sale and in any event within 28 days after the expiry of the Notice Period, provided that entitlements of under £5.00 shall be retained for the benefit of the Company. Following the expiry of the Notice Period, if the Early Subscription Trustee shall not exercise the Subscription Rights then outstanding within the period of 14 days following such expiry as set out in this paragraph 1.11 (and such trustee's decision in respect thereof shall be final and binding on all holders of outstanding Subscription Shares), all Subscription Rights shall lapse and each outstanding Subscription Share shall be converted automatically into one Deferred Share.

- 1.12 Within seven days following the final Subscription Date the Company shall appoint a trustee (the "**Final Subscription Trustee**") who, provided that in such trustee's opinion the net proceeds of sale after deduction of all costs and expenses incurred by such trustee will exceed the costs of exercising the Subscription Rights, shall within the period of 14 days following the final Subscription Date either:
- (i) exercise all the Subscription Rights which shall not have been exercised on the terms on which the same could have been exercised on the final Subscription Date and sell in the market the Ordinary Shares resulting from such exercise; or

- (ii) (if it appears to the Final Subscription Trustee that doing so is likely to realise greater net proceeds for Subscription Shareholders) accept any bona fide offer available to Subscription Shareholders for the purchase of the outstanding Subscription Shares.

The Final Subscription Trustee shall distribute pro rata the proceeds of any such sale or acceptance of any such offer less, in either case, such costs of exercising the Subscription Rights and such other costs and expenses to the persons entitled thereto at the risk of such persons within 56 days of the final Subscription Date, provided that entitlements of under £5.00 shall be retained for the benefit of the Company. If the Final Subscription Trustee shall not exercise the Subscription Rights within the period of 14 days following the final Subscription Date as set out in this paragraph 1.12 (and such trustee's decision in respect thereof shall be final and binding on all holders of outstanding Subscription Shares), all Subscription Rights shall lapse and each outstanding Subscription Share shall be converted automatically into one Deferred Share.

1.13 The Early Subscription Trustee or the Final Subscription Trustee (as appropriate) shall have no liability of any nature whatsoever where such trustee has acted honestly and reasonably and shall have no responsibility for the safe custody of, or to earn any interest on, any unpaid or unclaimed money.

1.14 The exercise of Subscription Rights relating to the Subscription Shares in existence on any Subscription Date (the “**Relevant Shares**”) shall be effected in accordance with this paragraph 1.14 or in such manner as may be authorised by law.

1.14.1 To enable such subscription to be effected, the Directors may determine to redeem at par the Relevant Shares on any Subscription Date out of profits of the Company which would otherwise be available for dividend. In the event that the Directors determine to redeem the same at par out of such profits, a Relevant Share shall confer upon the holder thereof the right to subscribe for, and shall authorise the secretary of the Company (or any other person appointed for the purpose by the Directors) to subscribe as agent on such holder's behalf for, one Ordinary Share at such price as shall represent the aggregate of:

(i) the Subscription Price; and

(ii) the amount of the redemption moneys to which the holder is entitled;

and, in any such case, the Subscription Notice given by such holder shall be deemed irrevocably to authorise and instruct such agent to apply the redemption moneys payable to such holder in subscribing for such Ordinary Shares at such price.

1.14.2 To enable such subscription to be effected, the Directors may determine to redeem at par the Relevant Shares on any Subscription Date out of the proceeds of a fresh issue of Ordinary Shares. In the event that the Directors determine to redeem the same at par out of such proceeds, a Relevant Share shall confer upon the holder thereof the right to subscribe for, and shall authorise the secretary of the Company (or any other person appointed for the purpose by the Directors) to subscribe as agent on such holder's behalf for, one Ordinary Share at such price as shall represent the aggregate of:

(i) the Subscription Price; and

(ii) the amount of the redemption moneys to which the holder is entitled;

and, in any such case, the Subscription Notice given by such holder shall be deemed irrevocably to authorise and instruct such agent to apply the redemption moneys payable to such holder in subscribing for such Ordinary Shares at such price.

1.14.3 To enable such subscription to be effected, the Directors may determine to effect such subscription by means of a consolidation, sub-division and conversion of the Relevant Shares. In such case the requisite consolidation and sub-division shall be effected pursuant to the authority given by the resolution adopting the New Articles by consolidating into one share all the Relevant Shares held by any holder or joint holders and in respect of which a Subscription Notice shall have been given in respect of the relevant Subscription Date (treating holdings of the same holder or joint holders in certificated form and uncertificated form as separate holdings, unless the Directors otherwise determine) and, if the Directors so determine, any shares allotted to such holder or joint holder pursuant to paragraph 1.14.5 of this Part 4 and converting (and, if necessary, sub-dividing) such consolidated share into shares of 25p each

(or such other nominal amount as may be appropriate as a result of any consolidation or subdivision of Ordinary Shares) of which one share for every complete 25p (or such other nominal amount as may be appropriate as a result of any consolidation or sub-division of Ordinary Shares) of the nominal amount of the consolidated share shall be Ordinary Shares (fractional entitlements to an Ordinary Share being disregarded) and the balance (if any) of such consolidated share shall be Deferred Shares.

- 1.14.4 In relation to any Relevant Shares that are to be redeemed in accordance with paragraph 1.14.1 or 1.14.2 of this Part 4 and that, on the Subscription Date concerned, are in uncertificated form, the Directors shall be entitled in their absolute discretion to determine the procedures for the redemption of such Relevant Shares (subject always to the facilities and requirements of CREST). Without prejudice to the generality of the foregoing, the procedures for the redemption of any such Relevant Shares may involve or include the sending by the Company or by any person on its behalf of an issuer-instruction to the operator of CREST requesting or requiring the deletion of any computer-based entries in the relevant system concerned that relate to the holding of the Relevant Shares concerned, and/or the Company may, if the Directors so determine (by notice in writing to the holder concerned), require the holder of the Relevant Shares concerned to change the form of the Relevant Shares from uncertificated form to certificated form prior to the Subscription Date concerned (in which case paragraph 1.14.1 or 1.14.2 of this Part 4, as the case may be, shall determine the procedure for such redemption).
- 1.14.5 To enable any subscription to be effected in accordance with paragraph 1.14.3 of this Part 4 the resolution adopting the New Articles will authorise the Directors to capitalise any part of the amount then standing to the credit of any of the Company's reserve accounts (whether or not the same would lawfully be distributable by way of cash dividend) or to the credit of the share premium account, capital redemption reserve, profit and loss account or otherwise available for the purpose and the same shall be applied in paying up in full at par shares to be allotted and issued, credited as fully paid, to and amongst the holders of the Subscription Shares exercising their Subscription Rights in accordance with their respective entitlements. The restrictions and limitations in the New Articles relating to capitalisation issues generally shall not apply to any capitalisation or creation or issue of shares pursuant to paragraph 1.14.3 of this Part 4 which shall instead be effected pursuant to the authority given by the resolution adopting the New Articles.
- 1.15 The Subscription Shares and the Ordinary Shares arising on exercise of the Subscription Rights have not been and will not be registered in any Excluded Jurisdiction or under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and the Company has not been and will not be registered under the Investment Company Act, and the rules and regulations of the US Securities and Exchange Commission promulgated thereunder. Each Subscription Share certificate will bear a legend to the effect that the Subscription Shares and the Ordinary Shares resulting from the exercise of Subscription Rights have not been and will not be so registered, and that the Subscription Shares may not be exercised for cash in the US unless registered under the US Securities Act or an exemption from such registration requirements is available. Accordingly, the Subscription Notice is required to contain, among other things, a representation and warranty by the person exercising the Subscription Rights that they are outside the United States in an "offshore transaction" within the meaning of Regulation S under the US Securities Act, failing which the Company may refuse to authorise the subscription for Ordinary Shares to which the Subscription Notice relates, except in certain limited circumstances. The exercise of Subscription Rights by any Subscription Shareholder whose registered address is in an Excluded Jurisdiction or who is a citizen or national of, or resident in, an Excluded Jurisdiction or a custodian, nominee or trustee for a citizen or national of, or a resident in, an Excluded Jurisdiction (including without limitation any US Person), and the right of such a Subscription Shareholder to receive the Ordinary Shares falling to be issued to him following the exercise of his Subscription Rights, will be subject to such requirements, conditions, restrictions, limitations or prohibitions as the Company may at any time impose, in its absolute discretion, for the purpose of complying with any applicable securities laws of the relevant jurisdiction, which, in the case of the United States, shall include the US Securities Act, the Investment Company Act and any rules or regulations promulgated under such Acts.

2. **Adjustments of Subscription Rights**

- 2.1 The number of Subscription Shares outstanding and/or the Subscription Price shall from time to time be adjusted in accordance with the provisions of this paragraph 2.
- 2.2 If on a date (or by reference to a record date) on or before the final Subscription Date and whenever there shall be an alteration in the nominal amount of the Ordinary Shares as a result of a consolidation or subdivision of Ordinary Shares ("**Par Value Adjustment**"), the Subscription Price in force immediately prior to such alteration shall be adjusted, subject to paragraph 2.5 of this Part 4, by multiplying it by a fraction of which the numerator shall be the nominal value of one Ordinary Share immediately after, and the denominator shall be the nominal amount of one such Ordinary Share immediately before, the Par Value

Adjustment. Such adjustment to the Subscription Price shall become effective on the date the Par Value Adjustment takes effect.

- 2.3 If on a date (or by reference to a record date) on or before the final Subscription Date and whenever the Company shall allot to Ordinary Shareholders any Ordinary Shares credited as fully paid by way of capitalisation of reserves or profits (other than Ordinary Shares paid up out of distributable reserves and issued in lieu of a cash dividend) (“**Capitalisation Issue**”), the Subscription Price in force immediately prior to such allotment shall be adjusted, subject to paragraph 2.5 of this Part 4, by multiplying it by a fraction of which the numerator shall be the aggregate nominal value of the issued Ordinary Shares immediately before, and the denominator shall be the aggregate nominal value of the issued and allotted Ordinary Shares immediately after the Capitalisation Issue. Such adjustment shall become effective on the date of allotment of the Ordinary Shares pursuant to the Capitalisation Issue (or, if later, the date, or last date, on which any conditions to which such allotment is subject, are satisfied or waived).
- 2.4 If, on a date (or by reference to a record date) on or before the final Subscription Date, the Company makes any offer or invitation to the holders of Ordinary Shares (whether by rights issue, open offer or otherwise but not being an offer to which sub-paragraph 6.1(vi) of this Part 4 applies or an offer made in connection with scrip dividend arrangements) or any offer or invitation is made to such holders otherwise than by the Company (not being an offer to which sub-paragraph 6.1(vi) of this Part 4 applies) (each being a “**Securities Offer**”), then the Company shall, so far as it is able, procure that at the same time the same offer or invitation is made to the then Subscription Shareholders as if their Subscription Rights had been exercisable and had been exercised on the day immediately preceding the record date of the Securities Offer on the terms (subject to any adjustment made previously pursuant to paragraphs 2.2 to 2.3) on which the same could have been exercised if they had then been exercisable, provided that, if the Directors so resolve in the case of any such Securities Offer made by the Company, or if the Directors are unable to procure that such Securities Offer is made, the Company shall not be required to procure that such Securities Offer is made but the Subscription Price shall be adjusted, subject to paragraph 2.5 of this Part 4:
- (i) in the case of an offer of additional Ordinary Shares for subscription by way of a rights issue or open offer at a price less than the net asset value per Ordinary Share as at the close of business on the Business Day immediately preceding the date of announcement of the terms (including the pricing) of the Securities Offer (the “**Pricing Date**”) (a “**Dilutive Ordinary Share Offer**”), by multiplying the Subscription Price in force immediately before such announcement by a fraction of which (x) the numerator is the Fully Diluted NAV per Ordinary Share as at the close of business on the Business Day immediately preceding the Pricing Date and (y) the denominator is the Diluted NAV per Ordinary Share as at the close of business on the Business Day immediately preceding the Pricing Date; and
 - (ii) in the case of an offer under which securities convertible into, or exchangeable for, Ordinary Shares or conferring rights of subscription for Ordinary Shares are offered by the Company (by way of a rights issue or open offer) and the price at which such securities are convertible into or exchangeable for Ordinary Shares or the price at which Ordinary Shares may be subscribed pursuant to the rights conferred by such securities (as the case may be) is less than the net asset value per Ordinary Share as at the close of business on the business day immediately preceding the Pricing Date (a “**Dilutive Alternative Securities Offer**”), by multiplying the Subscription Price in force immediately prior to the Pricing Date by a fraction of which (x) the numerator is the Fully Diluted NAV per Ordinary Share as at the close of business on the Business Day immediately preceding the Pricing Date and (y) the denominator is the Diluted NAV per Ordinary Share as at the close of business on the Business Day immediately preceding the Pricing Date; and
 - (iii) in any other case, in such manner as the Auditors shall report in writing to be fair and reasonable.

Any such adjustment of the Subscription Price shall become effective, in the case of (i) and (ii) above, as at the date of allotment of the new Ordinary Shares or other securities which are the subject of the offer or invitation and, in the case of (iii) above, as at the date determined by the Auditors.

For the purposes of this paragraph 2.4:

- (I) **Relevant Securities** means any securities of the Company (including the Subscription Shares) in issue as at the relevant date which are convertible into, or exchangeable for, Ordinary Shares or which confer rights of subscription for Ordinary Shares or which otherwise could result in the issue of new Ordinary Shares, in each case at a price less than the then prevailing net asset value per Ordinary Share;

- (II) the **Diluted NAV per Ordinary Share** shall be the amount calculated in accordance with the following formula:

$$\text{DNAV} = \frac{(A+B)}{(C+D)}$$

where:

DNAV = the Diluted NAV per Ordinary Share

A = the net assets of the Company as at the close of business on the Business Day immediately preceding the Pricing Date

B = an amount equal to the product of (x) the number of new Ordinary Shares which would fall to be issued by the Company if the rights conferred by all Relevant Securities were exercisable and had been exercised in full on the Business Day immediately preceding the Pricing Date at the conversion, exchange or subscription price (as the case may be) applicable on the next occasion on which such rights are then capable of exercise (disregarding, in the case of the Subscription Shares, any adjustment required by reason of the relevant offer or invitation under this paragraph 2.4) and (y) such conversion, exchange or subscription price (as the case may be)

C = the number of Ordinary Shares in issue as at the Pricing Date

D = the number of new Ordinary Shares that would result from the exercise in full (on the basis set out in B) of all the rights conferred by the Relevant Securities; and

- (III) the **Fully Diluted NAV per Ordinary Share** shall be the amount calculated in accordance with the following formula:

$$\text{FDNAV} = \frac{(A+B+E)}{(C+D+F)}$$

where:

FDNAV = the Fully Diluted NAV per Ordinary Share

A = the net assets of the Company as at the close of business on the business day immediately preceding the Pricing Date

B = an amount equal to the product of (x) the number of new Ordinary Shares which would fall to be issued by the Company if the rights conferred by all Relevant Securities were exercisable and had been exercised in full on the Business Day immediately preceding the Pricing Date at the conversion, exchange or subscription price (as the case may be) applicable on the next occasion on which such rights are then capable of exercise (disregarding, in the case of the Subscription Shares, any adjustment required by reason of the relevant offer or invitation under this paragraph 2.4) and (y) such conversion, exchange or subscription price (as the case may be)

E = (i) in the case of a Dilutive Ordinary Share Offer, an amount equal to the number of new Ordinary Shares offered for subscription multiplied by the issue price less the expenses of the offer and (ii) in the case of a Dilutive Alternative Securities Offer, an amount equal to the aggregate of (a) the product of (x) the number of new Ordinary Shares which would fall to be issued by the Company if the rights to be conferred by all the securities the subject of such offer were exercisable and had been exercised in full on the Business Day immediately preceding the Pricing Date at the initial conversion, exchange or subscription price (as the case may be) and (y) such conversion, exchange or subscription price (as the case may be) and (b) the net proceeds of such offer to be received by the Company to the extent (if any) not reflected in (a)

C = the number of Ordinary Shares in issue as at the Pricing Date

D = the number of new Ordinary Shares that would result from the exercise in full (on the basis set out in B) of all the rights conferred by the Relevant Securities

F = (i) in the case of a Dilutive Ordinary Share Offer, the number of new Ordinary Shares the subject of such offer assuming the same had been issued on the relevant date and (ii) in the case of a Dilutive Alternative Securities Offer, the number of Ordinary Shares that would result from the exercise in full of the rights conferred by all the securities the subject of such offer if such rights were exercisable and had been exercised in full on the relevant date.

- 2.5 No adjustment will be made to the Subscription Price pursuant to paragraphs 2.2, 2.3 or 2.4 of this Part 4 (other by reason of and to reflect a consolidation of Ordinary Shares as referred to in paragraph 2.2 of this Part 4) if it would result in an increase in the Subscription Price and, in any event, no such

adjustment will be made if such adjustment would (taken together with the amount of any adjustment carried forward in accordance with this paragraph 2.5) be less than 1.0 per cent. of the Subscription Price then in force and on any adjustment the adjusted Subscription Price will be rounded down to the nearest 1p. Any adjustment not so made and any amount by which the Subscription Price is rounded down will be carried forward and taken into account on any subsequent adjustment pursuant to this paragraph 2.

- 2.6 Whenever the Subscription Price is adjusted in accordance with paragraphs 2.2, 2.3 or 2.4 of this Part 4 by reason of a consolidation of Ordinary Shares as referred to in paragraph 2.2 of this Part 4, the number of Ordinary Shares for which each holder of Subscription Shares is entitled to subscribe will be reduced accordingly. Whenever the Subscription Price is adjusted pursuant to paragraphs 2.2, 2.3 or 2.4 of this Part 4 (other by reason of and to reflect a consolidation of Ordinary Shares as referred to in paragraph 2.2 of this Part 4), the Company shall issue, credited as fully paid, additional Subscription Shares to each holder of Subscription Shares at the same time as such adjustment takes effect. The number of additional Subscription Shares to which a holder of Subscription Shares will be entitled shall be the number of existing Subscription Shares held by him multiplied by the following fraction:

$$\frac{L - M}{M}$$

where:

L = the Subscription Price immediately before such adjustment; and

M = the Subscription Price immediately after such adjustment.

Fractions of Subscription Shares will not be allotted to holders of Subscription Shares and all such fractions will be aggregated and, if practicable, sold in the market. The net proceeds will be paid to the Subscription Shareholders entitled thereto at the risk of such persons, save that amounts of less than £5.00 will be retained for the benefit of the Company. Unless the Directors otherwise determine, or unless the CREST Regulations or the facilities and requirements of CREST otherwise require, the additional Subscription Shares issued pursuant to this paragraph 2.6 shall be allotted in uncertificated form (where the existing holding of Subscription Shares is in uncertificated form on the relevant allotment date) and in certificated form (where the existing holding of Subscription Shares were in certificated form on the relevant allotment date).

For the purpose of this paragraph 2.6, the Directors are authorised to capitalise any part of the amount then standing to the credit of any of the Company's reserve accounts (whether or not the same would lawfully be distributable by way of cash dividend) or to the credit of the share premium account, capital redemption reserve, profit and loss account or otherwise available for the purpose and the same shall be applied in paying up in full at par the additional Subscription Shares created and to be issued pursuant to this paragraph 2.6 and such shares shall be allotted and issued, credited as fully paid, to the holders of the Subscription Shares in accordance with their respective entitlements calculated in accordance with this paragraph 2.6. The general restrictions and limitations in the New Articles relating to the capitalisation of profits and reserves shall not apply to any capitalisation or creation or issue of Subscription Shares pursuant to this paragraph 2.6 which shall instead be effected pursuant to the authority given by the resolution adopting the New Articles.

- 2.7 If at any time a Subscription Shareholder shall become entitled to exercise their Subscription Rights pursuant to sub-paragraph 6.1(vi) of this Part 4, the Subscription Price payable on such exercise (but not otherwise) shall be reduced by an amount determined in accordance with the following formula:

$$D = (E + F) - G$$

where:

D = the reduction in the Subscription Price;

E = the Subscription Price ruling immediately before such reduction;

F = the average of the mid-market quotations (as derived from the London Stock Exchange Daily Official List) for one Subscription Share for the 10 consecutive Business Days ending on the Business Day immediately preceding the date of the announcement of such offer (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made; and

G = the average of the mid-market quotations (as derived from the London Stock Exchange Daily Official List) for one Ordinary Share for the 10 consecutive Business Days ending on the Business Day immediately preceding the date of the announcement of such offer (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made;

provided that:

- (a) no adjustment shall be made in the Subscription Price where the value of G exceeds the aggregate value of E and F;
- (b) the reduction in the Subscription Price set out in this paragraph 2.7 shall protect the “time value” of the Subscription Shares and their “intrinsic value” (being the excess of the value of G over the Subscription Price, before any adjustments are made under this paragraph 2.7) and the Board shall be entitled (having taken advice from the Auditors) to make such further adjustments to the Subscription Price as shall be appropriate to provide the intended protection; and
- (c) the Subscription Price shall not be adjusted so as to cause the Company to be obliged to issue Ordinary Shares at a discount to nominal value and, if the application of the above formula would, in the absence of this sub-paragraph (c), have reduced the Subscription Price to below the nominal value of an Ordinary Share, the number of Ordinary Shares entitled to be subscribed pursuant to sub-paragraph 6.1(vi) of this Part 4 shall be adjusted in such a manner as the Auditors shall report to the Directors to be appropriate to achieve the same economic result for the holders of the Subscription Shares as if the Subscription Price had been reduced without regard to this sub-paragraph (c).

Any such adjustment shall become effective on the date on which the Company becomes aware that, as a result of such offer as is referred to in sub-paragraph 6.1(vi) of this Part 4, the right to cast a majority of the votes which may normally be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such persons or companies.

- 2.8 For the purpose of determining whether sub-paragraph 6.1(viii) of this Part 4 shall apply and, accordingly, whether each holder of a Subscription Share is to be treated as if their Subscription Rights had been exercisable and had been exercised as provided in that sub-paragraph, the Subscription Price which would have been payable on such exercise (but not otherwise) shall be reduced by an amount determined in accordance with the following formula:

$$H = (I + J) - K$$

where:

H = the reduction in the Subscription Price;

I = the Subscription Price ruling immediately before such reduction;

J = the average of the mid-market quotations (as derived from the London Stock Exchange Daily Official List) for one Subscription Share for the 10 consecutive Business Days ending on the Business Day immediately preceding the earliest of the following dates:

- (i) the date of an announcement by the Directors of their intention to convene an extraordinary general meeting for the purpose of passing a resolution to wind up the Company;
- (ii) the date of the notice of an extraordinary general meeting convened for the purpose of passing a resolution to wind up the Company;
- (iii) the date of commencement of the winding-up of the Company by the court; and
- (iv) the date of suspension by the London Stock Exchange of dealings in the Subscription Shares prior to the making of such announcement by the Directors;

K = the amount per Ordinary Share as determined by the Directors with confirmation from the Auditors that such determination is fair and reasonable which each holder of an Ordinary Share would be entitled to receive on such winding-up in accordance with sub-paragraph 6.1(viii) of this Part 4, on the assumption that all Subscription Rights then unexercised had been exercised in full at the Subscription Price (as adjusted, if appropriate, in accordance with this paragraph 2.8) and the subscription moneys in respect thereof had been received in full by the Company;

provided that:

- (a) no adjustment shall be made in the Subscription Price where the value of K exceeds the aggregate value of I and J; and
 - (b) the reduction in the Subscription Price set out in this paragraph 2.8 shall protect the “time value” of the Subscription Shares and their “intrinsic value” (being the fully diluted asset value available to Subscription Shareholders on the assumption that such Subscription Shareholders exercise their Subscription Rights, make payments for their subscription for Ordinary Shares and the ordinary share capital is enlarged accordingly) and the Board shall be entitled (having taken advice from the Auditors) to make such further adjustments to the Subscription Price as shall be appropriate to provide the intended protection.
- 2.9 The Company shall send a written notice of any adjustment made pursuant to this paragraph 2 to Subscription Shareholders within 28 days of any such adjustment becoming effective together, in the case of any additional Subscription Shares issued in certificated form, with the relevant Subscription Share certificate for such additional Subscription Shares. The Company shall procure that, in the case of any additional Subscription Shares issued in uncertificated form, appropriate instructions are given to enable such additional Subscription Shares to be credited in uncertificated form to the relevant account within CREST of the Subscription Shareholders entitled thereto.
- 2.10 Where an event which gives or may give rise to an adjustment to the Subscription Price occurs whether in such proximity in time to another such event or otherwise in circumstances such that the Company in its absolute discretion determines that the provisions of this paragraph 2 need to be operated subject to some modification in order to give a result which is fair and reasonable in all the circumstances such modification shall be made in the operation of the foregoing provisions as the Auditors may report to the Directors to be in their opinion appropriate in order to give such a result.

3. **Income Rights**

The Subscription Shares carry no rights to receive dividends or other income distributions out of the revenue or other profits of the Company.

4. **Capital Rights**

Subject to sub-paragraph 6.1 (viii) of this Part 4, the Subscription Shares carry no rights to receive any payment out of the assets of the Company on a return of capital on liquidation (for whatever purpose including for the purpose of reorganisation, amalgamation or simple dissolution) or otherwise.

5. **Voting Rights and General Meetings**

Whether or not the Subscription Rights shall have expired, the Subscription Shares shall not carry any right to receive notice of, or to attend or vote at, any general meetings of the Company and references in the Articles to “members”, “shareholders” and “holders”, in relation to receiving notice of, or attending or voting at, general meetings of the Company shall be construed accordingly.

6. **Protective Provisions**

6.1 So long as any Subscription Rights remain exercisable:

- (i) the Company shall keep available for issue sufficient authorised but unissued share capital to satisfy in full all Subscription Rights remaining exercisable;
- (ii) the Company shall not (except with the sanction of a special resolution of the Subscription Shareholders):
 - (a) make any distribution of capital profits or capital reserves (including all surpluses and accretions required to be credited to capital reserves by the Articles) except by means of a capitalisation issue in the form of fully paid Ordinary Shares;
 - (b) issue securities by way of capitalisation of profits or reserves except fully paid Ordinary Shares issued to the holders of its Ordinary Shares; or
 - (c) on or by reference to a record date falling within the period of six weeks ending on any Subscription Date make any such consolidation or sub-division as is referred to in paragraph 2.2 of this Part 4, any such allotment as is referred to in paragraph 2.3 of this Part 4 or any such offer or invitation as is referred to in paragraph 2.4 of this Part 4 (except by extending to Subscription Shareholders or procuring the extension to Subscription Shareholders of any such offer or invitation as may be made by a third party);

- (iii) the Company shall not (except with the sanction of a special resolution of the Subscription Shareholders):
 - (a) in any way modify the rights attached to its existing Ordinary Shares as a class; or
 - (b) subject to paragraph 6.2 of this Part 4, create or issue any new class of equity share capital (as defined in section 548 of the Companies Act 2006) except for shares which, as compared with the rights attached to the existing Ordinary Shares, carry rights which are not more advantageous as regards voting, dividend or return of capital;

if, in either case, such modification or the creation or issue of any such shares is made in connection with or in contemplation of a winding-up of the Company, provided that, for the purposes of calculating the sum (if any) due to Subscription Shareholders under sub-paragraph (viii) below, the Directors shall have regard both to the rights of the Ordinary Shares immediately prior to such modification and after such modification and to the amount which the Subscription Shareholder would have received had he been the holder of the Ordinary Shares to which he would have become entitled as provided in sub-paragraph (viii) below and had he exercised any right of election conferred on such Ordinary Shares or the shares so created or issued

provided that nothing in this sub-paragraph (iii) shall restrict the right of the Company to increase, consolidate or sub-divide its share capital and further provided that, notwithstanding sub-paragraphs (a) and (b) above:

- (1) for so long as the Company has only two classes of share capital, being the Ordinary Shares and the Subscription Shares, any modification of the rights of the Ordinary Shares is not to be regarded as a modification of the rights attached to the Ordinary Shares as a class; and
- (2) any rights as regards return of capital shall not be regarded as more advantageous than those of the Ordinary Shares;

(iv) the Company shall not:

- (a) (except with the sanction of a special resolution of the Subscription Shareholders) amend its Articles so as to enable any distribution of capital profits or capital reserves (save as permitted by sub-paragraph (ii)(a) above or by way of redemption or purchase of shares in accordance with section 160 or 162 of the Companies Act); or
- (b) (except (1) with the sanction of a special resolution of the Subscription Shareholders, (2) in connection with a purchase of its own shares made in accordance with the Companies Act, the Articles and the Listing Rules or (3) a reduction in accordance with the Companies Act and not involving any payment to its Shareholders) reduce its share capital or (except as permitted in section 130 or 170 of the Companies Act) any share premium account or capital redemption reserve or any uncalled or unpaid liability in respect of any of its share capital;

(v) the Company shall not, except in circumstances where paragraph 2.4 applies, grant (or agree to grant) any option in respect of, or create any rights of subscription for, any Ordinary Shares, the nominal amount of which, together with the aggregate nominal amount of any Ordinary Shares over which options or rights of subscription (including those of the Subscription Shares) shall be subsisting at the date of such grant or creation, would exceed in the aggregate 20 per cent. of the nominal amount of the Ordinary Shares then in issue nor (except with the sanction of a special resolution of the Subscription Shareholders) will the Company grant (or offer or agree to grant) any such option in respect of, or create any such rights of subscription for, or issue any loan capital carrying rights of conversion into, Ordinary Shares if the price at which any such option or right is exercisable is lower than the Subscription Price for the time being;

(vi) subject to sub-paragraph (vii) below, if at any time an offer is made to all holders of Ordinary Shares (or all such holders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware, on or before the final Subscription Date, that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such companies or persons as aforesaid, the Company

shall give notice to the Subscription Shareholders of such vesting or pending vesting within 14 days of its becoming so aware and each Subscription Shareholder shall be entitled, at any time within the period of 30 days immediately following the date of such notice, to exercise their Subscription Rights on the terms on which the same could have been exercised (subject to any adjustment to the Subscription Price made in accordance with paragraph 2.7 of this Part 4) if they had been exercisable on the day on which the Company shall become aware as aforesaid (and references to “**Subscription Date**” in this Part 4 shall be construed, where the context so requires, as if such day were a Subscription Date) (and, if any part of the 30-day period referred to in this subparagraph (vi) falls before the first Subscription Date, the Subscription Rights shall nevertheless be deemed to be exercisable during all of that period for the purposes of this sub-paragraph (vi) and, if any part of such period falls after the final Subscription Date, the final Subscription Date shall be deemed to be the last Business Day of such 30-day period);

(vii) if any offer as is referred to in sub-paragraph (vi) above shall be made whereunder the consideration shall consist solely of the issue of ordinary shares of the offeror and the offeror shall make available an offer of securities conferring rights to subscribe for ordinary shares in the offeror (the “**exchange securities**”) in exchange for the Subscription Shares which the financial adviser to the Company shall consider in its opinion (acting as an expert and not as an arbitrator) to be fair and reasonable (having regard to the terms of the offer, the tax treatment of the exchange securities compared to that of the Subscription Shares and any other circumstances which may appear to such financial adviser to be relevant), then any Director shall be irrevocably authorised as attorney for the Subscription Shareholders who have not accepted such offer of exchange securities:

(a) to execute a transfer of the Subscription Shares held by such holders in favour of the offeror in respect of Subscription Shares that are in certificated form, or to take or authorise or procure the taking of such action as shall be required in accordance with and subject to the CREST Regulations and the facilities and requirements of CREST to effect such transfer, in respect of Subscription Shares that are in uncertificated form, in consideration of the issue of exchange securities whereupon all the Subscription Rights shall lapse and each outstanding Subscription Share shall be converted into a Deferred Share; and

(b) to do all such acts and things as may be necessary or appropriate in connection therewith;

subject, in the case of both (a) and (b) above, to the offer as is referred to in sub-paragraph (vi) above becoming or being declared wholly unconditional and the offeror being in a position to acquire compulsorily the whole of the then issued ordinary share capital of the Company not already owned by it or any of its associates (as defined in section 988 of the 2006 Act).

(viii) if:

(a) an order is made or an effective resolution is passed for winding up the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by a special resolution of the Subscription Shareholders);

(b) the date has passed which is the earlier of (i) 4 weeks from the date of service of notice of winding up by the Company upon the Shareholders and (ii) the date on which all Stockholders have served notice on the Company electing to exercise conversion rights in respect of all the CULS held by them such that it is possible to determine what proportion of the CULS (if any) remain unexercised; and

(c) in such winding-up and on the basis that all Subscription Rights then unexercised had been exercised in full and the Subscription Price therefor (subject to any adjustment to the Subscription Price made in accordance with paragraph 2.8 of this Part 4) had been received in full by the Company and on the basis that all CULS in relation to which an election has been made to exercise conversion rights have been so converted, there would be a surplus available for distribution amongst the holders of the Ordinary Shares, including for this purpose the Ordinary Shares which would arise on exercise of all the Subscription Rights, which would, on such basis, exceed in respect of each Ordinary Share a sum equal to such Subscription Price;

each Subscription Shareholder shall be treated as if immediately before the date of such order or resolution (as the case may be) their Subscription Rights had been exercisable and had been exercised in full on the terms on which the same could have been exercised (subject to

any adjustment to the Subscription Price made in accordance with paragraph 2.8 of this Part 4) if they had been exercisable and had been exercised on the day immediately before the date of such order or resolution (as the case may be) and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of Ordinary Shares such a sum as he would have received had he been the holder of the Ordinary Shares to which he would have become entitled by virtue of such exercise after deducting a sum per Ordinary Share equal to the Subscription Price (adjusted, if appropriate, in accordance with paragraph 2.8 of this Part 4), provided that, if in connection with such winding up the holders of the Ordinary Shares approve in accordance with its Articles:

- (1) a distribution of assets in specie to the members,
- (2) the vesting in trustees of the whole or any part of the assets of the Company on trust for the benefit of the Ordinary Shareholders or any of them,
- (3) a transfer of the whole or part of the Company's assets to another investment fund (either closed-end or open-ended) in consideration for which shares or other securities will be issued by such fund for distribution among the Ordinary Shareholders or any of them; or
- (4) any similar arrangement;

then, for the purposes of this sub-paragraph (viii), the sum that the Subscription Shareholder would have received had he been the holder of the Ordinary Shares to which he would have become entitled by virtue of such exercise of their Subscription Rights shall be such sum as is determined by the Directors on such basis of valuation and valued at such date as the Directors determine with confirmation from the Auditors that each such determination is fair and reasonable and, subject to the foregoing, all Subscription Rights shall lapse on liquidation of the Company.

6.2 Notwithstanding any of the provisions of paragraph 6.1 of this Part 4, a qualifying 'C' share issue shall not constitute an alteration or abrogation of the rights attached to the Subscription Shares (and shall not require the sanction of a special resolution of the Subscription Shareholders) even though it may involve modification of the rights attached to the existing Ordinary Shares or the creation or issue of a new class of equity share capital if the Directors are of the opinion (having regard to all of the circumstances) that such issue should not have any material dilutive effect on the Net Asset Value attributable to each Ordinary Share. For the purpose of this paragraph 6.2, a "**qualifying 'C' share issue**" means an issue by the Company of shares which will, within one year of the date of issue thereof, be converted into Ordinary Shares ranking *pari passu* in all respects with the Ordinary Shares then in issue (other than, if the case requires, as regards dividends or other distributions declared, paid or made in respect of the financial year in which the conversion takes place) and may include the issue in connection therewith of subscription shares or warrants (whether on the same terms and conditions as the Subscription Shares or otherwise) and any matters reasonably incidental to the process by which such shares are converted to Ordinary Shares, including but not limited to the creation, issue, sub-division, consolidation, redesignation, purchase, redemption or cancellation of any share capital of the Company, including share capital with preferred or deferred rights.

6.3 Notwithstanding any of the provisions of paragraph 6.1 of this Part 4, the Company may, without the sanction of a special resolution of the Subscription Shareholders:

- (i) purchase any of its own share capital (whether by invitation, by private treaty or through the market);
- (ii) hold its Ordinary Shares in treasury and cancel or sell any such Ordinary Shares held in treasury (for the avoidance of doubt such sale may be at a discount to Net Asset Value per Share); or
- (iii) convert any of the CULS into Ordinary Shares in accordance with the terms of the Trust Deed.

6.4 The publication of a scheme of arrangement or conclusion of a legally binding agreement providing for the acquisition by any person of the whole or any part of the issued ordinary share capital of the Company (by whatever means) shall be deemed to be the making of an offer for the purposes of subparagraph 6.1(vi) of this Part 4.

7. **Purchase of Subscription Shares**

7.1 The Company and its subsidiaries shall have the right to purchase Subscription Shares in the market, by tender offer or by private treaty, provided that:

- (i) in the case of any purchase of Subscription Shares in the market or by private treaty, such purchase may only be made if the price to be paid does not exceed any maximum price specified in the Listing Rules and, if no such price is specified, 5 per cent. above the average of the middle market quotations for the Subscription Shares (as derived from the London Stock Exchange Daily Official List) for the five consecutive Business Days ending on the Business Day prior to the day such purchase is made; and
- (ii) if such purchases are by tender offer, such tender offer will be available to all holders of Subscription Shares alike.

All Subscription Shares so purchased shall forthwith be cancelled and shall not be available for re-issue or re-sale.

8. **Deferred Shares**

- 8.1 In this Part 4 “**Deferred Shares**” means redeemable deferred shares of 0.001p each in the capital of the Company arising on conversion or consolidation and division of Subscription Shares in accordance with any of paragraphs 1.11, 1.12 or 1.14 of this Part 4. The Subscription Shares will be issued on terms that the Deferred Shares, but not the Ordinary Shares arising on exercise of the Subscription Rights, shall be redeemable by the Company in accordance with this paragraph 8. Deferred Shares may only be held in certificated form, but the Company shall not be obliged to issue share certificates to the holders of Deferred Shares.
- 8.2 The Deferred Shares (to the extent that they are in issue and extant) shall entitle the holders thereof to a cumulative dividend at a fixed rate of 1.0 per cent. of the nominal amount thereof (the “**Deferred Dividend**”) payable on the date six months after they arose on conversion or consolidation and division of Subscription Shares in accordance with any of paragraphs 1.11, 1.12 or 1.14 of this Part 4 (“**Deferred Share Conversion**”) to the holders thereof on the register of members on that date as holders of Deferred Shares, and thereafter at six monthly intervals and, save as provided in this paragraph 8, shall confer no other right on the holders thereof to share in the profits of the Company. The Deferred Dividend shall not become payable in any way until the date six months after the date on which the relevant Deferred Share Conversion occurred and shall then only be payable to those holders of Deferred Shares registered in the register of members of the Company as holders of Deferred Shares on the date six months after the date on which the relevant Deferred Share Conversion occurred. (It should be noted that, given the right to redeem the Deferred Shares in accordance with paragraph 8.3 of this Part 4, it is not expected that any Deferred Dividend will be paid on any Deferred Shares.)
- 8.3 Following any Deferred Share Conversion, the Company shall at the absolute discretion of the Directors redeem all of the Deferred Shares which arose as a result of such Deferred Share Conversion for an aggregate consideration of 1p for each holding of 1,000,000 Deferred Shares (or any part thereof) plus the amount of any accrued dividend and the relevant provision in the New Articles shall be deemed to constitute notice to each holder of Deferred Shares that the Deferred Shares shall be redeemed for such aggregate consideration calculated on such basis. On redemption each Deferred Share shall be treated as cancelled in accordance with section 160(4) of the Companies Act. The Company shall not be obliged to account to any holder of Deferred Shares for the redemption monies in respect of such shares unless the relevant holder applies to the Company in writing requesting payment of the said redemption monies.
- 8.4 On a return of assets on a winding up of the Company or other return of capital (otherwise than on the purchase by the Company of any of its own shares), the Deferred Shares shall entitle the holder only to be repaid the amount paid up on such shares after repayment of the capital paid up on the Ordinary Shares plus the payment of £5,000 on each Ordinary Share.
- 8.5 The Deferred Shares shall not carry any right to receive notice of, or to attend or vote at, any general meetings of the Company and references in the Articles to “members”, “shareholders” and “holders”, in relation to receiving notice of, or attending or voting at, general meetings of the Company shall be construed accordingly.

9. **General**

- 9.1 The Company shall send to all Subscription Shareholders:
 - (i) a copy of every published annual report and accounts of the Company, and of every unaudited interim report of the Company, and any other document required by law to be annexed thereto; and
 - (ii) a copy of every notice, circular or other document sent by the Company to Ordinary Shareholders; in each case at the time of issue thereof to Ordinary Shareholders.

- 9.2 Any determination or adjustment affecting the Subscription Shares made pursuant to the Articles by the Directors or the Auditors shall be made by them as experts and not as arbitrators and any such determination or adjustment made by them shall be final and binding on the Company and each of the Subscription Shareholders.
- 9.3 For the avoidance of doubt, the terms on which the Subscription Rights are exercisable or could have been exercised on any date for the purposes of this Part 4 shall take into account, insofar as applicable, any adjustments to the Subscription Rights made pursuant to paragraph 2 of this Part 4.
- 9.4 Whether any Subscription Shares are in certificated form or uncertificated form on a Subscription Date (or on any other date on which the Subscription Rights become exercisable) shall be determined by reference to the register of Subscription Shareholders as at 12:01 a.m. on the relevant Subscription Date or such other time as the Directors may (subject to the facilities and requirements of CREST) in their absolute discretion determine.
- 9.5 For the purposes of this Part 4:
- (i) **“Auditors”** means the auditors of the Company for the time being or such other firm of accountants as may from time to time be appointed by the Directors for these purposes;
 - (ii) **“Subscription Notice”** means either a Certificated Subscription Notice or an Uncertificated Subscription Notice;
 - (iii) **“CREST Regulations”** means the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), including any modification thereto or any regulations in substitution therefore;
 - (iv) **“special resolution of the Subscription Shareholders”** means a resolution proposed at a meeting of the Subscription Shareholders duly convened and held and passed by a majority consisting of not less than 75 per cent. of the votes cast, whether on a show of hands or on a poll; and
 - (v) **“Business Day”** means a day on which dealings take place on the London Stock Exchange.

PART 5

FINANCIAL INFORMATION CONCERNING THE COMPANY

1. Statutory Accounts for Three Financial Years Ended 31 January 2009

Statutory accounts of the Company for the three financial years ended 31 January 2009, in respect of which the Company's auditors, BDO Stoy Hayward LLP, Chartered Accountants, 55 Baker Street, London W1U 7EU, regulated by the Institute of Chartered Accountants in England and Wales, made unqualified reports under section 235 of the Companies Act, have been (or will be) delivered to the Registrar of Companies and such reports did not contain any statements under section 237(2) or (3) of the Act. Such reports are incorporated into this document by reference.

2. Published Annual Report and Accounts for Three Financial Years Ended 31 January 2009

2.1 *Historical Financial Information*

The published annual report and audited accounts of the Company prepared under UK GAAP for the three financial years ended 31 January 2009 included, on the pages specified in the table below, the following information intended to enable investors to identify easily specific items of information which are relevant to the Bonus Issue:

<i>Nature of Information</i>	<i>Annual Report and Accounts for Year Ended 31 January</i>		
	<i>2009</i>	<i>2008</i>	<i>2007</i>
	<i>Page No(s)</i>	<i>Page No(s)</i>	<i>Page No(s)</i>
Income Statement (incorporating revenue account)	27	27	23
Balance sheet	29	29	25
Cash flow statement	30	30	26
Reconciliation of movements in Shareholders' funds		28	24
Accounting policies	31	31	27
Notes to the financial statements	31	31	27
Audit report	25	25	21

The information referred to above is incorporated in this document by reference.

2.2 *Selected Financial Information*

The key audited figures that summarise the financial condition of the Company in respect of the three financial years ended 31 January 2009, which have been extracted directly on a straightforward basis from the historical financial information referred to in paragraph 2.1 of this Part 5 (unless otherwise indicated in the notes below the following table), are set out in the following table.

<i>Capital</i>	<i>As at 31 January</i>		
	<i>2009</i>	<i>2008</i>	<i>2007</i>
Total assets (£m)	38.83	65.59	66.64
Total fixed assets (investments) (£m)	37.21	48.53	57.15
Total assets less current liabilities (£m)	38.51	56.45	60.77
NAV (£m)	29.88	47.25	51.78
NAV per Share (p)			

Basic	88.23	122.72	121.91
Diluted	88.23	122.72	121.91

	<i>Year Ended 31 January</i>		
	2009	2008	2007
<i>Revenue Earnings and Dividends</i>			
Revenue Earnings per Share (<i>p</i>)	1.76	1.13	1.23
Dividends per Share (<i>p</i>)	1.40	1.00	1.00
Dividend cover ¹ (<i>x</i>)	1.35	1.13	1.23
Revenue reserves (<i>£m</i>)	0.89	0.63	0.58

¹ Dividend cover has been calculated on the financial information extracted from the audited accounts based on revenue return per Share and number of Shares in issue

2.3 **Operating and Financial Review**

The published annual reports and accounts of the Company for the three financial years ended 31 January 2009 included, on the pages specified in the table below, descriptions of the Company's financial condition (in both capital and revenue terms), changes in its financial condition and details of the Company's portfolio of investments for each of those years.

<i>Section</i>	<i>Annual Report and Accounts for Year Ended 31 January</i>		
	2009	2008	2007
	<i>Page No(s)</i>	<i>Page No(s)</i>	<i>Page No(s)</i>
Chairman's statement	5	5	4
Manager's review	6-8	6-8	4-5
Investment portfolio	9	9	6

The information referred to above is incorporated in this document by reference.

2.4 **Availability of Annual Report and Accounts for Inspection**

Copies of the published annual report and audited accounts of the Company for the three financial years ended 31 January 2009 are available for inspection at the addresses set out in paragraph 16 of Part 6 of this document.

3. **Financial Position**

There has been no significant change in the financial or trading position of the Company since 31 January 2009 (being the end of the last financial period of the Company for which audited financial information has been published).

4. **Capitalisation and Indebtedness**

The following table shows the unaudited capitalisation and indebtedness of the Company (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at 31 January 2009 (being the last date in respect of which the Company has published financial information) and as at 23 April 2009 (being the latest practicable date prior to the publication of this document).

	<i>31 January 2009¹</i>	<i>2009²</i>
	<i>£'000</i>	<i>£'000</i>
<i>Total Current Debt</i>		
Guaranteed	0	0
Secured	0	0
Unguaranteed/unsecured	0	0
<i>Total Non-current Debt</i>		
Guaranteed	0	0
Secured	0	0
Unguaranteed/unsecured	9,171	9,171
<i>Shareholders' Equity</i>		
Share capital	18,599	18,535
Legal reserve ³	0	0
Other reserves ³	10,394	12,341

¹ Derived from the Company's audited report ended 31 January 2009.

² Extracted from internal management accounting records maintained by Phoenix on behalf of the Company on a basis consistent with the Company's accounting policies.

³ Legal and other reserves do not include profit and loss reserve.

Save as disclosed in the above table, there has been no material change in the unaudited capitalisation and indebtedness of the Company since 31 January 2009 (being the last date in respect of which the Company has published financial information).

The following table shows the Company's unaudited net indebtedness as at 23 April 2009 being the latest practicable date prior to the publication of this document.

	<i>£'000</i>
A. Cash	1,602
B. Cash equivalent	4,199
C. Trading securities	35,554
D. Liquidity (A + B + C)	<u>41,355</u>
E. Current financial receivable	<u>221</u>
F. Current bank debt	0
G. Current portion of non-current debt	0
H. Other current financial debt	9,171
I. Current financial debt (F + G + H)	<u>9,171</u>
J. Net current financial indebtedness (I – E – D)	<u>(32,405)</u>
K. Non-current bank loans	<u>0</u>
L. Bonds issued	0
M. Other non-current loans	0
N. Non-current financial indebtedness (K + L + M)	<u>0</u>
O. Net financial indebtedness (J + N)	<u>(32,405)</u>

The Company has no indirect or contingent indebtedness.

5. Working Capital

In the Company's opinion, the Company has sufficient working capital for its present requirements (that is, for at least the 12 months following the date of this document).

6. **NAV Calculations**

The unaudited NAV per Share is calculated, in accordance with the guidelines of the AIC and the Company's accounting policies, as at the close of business on each business day by the Administrator and announced through a Regulatory Information Service on the following business day. The Company's accounting policies value the CULS at par.

For the purpose of calculating the NAV per Share, quoted investments are valued at bid prices, adjusted for accrued income where it is reflected in the market price. Unquoted investments (including securities in which trading has been suspended) are valued at the Board's estimate of their net realisable value.

The calculation of the NAV per Share will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.

PART 6

GENERAL INFORMATION

1. Responsibility Statement

- 1.1 This document comprises a prospectus relating to the Company prepared in accordance with the Listing Rules and Prospectus Rules. The Prospectus has been issued in respect of the Company's proposed issue of up to 7.475 million Subscription Shares.
- 1.2 The Company and each of its Directors, whose names appear on page 11 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and each of its Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation, History and Conduct of Business

- 2.1 The Company was incorporated and registered in England and Wales on 14 December 1992 as a public company limited by shares under the Act with registered number 2774914 and the name New City and Commercial Trust plc. On 2 September 1997, the Company changed its name to INVESCO City and Commercial Trust plc and, on 31 January 2006, the Company changed its name to The Cayenne Trust plc. The Company operates under the Act and regulations made under the Act.
- 2.2 The memorandum of association of the Company provides that its principal object is to undertake and carry on the business of an investment trust company. The objects of the Company are set out in clause 4 of its memorandum of association, a copy of which is available for inspection at the addresses set out in paragraph 16 of this Part 6.
- 2.3 On 17 December 1992, the Company was granted a certificate of entitlement to do business and to borrow under section 117 of the Act.
- 2.4 It is the intention of the Directors to continue to conduct the affairs of the Company so that it satisfies the conditions for approval as an investment trust under section 842 of the Income and Corporation Taxes Act 1988 and, accordingly, the Company intends that its income will consist wholly or mainly of eligible investment income (as defined in that section). The Company has obtained approval from HM Revenue & Customs as an investment trust in respect of its financial year ended 31 January 2008. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 January 2009 so as to be able to continue to obtain approval as an investment trust. As an investment trust, the Company is not regulated as a collective investment scheme (or otherwise) nor is it authorised by the FSA but is subject to the Listing Rules applicable to closed-end investment companies in general and investment trusts in particular.
- 2.5 The Company has given notice to the Registrar of Companies of its intention to carry on business as an investment company pursuant to section 833 of the 2006 Act.
- 2.6 There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months immediately preceding the date of this document which may have, or have had, in the recent past significant effects on the Company's financial position and profitability.
- 2.7 As at the date of this document, save as disclosed in paragraph 4 of Part 5 of this document in respect of the CULS, the Company has no guaranteed, secured, unguaranteed or unsecured debt and the Company has no indirect or contingent indebtedness. The Company has the power to borrow, subject to the limit imposed by the Articles described in paragraph 4 of this Part 6. Details of the Company's borrowing policy are set under the heading "Current Gearing Limits" in Part 2 of this document.
- 2.8 The Company has no subsidiary or parent undertakings, associated companies or employees and does not own or lease any premises.

3. Share Capital

- 3.1 As at 31 January 2009 (being the date of the balance sheet included in the Company's most recently published historical financial information), the authorised and issued share capital of the Company was as follows:

	<i>Number</i>		<i>Amount</i>	
	<i>Authorised</i>	<i>Issued and Fully Paid</i>	<i>Authorised</i>	<i>Issued and Fully Paid</i>
Ordinary Shares of 25p each	220,000,000	37,373,500	£55,000,000	£9,343,375
CULS (entitling the holder to subscribe for Ordinary Shares at the Conversion Rate).	N/A	9,171,000	N/A	N/A

- 3.2 The Company's issued share capital history during the last three financial years and since 31 January 2009 is as follows:

- (i) in the financial year ended 31 January 2007, the Company did not issue any new Ordinary Shares. It issued 35,000,000 "C" shares, subsequently sub-divided into 140,000,000 "C" shares of which 29,720,061 were simultaneously converted into new Ordinary Shares. The remaining 110,279,929 "C" shares were simultaneously converted into deferred shares which were redeemed by the Company for an aggregate consideration of 1p for every 100,000 deferred shares (or part thereof) held by each holder. No Ordinary Shares were repurchased. As at 31 January 2007 the Company had 42,475,143 Ordinary Shares in issue; no Ordinary Shares were held in treasury;
- (ii) in the financial year ended 31 January 2008, the Company did not issue any new Ordinary Shares. It repurchased 3,969,500 Ordinary Shares into treasury; 869,500 Ordinary Shares were cancelled out of treasury. As at 31 January 2008, the Company had 41,605,643 Ordinary Shares in issue, including 3,100,000 Ordinary Shares held in treasury.
- (iii) in the financial year ended 31 January 2009, the Company did not issue any new Ordinary Shares. It repurchased 4,637,893 Ordinary Shares into treasury; 3,975,643 Ordinary Shares were cancelled out of treasury. As at 31 January 2009, the Company had 37,630,000 Ordinary Shares in issue, including 3,762,250 Ordinary Shares held in treasury;
- (iv) in the period from 31 January 2009 to 23 April 2009 (being the latest practicable date prior to publication of this document), the Company did not issue any new Ordinary Shares. It repurchased 231,550 Ordinary Shares into treasury; 256,500 Ordinary Shares were cancelled out of treasury. As at 23 April 2009, the Company had 37,373,500 Ordinary Shares in issue, including 3,737,300 Ordinary Shares held in treasury.

- 3.3 Since 1 February 2009 no share capital of the Company has been issued or, save in connection with the Bonus Issue, agreed to be issued and no CULS have been exercised.

- 3.4 If the special resolution to be proposed at the General Meeting is passed:

- (i) 600,000 Ordinary Shares in the authorised share capital of the Company will be sub divided into 15,000,000 ordinary shares of 1p each and redesignated as Subscription Shares;
- (i) the Directors will be generally and unconditionally authorised, in accordance with section 80 of the Companies Act, to allot relevant securities (as defined in section 80(2) of the Companies Act) as follows:
 - (A) to allot Subscription Shares up to an aggregate nominal amount of £150,000 (representing 40.14 per cent. of the Company's issued Ordinary Share capital as at 23 April 2009, the latest practicable date prior to the publication of this document); and

- (B) to allot Ordinary Shares in connection with the exercise of Subscription Rights up to an aggregate nominal amount of £3,750,000 (representing 40.14 per cent. of the Company's issued Ordinary Share capital as at 23 April 2009, the latest practicable date prior to the publication of this document).

such authority to expire, in respect of (A) and (B), at the conclusion of the Annual General Meeting of the Company to be held in 2012, unless such authority is previously revoked, varied or renewed by the Company in general meeting, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority and the directors of the Company may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired; and

- (iii) in addition to any authority granted to the Directors at any previous annual general meeting of the Company, the Directors will be empowered, in accordance with section 95 of the Companies Act, to allot Ordinary Shares for cash, pursuant to the authority referred to in sub-paragraph 3.4(ii) of this Part 6 (the "Section 80 Authority"), as if section 89(1) of the Act did not apply to any such allotment, provided that such power shall be limited to the allotment of Ordinary Shares in connection with and for the purposes of the exercise of the Subscription Rights up to a maximum nominal amount of £3,750,000, such power to expire 15 months following the Resolution being passed, unless previously revoked, varied or renewed by the Company in general meeting, save that the Company may, at any time prior to the expiry of such power, make an offer to enter into an agreement which would or might require any Ordinary Shares to be allotted after the expiry of such power and the Directors may allot Ordinary Shares in pursuance of such an offer or agreement as if such power had not expired.

3.5 As at 23 April 2009, the latest practicable date prior to publication of this document, the Company holds 3,737,300 Shares in treasury, representing 9.99 per cent. of the total Ordinary Share capital in issue (11.11 per cent. of the issued Ordinary Share capital excluding treasury shares).

3.6 Other than the issue of Subscription Shares pursuant to the Bonus Issue the Directors have no present intention of issuing any of the authorised but unissued share capital of the Company.

3.7 The provisions of section 89(1) of the Act (which, to the extent not disapplied by section 95 of the Act, confer on Shareholders rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of the Act) in the Company which are, or are to be, paid up in cash) shall apply to the authorised but unissued share capital of the Company, except to the extent disapplied by the resolution referred to in sub-paragraph 3.4(iii) of this Part 6. The proposed disapplication of pre-emption rights referred to in that sub-paragraph extends to Ordinary Shares up to an aggregate amount of £3,750,000 nominal of Ordinary Shares (representing 40.14 per cent. of the issued Ordinary Share capital of the Company as at 23 April 2009, the latest practicable date prior to publication of this document).

3.8 Immediately following the Bonus Issue, the authorised and issued share capital of the Company upon Admission will be as follows (assuming there are currently 37,373,500 Shares in issue with 3,737,500 Shares held in treasury):

	<i>Number</i>		<i>Amount</i>	
	<i>Authorised</i>	<i>Issued and Fully Paid</i>	<i>Authorised</i>	<i>Issued and Fully Paid</i>
Ordinary Shares of 25p each (excluding treasury shares)	219,400,000	37,373,500	£54,850,000	£37,373,500
Subscription Shares of 1p each	15,000,000	6,727,240	£150,000	£67,272.40

3.9 As at the date of this document, save as disclosed in this paragraph 3:

- (i) no Shares which did not represent capital had been issued by the Company and remained outstanding;
- (ii) no Shares were held by or on behalf of the Company in treasury or otherwise;
- (iii) no convertible securities, exchangeable securities or securities with warrants had been issued by the Company and remained outstanding;

- (iv) there were no acquisition rights and/or obligations over any of the Company's authorised but unissued capital and, save in connection with the Bonus Issue, no undertakings to increase the Company's capital; and
 - (v) no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.10 The ISIN (International Security Identification Number) of the Ordinary Shares is GB0006369119. The ISIN of the Subscription Shares will be GB00B3SL8565. The ISIN of the CULS is GB00B11H1G91.
- 3.11 As at 23 April 2009 (the latest practicable date prior to publication of this document) the NAV per Share (including accumulated income) was 95.66p.

4. **Articles of Association**

4.1 The Articles contain provisions, *inter alia*, to the following effect:

(a) Notice Of General Meetings

- (i) An annual general meeting and a meeting called for the passing of a special resolution shall be called by not less than 21 clear days' notice in writing, and a meeting of the Company other than an annual general meeting or a meeting for the passing of a special resolution shall be called by not less than 14 clear days' notice in writing. The notice shall specify the place, the day and the time of meeting and, in the case of any special business, the general nature of that business. It shall be given, in the manner mentioned in the Articles or in such other manner, if any, as may be prescribed by the Company in general meeting, to such persons as are, under the Articles, entitled to receive such notices from the Company and shall comply with the provisions of the Companies Act and other statutes concerning companies (the "**Statutes**") as to informing members of their right to appoint proxies. A notice calling an annual general meeting shall specify the meeting as such and a notice convening a meeting to pass an extraordinary resolution or a special resolution as the case may be shall specify the intention to propose the resolution as such.
- (ii) A meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in the preceding paragraph (i), be deemed to have been duly called if it is so agreed in the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat and in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.
- (iii) The accidental omission to give notice of a meeting, or to send a form of proxy with a notice where required by the Articles, to any person entitled to receive notice, or the non-receipt of notice of a meeting or form of proxy by any such person, shall not invalidate the proceedings at that meeting.

(b) Voting Rights

- (i) Subject to any rights or restrictions for the time being attached to any class or classes of shares and to any other provisions of the Articles, on a show of hands every member present in person shall have one vote, and on a poll every member present in person or by proxy shall have one vote for each share of which he is the holder.
- (ii) In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the share.
- (iii) A member in respect of whom an order has been made by any court having jurisdiction (in the United Kingdom or elsewhere) in matters concerning mental disorder may vote, whether on a show of hands or on a poll, by his receiver curator bonis or other person authorised in that behalf appointed by that court, and such receiver curator bonis or other person may, on a poll, vote by proxy, provided that evidence to the satisfaction of the Directors of the authority of the person claiming to exercise the right to vote has been delivered at the Company's registered office (or at such other place as may be specified in accordance with the Articles for the delivery of instruments appointing a proxy) not later than the last time at which an instrument of proxy should have been delivered in order to be valid for use at that meeting or on the holding of that poll.

- (iv) No member shall, unless the Directors otherwise determine, be entitled, in respect of any share in the capital of the Company held by him, to be present or to vote on any question, either in person or by proxy, at any general meeting, or separate general meeting of the holders of any class of shares of the Company, or to be reckoned in a quorum, if any call or other sum presently payable by him to the Company in respect of such share remains unpaid.

(c) Restrictions on shares

If a member or any person appearing to be interested in shares in the Company has been duly served with a notice pursuant to section 793 of the Act and is in default in supplying to the Company information thereby required within a prescribed period after the service of such notice, the Directors may serve on such member or any such person a notice (a “**Restriction Notice**”) directing that the member shall not be entitled to vote at any general meeting of the Company in respect of the shares in relation to which the default occurred (“**Restricted Shares**”). Where the Restricted Shares represent at least 0.25 per cent. of the class of shares, the direction notice may in addition direct, *inter alia*, that any dividend or other money which would otherwise be payable on such shares shall be retained by the Company without liability to pay interest and no transfer of any of the shares held by the member shall be registered unless the member is not himself in default in supplying the information requested and the transfer is part only of the member’s holding and is accompanied by a certificate given by the member in a form satisfactory to the Directors to the effect that after due and careful enquiry the member is satisfied that no person in default is interested in any shares subject to the transfer or the transfer is an approved transfer. The prescribed period referred to above means 14 days from the date of service of the notice under the said section 793 where the Restricted Shares represent at least 0.25 per cent. of the class of shares concerned and 28 days in all other cases.

(d) Variation of class rights and alteration of capital

- (i) If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class of shares may, subject to the Statutes, be modified, abrogated or varied either with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of sections 284, 307-310, 313-319 and 337-340 of the Act and the provisions of the Articles relating to general meetings shall apply, *mutatis mutandis*, but so that the necessary quorum at any such meeting other than an adjourned meeting shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the relevant class and at an adjourned meeting one person holding shares of the class or his proxy. Any holder of shares of the relevant class present in person or by proxy may demand a poll. Every holder of shares of the class in question present in person or by proxy shall be entitled on a poll to one vote for every share of that class held by him. The rights attached to any class of shares, unless otherwise expressly provided by the terms of issue of such share or by the terms upon which such shares are for the time being held, be deemed not to be modified, abrogated or varied by the creation or issue of further shares ranking *pari passu* therewith.
- (ii) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, sub-divide all or any of its shares into shares of smaller amount and cancel any shares not taken or agreed to be taken by any person.
- (iii) Subject to any consent required by law, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account.
- (iv) Subject to the provisions of the Statutes or the Articles, all unissued shares of the Company are at the disposal of the Directors.
- (v) Subject to the provisions of the Statutes, any shares may be issued on terms that they are, or at the option of the Company or the members are, liable to be redeemed on the terms and in the manner provided for by the Articles.
- (vi) Subject to the provisions of the Statutes, the Company may purchase its own shares (including any redeemable shares) provided that the Company shall not purchase its own shares if at the time of any approval or authorisation by the Company in general meeting of such purchase or contract relating thereto there are outstanding any shares which remain capable of being converted into equity share capital, unless such purchase has been properly sanctioned by an extraordinary resolution passed at a separate meeting of the holders of each class of such convertible shares.
- (vii) The Company may not give any financial assistance for the acquisition of shares in the Company except and in so far as permitted by the Statutes.

- (viii) Subject to the provisions of the Statutes, the shares of the Company cannot be allocated at a discount and save as permitted by the Statutes cannot be allotted except as paid up at least as to one-quarter of their nominal value and the whole of any premium.

(e) Transfer of shares

- (i) All transfers of shares shall be effected by instrument in writing in any usual or common form or any other form which the Directors may approve. The instrument of transfer of any share in the Company shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid, shall be signed by or on behalf of the transferee).
- (ii) The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Company's share register in respect thereof.
- (iii) The Directors may, in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any share which is not a fully paid share provided that, where any such shares are admitted to the Official List, such discretion may not be exercised in a way which the London Stock Exchange regards as preventing dealings in the shares of that class from taking place on an open and proper basis. The Directors may likewise refuse to register any transfer of a share, whether fully paid or not, in favour of more than four persons jointly.
- (iv) The Directors may decline to recognise any instrument of transfer unless the instrument of transfer is left at the company's registered office, or at such other place as the Directors may from time to time determine, accompanied by the certificate(s) of the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do) and the instrument of transfer is in respect of only one class of share.

(f) US Persons

The Directors shall be entitled to invoke the provisions described in the following paragraphs under the heading "US Persons" where they believe either (i) that the aggregate number of US Persons who are beneficial owners of any outstanding securities (which expression includes warrants) is or might be more than fifty (or such other number as the Directors may from time to time determine) or (ii) in light of the holding of beneficial ownership of any share or warrant (whether on its own or when taken together with other securities of the Company of other holders), the assets of the Company might in the opinion of the Directors, either at the time of determination or at any time in the future, be considered "plan assets" within the meaning of Regulations adopted by the United States Department of Labor under the Employee Retirement Income Security Act of 1974 (as amended) of the United States of America.

The Directors may decline to register any person as a holder of shares unless there has been furnished to them a declaration (in such form as the Directors may from time to time prescribe), together with such evidence as the Directors may require of the authority under which any such declaration may have been signed, stating whether or not such person is a person having an interest in shares who is, or who is deemed to be a Restricted Person (as defined below) and whether or not, upon registration of such share in the relevant name or names, any Restricted Person is or will be interested in such share. The Directors shall in any case where they may consider appropriate require such person to provide such evidence or give such information as to the matters referred to in the declaration as they think fit, and shall decline to register any person as a holder of a share if such further evidence of information is not provided or given. The Directors may at any time give notice in writing to the holder (or to each one of the joint holders) of a share requiring him within such reasonable period as may be specified in the notice to show to their satisfaction whether or not a Restricted Person is interested in such a share. If within 14 days after the giving of such notice (or such extended time as in all circumstances the Directors shall consider reasonable) they are not satisfied, the Directors may declare that a Restricted Person is interested in such share.

For the purpose of preventing any Restricted Person from having any interest in shares:

- (i) The Directors may serve written notice on a registered holder of any Restricted Shares and on any other person who appears to them to be a Restricted Person in relation to those shares setting out the restrictions contained in paragraph (iii) below and calling for a Required Disposal (as defined below) to be made within 14 days of the service of the notice on the registered holder (or such longer period as the Directors consider reasonable). The Directors may extend the period in which such notice is required to be complied with and may withdraw any such notice (whether before or after the expiration of the period referred to) if it appears to them that there is no Restricted Person in relation to the shares concerned. The registered holder of the Restricted Shares and any other person on whom such notice is served may make representations to the

Directors in such manner and detail as the Directors shall deem appropriate to the effect that no Restricted Person is interested in relation to such shares. Upon the giving of such notice, and save for the purpose of a required disposal under this paragraph (i) or the following paragraph (ii) no transfer of any Restricted Shares (or any interest therein) may be made until either such notice has been withdrawn or a Required Disposal has been made to the satisfaction of the Directors and registered.

- (ii) If a notice served under paragraph (i) has not been complied with in all respects to the satisfaction of the Directors and has not been withdrawn, the Directors may in their sole discretion, so far as they are able, arrange for a Required Disposal to be made at the best price reasonably obtainable at the relevant time and shall give written notice within such reasonable time as the Directors shall determine of such disposal to the former registered holder. The manner, timing and terms under which any such Required Disposal is made or sought to be made by the Directors (including but not limited to the price or prices at which the same is made and the extent to which assurances obtained that no transferee is or would become a Restricted Person) shall be such as the Directors determine, based upon advice from bankers, brokers or other appropriate persons consulted by them for the purpose, to be reasonably practicable having regard to all the circumstances (including but not limited to the number of shares to be disposed of and the requirement the disposal be made without delay); and the Directors shall not be liable for any of the consequences of reliance on such advice.
- (iii) A registered holder of a Restricted Share on whom a notice has been served under paragraph (i) above shall not in respect of that share be entitled, until such time as the notice either has been complied with to the satisfaction of the Directors or withdrawn, to attend or vote at any general meeting of the Company or of any class thereof and the rights to attend (whether in person or by proxy), to speak and to demand and vote on a poll which, but for the provisions of this paragraph (iii) would have attached to the Restricted Share, shall vest in the chairman of such meeting. The manner in which the chairman exercises or refrains from exercising any such right shall be entirely at his discretion. The chairman of any such meeting as aforesaid shall be informed by the Directors of any share becoming or being deemed to be a Restricted Share.

The transfer of any Restricted Share shall be subject to the approval of the Directors if, in the opinion of the Directors, such Restricted Share would upon transfer remain a Restricted Share and the Directors may refuse to register the transfer of any such share.

For the purpose of a Required Disposal under paragraph (ii) above, the Directors may appoint any person to execute as transferor an instrument of transfer in favour of the transferee and may enter the name of the transferee in respect of the transferred shares in the Register of Members notwithstanding the absence of any share certificate and such instrument of transfer shall be as effective as if it had been executed by the registered holder and the title of the transferee shall not be affected by any irregularity or invalidity in the proceedings relating thereto. The net proceeds of a Required Disposal shall be received by the Company (whose receipt shall be a good discharge for the purchase money) and shall be converted into sterling (if necessary) and shall be held on trust for and paid (together with interest at such rate as the Directors deem appropriate) to the former registered holder (or, in the case of joint holders, the first named joint holder thereof in the Register of Members) upon surrender by him or on his behalf of any certificate in respect of the shares sold and formerly held by him. When a Required Disposal is made the Directors shall notify the former registered holder of the shares disposed of and inform him that the net proceeds of the Required Disposal will be paid to him upon surrender by him or on his behalf of any certificate in respect of the shares concerned.

Subject to these provisions the Directors shall, unless any Director has any reason to believe otherwise, be entitled to assume without enquiry that all shares are not Restricted Shares and no person is a Restricted Person.

The Directors shall not be obliged to serve any notice required under these provisions upon any person if they know neither his identity nor his address. The absence of service in such circumstances as aforesaid and any accidental error in or failure to give any notice to any person upon whom notice is required to be served under these provisions shall not prevent the implementation of or invalidate any procedure under these provisions. Any notice required by this paragraph to be served upon a person who is not a member or upon a person who is a member but whose current address is unknown (and/or is untraced in terms of the Articles) shall be deemed validly served if it is sent through the post prepaid addressed to that person at the address (or if more than one at one of the addresses (if any) at which the Directors believe him to be resident or carrying on business). Service shall in such a case be deemed to be effected at the expiration of 24 hours (or where second class mail is employed, 48 hours) after the time it is posted and in proving such service it shall be sufficient to prove that the notice was properly addressed, stamped and posted.

Any resolution or determination of, or any decision or the exercise of any discretion or power by the Directors or any one of them or by the chairman of the Company (including any other Director duly acting in place of the chairman) under these provisions shall be final and conclusive and neither he nor they shall be obliged to give any reason therefor. Any disposal or transfer made or other thing done, by or on behalf of, or on the authority of, the Directors or any of them pursuant to these provisions shall be conclusive and binding on all persons concerned and shall not be open to challenge on any ground whatsoever. For the avoidance of doubt any powers, rights or duties conferred by these provisions on the Directors can be exercised by a duly authorised committee of the Directors.

The Directors shall, so long as they act reasonably and in good faith, be under no liability to the Company or to any other person for failing to treat any share as a Restricted Share or any person as a Restricted Person in accordance with the Articles and neither shall the Directors be liable to the Company or any other person if, having acted reasonably and in good faith they determine erroneously that any share is a Restricted Share, or any person is a Restricted Person or on the basis of such determination or any other determination or resolution of the Directors, they perform or exercise (or purport to perform or exercise) their duties, powers, rights or discretions under these provisions in relation to such share.

In exercising their powers under the Articles in respect of Restricted Shares, the Directors shall so far as practicable, have regard to the order of date (insofar as the Directors are able to determine) in which such shares became Restricted Shares and/or the relative number of Restricted Shares held or beneficially owned by each Restricted Person save in circumstances where such would in the opinion of the Directors be inequitable or in the case of Restricted Shares which became Restricted Shares at or around the same time when the Directors shall be entitled to apply such other criterion or criteria as they consider appropriate.

The following terms are defined, broadly, as follows (and in this paragraph (f) only, these definitions prevail over the definitions in the Definitions section at the start of and elsewhere in this document):

- “interest”** means any interest which would (subject as provided below) be taken into account, or which any person would be taken as giving in determining, for the purposes of Part 22 of the Act, whether a person has a notifiable interest (but not an interest which a person would be deemed to have in shares in which his spouse or any infant child or stepchild (or, in Scotland, pupil or minor) of his is interested by virtue of that relationship or which he holds as a bare or custodian trustee under the laws of England or as a simple trustee under the laws of Scotland) or would otherwise be or be deemed to be a beneficial interest in the shares for the purposes of US securities laws;
- “Required Disposal”** means a disposal or disposals of (or in the discretion of the Directors of interests in) such number of Restricted Shares as will cause a Restricted Person to cease to be a Restricted Person, not being a disposal to another Restricted Person nor a disposal which constitutes any other person a Restricted Person;
- “Restricted Person”** means any person having an interest in shares who is, or who is deemed to be, or who appears to the Directors to be a U.S. person or any person or entity in light of whose interest in shares, either on its own or taken together with the interests of other holders, the assets of the Company might be considered “plan assets” (as defined in the Articles); and where the Directors resolve they have made reasonable enquiries and they are unable to determine whether or not a person has an interest in any particular shares, the shares concerned shall be deemed to be Restricted Shares and all persons interested in them to be Restricted Persons;
- “Restricted Share”** means any share in which a Restricted Person has an interest;
- “United States”** means the United States of America, its territories and possessions and any area subject to its jurisdiction including the Commonwealth of Puerto Rico; and
- “US Person”** means (a) any individual who is a citizen or resident of the United States; or (b) any corporation, partnership, association or other entity organised or created under the laws of the United States or of any states of the United States; (c) any state or trust subject to United States Federal income tax without regard to the source of its income; (d) any corporation organised or created under the laws of any jurisdiction outside the United States if 20 per cent. or more of the equity interests therein are owned by US Persons as defined under clause (a) to (c) above; (e) any partnership

organised or created under the laws of any jurisdiction outside the United States if any of its partners are, directly or indirectly, US Persons as defined under clauses (a) to (d) above; (f) any trust or estate, in respect of which there is a beneficiary which is a US Person as defined under clauses (a) to (d) above, the income of which is derived from sources outside the United States which is not effectively connected with the conduct of a trade or business within the United States and may not be included in gross income for United States Federal income tax purposes; (g) any corporation capital stock of which is subject to an option to acquire such stock held directly or indirectly by a US Person as defined in clauses (a) to (d) above; and (h) any other person or entity who or which is or may be a US Person for the purposes of US securities laws.

(g) Directors

- (i) The business of the Company shall be managed by the Directors, who may exercise all the powers of the Company, subject nevertheless to the provisions of the Articles and of the Statutes.
- (ii) Unless and until the Company in general meeting shall otherwise determine, the number of Directors shall be not more than ten and not less than two.
- (iii) A Director shall not be required to hold any Shares in the capital of the Company. A Director who is not a member will nevertheless be entitled to receive notice of, attend and speak at all general meetings of the Company and all separate general meetings of the holders of any class of shares in the capital of the Company.
- (iv) No Director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company either with regard to his tenure of any other office or place of profit or acting in a professional capacity for the Company or as a vendor, purchaser or otherwise. Subject to the provisions of the Statutes and save as provided in the Articles, no such contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any Director or person connected with him is in any way interested, whether directly or indirectly, shall be liable to be avoided, nor shall any Director who entered into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit realised by any such contract, arrangement, transaction or proposal by reason of such Director holding that office or of the fiduciary relationship thereby established, but such Director shall declare the nature of his interest in accordance with the Statutes.
- (v) A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:
 - (aa) the giving of any guarantee, security or indemnity to him in respect of money obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
 - (bb) the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting thereof;
 - (dd) any contract, arrangement, transaction or other proposal concerning any other body corporate in which he or any person connected with him is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he and any person connected with him do not to his knowledge hold an interest in one per cent. or more of any class of the equity share capital (or of a third body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for these purposes to be a material interest in all circumstances);
 - (ee) any contract, arrangement, transaction or other proposal for the benefit of the employees of the Company or any of its subsidiary undertakings which does not accord to him any privilege or advantage not generally accorded to the employees to whom the scheme or arrangement relates; and

- (ff) any proposal concerning any insurance which the Company is to purchase and/or maintain for the benefit of the Directors or persons who include the Directors.
- (vi) A Director, upon it becoming known to him that he and/or any person connected with him has or possibly may have a direct or indirect interest which conflicts or possibly may conflict with the interests of the Company (“a conflict situation”) shall declare the nature and extent of that interest to the Directors in accordance with the statutes.

Where a Director declares a conflict situation the remaining Directors may:

- (aa) authorise the conflict (subject to the Articles, statute and any terms and conditions the authorising directors think fit);

Provided that:

- (bb) any requirement as to quorum at the meeting at which the matter is considered is met without counting the conflicted Director or any similarly interested Director in the quorum; and
- (cc) the matter is agreed without the conflicted Director nor any similarly interested Director voting, or would have been agreed if their vote had not been counted.

Where a Director receives this authorisation (notwithstanding his duty to act in the best interests of the Company) he:

- (aa) shall not be required to disclose any confidential information he acquires from the conflict situation if to disclose it would result in him breaching any duty of confidentiality owed by him in relation thereto;
- (bb) need not consider board papers and may absent himself from any discussions relating to the conflict situation;
- (cc) shall not (unless otherwise agreed) account to the Company for any profit, remuneration or other benefits realised or receivable by him in consequence of the conflict situation and no contract, transaction or arrangement relating thereto shall be avoided on the grounds of his conflict situation; and
- (dd) may act in any way authorised by any guidance for dealing with the conflicts of interest issued by the Company.

A conflict of interest includes a conflict of duty or conflict of duties where a Director had or can have a direct or indirect interest that conflicts or possibly may conflict with the interests of the Company, the duties which the Directors owe to the Company shall not be infringed by anything done (or omitted) by the Directors, or any of them, in accordance with this Article.

- (vii) If any question shall arise at any meeting as to the materiality of a Director’s interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to any other Director shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed.
- (viii) Save as provided in the Articles, a Director shall not vote or be counted in the quorum in respect of any contract, arrangement, transaction or any other proposal in which he has any material interest otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.
- (ix) A Director will not be counted in the quorum on any resolution concerning his own appointment as the holder of any office or place of profit with the Company or any company in which the Company is interested including fixing or varying the terms of his appointment or the termination thereof.
- (x) The Directors shall be paid out of the funds of the Company by way of fees for their services as Directors such sums (if any) as the Directors may from time to time determine (not exceeding in the aggregate an annual sum (excluding amounts payable under any other provisions of the Articles) of £100,000 or such larger amount as the Company may by ordinary resolution determine).
- (xi) Any Director who serves on any committee or who devotes special attention to the business of the Company, or who otherwise performs services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Directors may determine.

- (xii) The Directors may be paid all reasonable travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or meetings of members or debenture holders of the Company or otherwise in connection with the business of the Company.
- (xiii) Subject to the provisions of the Statutes, a Director may hold any other office or place of profit under the Company, except that of auditor, in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company, and in any such case, on such terms as to remuneration and otherwise as the Directors may arrange.
- (xiv) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to office or employment with the Company or any body corporate in which the Company is interested, such proposals may be divided and considered in relation to each Director separately and in such cases each of the Directors concerned, subject to the Articles, shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.
- (xv) Without prejudice to any other provisions of the Articles, the Directors may exercise all the powers of the Company to purchase and maintain insurance for or for the benefit of any persons who are or were at any time Directors, officers, employees or auditors of the Company, or of any other body (whether or not incorporated) which is or was its parent undertaking or subsidiary undertaking or another subsidiary undertaking of any such parent undertaking (“Group Companies”) or otherwise associated with the Company or any Group Company or in which the Company or any such Group Company has or had any interest, whether direct or indirect, or of any predecessor in business of any of the foregoing, or who are or were at any time trustees of (or directors of trustees of) any pension, superannuation or similar fund, trust or scheme or any employees’ share scheme or other scheme or arrangement in which any employees of the Company or of any such other body are interested, including (without prejudice to the generality of the foregoing) insurance against any costs, charges, expenses, losses or liabilities suffered or incurred by such persons in respect of any act or omission in the actual or purported execution and/or discharge of their duties and/or the exercise or purported exercise of their powers and discretions and/or otherwise in relation to or in connection with their duties, powers or offices in relation to the Company or any such other body, fund, trust, scheme or arrangement.
- (xvi) Each Director shall have the power at any time to appoint as an alternate Director either (i) another Director or (ii) any other person approved for that purpose by a resolution of the Directors, and, at any time, to terminate such appointment.

(h) Borrowing powers

The Directors may, save as otherwise provided in the Articles, exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets and uncalled capital, or any part thereof, and, subject to the provisions of the Statutes, to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

The Company does not have any subsidiaries but the Articles provide that the Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (so far, as regards subsidiary undertakings, as by such exercise they can secure) that the aggregate amount for the time being remaining undischarged of all monies borrowed by the Company and its subsidiary undertakings for the time being (“Group”) and for the time being owing to persons outside the Group shall not at any time, without the previous sanction of an ordinary resolution of the Company in general meeting, exceed the greater of two times the aggregate of (i) the amount paid up on the issued share capital of the Company and (ii) the total of the capital and revenue reserves of the Group (including any share premium account, capital redemption reserve and credit balance on the profit and loss account) in each case whether or not such amounts are available for distribution as shown in the latest audited and consolidated balance sheet of the Group but after such adjustment exclusions and reductions (including any amounts attributable to intangibles) as are specified in the relevant Article.

(i) Pensions, gratuities, etc.

The Directors may exercise all the powers of the Company to give or award pensions, gratuities and superannuation or other allowances or benefits to, *inter alia*, any director, ex-director, employee or ex-employee of the Company or of any of its subsidiary undertakings (present or past) or the relatives or dependants of any such person and may establish, maintain, support, subscribe to and contribute to all kinds of scheme, trusts and funds for the benefit of any such person.

(j) Dividends and distributions on liquidation to shareholders

The Company in general meeting may declare dividends but no dividend shall exceed the amount recommended by the Directors. Subject to the rights of persons (if any) entitled to shares with any priority, preference or special rights as to dividends, all dividends shall be paid according to the amounts paid up on the shares in respect whereof the dividend is paid, but no amount paid up on a share in advance of calls shall be treated as paid on the share. All dividends will be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as if paid up in full or in part from a particular date, whether past or future, such share shall rank for dividend accordingly.

Subject to the provisions of the Statutes, the Directors may pay such interim dividends as they think fit and may also pay the fixed dividends payable on any shares of the Company half-yearly or otherwise on fixed dates.

The Directors may, before recommending any dividend, set aside out of the Company's profits such sums as they think proper as a reserve or reserves which will be applicable for any purpose to which the Company's profits may be properly applied and may in the meantime either be employed in the Company's business or invested in such investments as the Directors may think fit.

On a winding up, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Statutes, divide amongst the members the whole or any part of the assets of the Company and may, for such purpose, set such value as he deems fair upon any property to be so divided and may determine how such division shall be carried out.

(k) Unclaimed dividends

Any dividend unclaimed for a period of 12 years after it becomes due for payment shall be forfeited and shall revert to the Company.

(l) Capital Reserve

All surpluses arising from the realisation or revaluation of investments and all other capital profits and accretions of capital shall be credited to a reserve or reserves to be established by the Directors ("**Capital Reserve**"). Any loss realised on the sale, repayment or payment of any investments or other capital assets and any expenses, loss or liability (or provision therefor) properly chargeable to capital shall be carried to the debit of the Capital Reserve. All sums carried and standing to the credit of the Capital Reserve may be applied for any of the purposes to which sums standing to any revenue reserve are applicable except and provided that no part of the Capital Reserve shall be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined by section 829(1) and (2) of the Act) or be applied in paying dividends on any shares in the Company. Any determination of the Directors that any amount received or receivable by the Company or any expenses, loss or liability incurred by or on behalf of the Company is to be dealt with as income or capital or partly one way and partly the other shall be conclusive.

Subject to the Articles and to the provisions of the Statutes, the Directors may from time to time set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments as the Directors think fit. The Directors may divide the reserve into such special funds as they think fit, and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided as they think fit. The Directors may also without placing the same to reserve carry forward any profits which they may think prudent not to divide.

(m) Capitalisation of profits and scrip dividend

Subject to the provisions of the Articles, the Directors may capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts (including any share premium account and capital redemption reserve) or to the credit of the profit and loss account (in each case, whether or not such amounts are available for distribution), and appropriate the sum resolved to be capitalised either:

to the holders of Ordinary Shares (on the Register at the close of business on such date as may be specified in, or determined as provided in, the resolution of the general meeting granting authority for such capitalisation) who would have been entitled thereto if distributed by way of dividend and in the

same proportions; and the Directors shall apply such sum on their behalf either in or towards paying up any amounts, if any, for the time being unpaid on any shares held by such holders of Ordinary Shares respectively or in paying up in full at par unissued shares or debentures of the Company to be allotted credited as fully paid up to such holders of Ordinary Shares in the proportions aforesaid, or partly in the one way and partly in the other; or

to such holders of Ordinary Shares who may, in relation to any dividend or dividends, validly accept an offer or offers on such terms and conditions as the Directors may determine (and subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with legal or practical problems in respect of overseas shareholders or in respect of shares represented by depositary receipts) to receive new Ordinary Shares, credited as fully paid up, in lieu of the whole or any part of any such dividend or dividends (any such offer being called a “**Scrip Dividend Offer**”); and the Directors shall apply such sum on their behalf in paying up in full at par unissued shares (in accordance with the terms, conditions and exclusions or other arrangements of the Scrip Dividend Offer) to be allotted credited as fully paid up to such holders respectively.

The authority of the Company in general meeting shall be required before the Directors implement any Scrip Dividend Offer (which authority may extend to one or more offers) and for any capitalisation referred to above.

A share premium account and a capital redemption reserve and any other amounts which are not available for distribution may only be applied in the paying up of unissued shares to be allotted to holders of Ordinary Shares credited as fully paid up.

Whenever a capitalisation requires to be effected, the Directors may do all acts and things which they may consider necessary or expedient to give effect thereto, with full power to the Directors to make such provision as they think fit for the case of shares or debentures becoming distributable in fractions (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the members concerned) and also to authorise any person to enter on behalf of all members concerned into an agreement with the Company providing for any such capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

(n) Duration and winding up

- (i) The Directors shall procure that there is proposed at the annual general meeting of the Company to be held in 2011 and at every annual general meeting of the Company thereafter an ordinary resolution providing that the Company should continue as an investment trust. If any such resolution is not put forward or is not passed, the Directors shall be obliged to convene within three months an extraordinary general meeting to propose the Company’s voluntary winding-up pursuant to section 84(1) of the Insolvency Act 1986. The resolution proposing the Company’s voluntary winding-up will be a special resolution.
- (ii) If the Company shall be wound up the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Statutes, divide amongst the members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other securities or other assets whereon there is any liability.
- (iii) The Directors shall have the power in the name and on behalf of the Company to present a petition to the Court for the winding-up of the Company or for an administration order to be made in relation to the Company.

5. Directors Profiles

The names, business experience and principal business activities outside the Company of the current Directors, as well as the dates of their initial appointment as directors, are set out below.

6. Directors’ and other interests

- 6.1 The Directors of the Company, each of whose business address is Springfield Lodge, Colchester Road, Chelmsford, Essex, CM2 5PW and their functions in relation to the Company are as follows:

Jonathan Agnew: non executive director and Chairman;

Christopher Jones: non executive director; and

Sir Laurence Magnus: non executive director and Chairman of the audit committee.

- 6.2 As at 23 April 2009 (being the latest practicable date prior to the publication of this document) the interests of the Directors, their immediate families and related trusts and (insofar as is known to them or could with reasonable diligence be ascertained by them) persons connected (within the meaning of section 252 of the 2006 Act) with the Directors in the share capital of the Company (all of which are beneficial unless otherwise stated), including: (i) interests arising pursuant to any transaction notified to the Company pursuant to DTR 3.1.2R; or (ii) those of persons connected with the Directors, which would, if such connected person were a Director, be required to be disclosed under (i) above, together with the interests which are expected to subsist immediately following the Bonus Issue pursuant, are set out in the following tables:

	No. of Ordinary Shares	No. of CULS
Jonathan Agnew	150,000	-
Christopher Jones	20,000	-
Sir Laurence Magnus	66,982	35,000

- 6.3 No Director of the Company has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company which was effected by the Company during the current or immediately preceding financial year or was effected during an earlier financial year and remains in any respect outstanding or unperformed.
- 6.4 Save as disclosed in this paragraph 6 and paragraph 3 of Part 5, no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- 6.5 The Company has not entered into any related party transactions (as set out in the Standards adopted pursuant to Regulation (EC) No 1606/2002) with any Director or with any other related party during the financial periods ended 31 January 2007, 2008 and 2009 nor during the period 1 February 2009 to 23 April 2009 (being the latest practicable date prior to the publication of this document).
- 6.6 There are no outstanding loans granted by the Company to any of the Directors nor is any guarantee provided by the Company for the benefit of any of the Directors.
- 6.7 Details of those companies (other than the Company) and partnerships of which the Directors have been directors or partners (excluding subsidiaries of any company whose securities have been admitted to listing or are the subject of an application for admission to listing) at any time over the past five years preceding the date hereof are as follows:

- (i) Jonathan Agnew (Chairman)

Current directorships and partnerships: Ashmore Global Opportunities Limited, Thos. Agnew and Sons (Holdings) Limited, Beazley plc, Beazley Group plc, Rightmove plc, LMS Capital Plc and St Mary's School Ascot.

Previous directorships and partnerships: Agnew's Property Investments (Holdings) Limited, Agnew's Property Investments Limited, Jarvis plc, Soditic SA, Soditic Limited and Thos. Agnew & Sons Limited.

- (ii) Christopher Jones

Current directorships and partnerships: Schroder UK Mid & Small Cap Fund plc, Montanaro UK Smaller Companies Investment Trust plc, Ecofin Water & Power Opportunities PLC, Jupiter Second Enhanced Income Trust plc, Atlantis Japan Growth Ltd and Japanese Accelerated Performance Fund Limited and Montanaro European Smaller Companies Ltd.

Previous directorships and partnerships: The Asian Technology Trust plc (dissolved), ATT Securities Limited (dissolved), Henderson Geared Income & Growth Trust plc (in liquidation), Merchant Investor Services Company Limited, Baring World Opportunity Fund (in liquidation), JFIT Securities Limited (in liquidation), Mid-Small Ark plc (in liquidation), Recovery Trust plc, Thompson Clive Investments plc (in liquidation) and Jupiter Financial Trust plc (in liquidation).

- (iii) Sir Laurence Henry Philip Magnus

Current directorships and partnerships: FIM Services Limited, ins-sure Holdings Limited, ins-sure Services Limited, London Processing Centre Limited, LPSO Limited, Lexicon Group Limited, The Eating Disorders Association, JP Morgan Fleming Income & Capital Investment Trust plc (in liquidation), The National Trust, Community of St Jude, The Windsor Leadership Trust, JP Morgan Income and Capital Trust plc and Climate Exchange plc.

Previous directorships and partnerships: The Fleming Income & Capital Investment Trust plc (dissolved), TTG Incentive Trustees Limited, TT electronics plc, Syndicated Services Company, Inc and Directfac, Inc.

- 6.8 As at the date of this document, none of the Directors has any convictions in relation to fraudulent offences. No Director has been the subject of any official public incriminations and/or had sanctions imposed upon him by any statutory or regulatory authorities (including designated professional bodies). No Director has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or partnership or from acting in the management or conduct of the affairs of any company or partnership in the previous five year period. There have been no bankruptcies, receiverships or liquidations of companies (save as disclosed in paragraph 6.7 of this Part 6) or partnerships in respect of which any Director was a member of the administrative, management or supervisory body or was a senior manager and with which he was associated over at least the previous five years.

- 6.9 There are no potential conflicts of interests between any of the Directors' duties to the Company and their private interests and/or other duties, other than the following:

- (i) Jonathan Agnew (Chairman) is a non executive chairman of LMS Capital plc. This is a company in which the Company has a shareholding of 1,000,000 shares. Jonathan Agnew holds beneficially 291,058 ordinary shares in LMS Capital plc.
- (ii) Christopher Jones is a director of Ecofin Water and Power Opportunities plc ("EWPO"). This is a company in which the Company has a shareholding of 2,000,000 income shares, 100,000 capital shares and 1,500,000 ordinary shares. Christopher Jones holds 6,150 ordinary shares, 7,000 income shares and 5,000 capital shares in EWPO.

- 6.10 The remuneration paid and benefits in kind granted to the Directors or former directors of the Company during the financial year ended 31 January 2009 is as follows:

	£
Jonathan Agnew	23,000
Christopher Jones	15,000
Sir Laurence Magnus	<u>17,500</u>
Total	55,500
	<u><u> </u></u>

- 6.11 There is no amount set aside or accrued by the Company to provide pension, retirement or similar benefits to the Directors.

- 6.12 There are no existing or proposed service contracts between any of the Directors and the Company. Each of the Directors has entered into a letter of appointment with the Company. Under the terms of their appointment the Chairman is entitled to aggregate annual remuneration of £23,000 and each of the other Directors, save for the chairman of the audit committee who is entitled to annual aggregate remuneration

of £17,500, is entitled to aggregate annual remuneration of £15,000 (or such higher amount as the Company may from time to time determine) in each case payable quarterly in arrears. The Directors are entitled to be reimbursed for any out-of-pocket expenses and other expenses incurred in the proper performance of their duties as directors. The Directors are not entitled to any compensation upon termination of office as a director of the Company. The Company may terminate the appointment of a Director upon such period of notice as it considers appropriate in the circumstances.

7. Corporate Governance

- 7.1 The Board consists of three non-executive directors, all of whom are regarded by the Board as being independent of the Manager and free from any business or other relationship which could materially interfere with the exercise of independent judgement.
- 7.2 The Board has put in place a framework for corporate governance which it believes is appropriate to an entity investing in securities and, taking account of the matters referred to below, enable the Company to comply with the Combined Code and AIC Code of Corporate Governance (the “**AIC Code**”). The Company does not comply with the Combined Code in the following respects:
- (i) it has elected not to read out proxy votes after each resolution is put to a general meeting of the Company, but instead provides a written summary report to attending shareholders it is felt that this is more useful to shareholders as they may retain the record for their own purposes;
 - (ii) no senior independent director has been nominated owing to the small size of the Board, which comprises only three members;
 - (iii) all three Directors sit as members of the nomination and audit committees again owing to the small size of the Board it is not practical to operate yet smaller sub-committees; and
 - (iv) the Company does not maintain a policy on “whistle blowing” as it does not have any employees.
- 7.3 The Management Agreement sets out the matters over which the Manager has authority and the limits above which Board approval must be sought. All other matters are reserved for the approval of the Board.
- 7.4 The Board receives full details of the Company’s assets, liabilities and other relevant information in advance of Board meetings. The Board will meet formally at least 4 times a year; however, the Manager and Secretary stay in more regular contact with Directors on a less formal basis. Individual Directors have direct access to the Secretary and may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties.
- 7.5 In relation to the use of the Company’s voting rights in respect of investee companies, the Manager, in the absence of explicit instruction from the Board, is empowered to exercise discretion in the use of the Company’s voting rights. The underlying aim of exercising such voting rights is to protect the return from an investment.
- 7.6 Since all Directors are non-executive, the Company is not required to comply with the principles of the Combined Code in respect of executive Directors’ remuneration. The Board has appointed a management engagement committee, which comprises the entire Board. The function of this committee is to review the terms of third party service agreements and performance against them and that the provisions of these follow industry practice and remain competitive and in the best interests of Shareholders.
- 7.7 Given the size and composition of the Board it is not felt necessary to separate the roles of Chairman and senior independent non-executive Director.
- 7.8 The Board has appointed a nomination committee, which comprises the entire Board and is convened for the purpose of considering the appointment of additional or replacement Directors. Full details of the duties of new Directors are provided to them together with a letter of appointment. All newly appointed Directors receive any necessary training or induction. The Board considers that, in view of its non-executive nature, it is not appropriate for the Directors to be appointed for a specified term of no more than three years as recommended by the Combined Code. The Articles require that each Director shall retire from office at the third annual general meeting after his appointment or (as the case may be) after the general meeting at which he was last re-appointed.

- 7.9 The Board has appointed an audit committee, which operates within clearly defined terms of reference and comprises the entire Board. In summary, the audit committee's main functions are:
- (i) to review and monitor the internal financial control systems and risk management systems on which the Company is reliant;
 - (ii) to consider annually whether there is a need for the Company to have its own internal audit function;
 - (iii) to monitor the integrity of the interim and annual financial statements of the Company by reviewing and challenging, where necessary, the actions and judgements of the Manager and Administrator;
 - (iv) to meet, if required, with the Company's auditors to review their proposed audit programme of work and their findings (the audit committee also uses this as an opportunity to assess the effectiveness of the audit process);
 - (v) to make recommendations to the Board in relation to the appointment of the Company's auditors and to approve the remuneration and terms of engagement of the Company's auditors; and
 - (vi) to monitor and review annually the Company's auditors' independence, objectivity, effectiveness, resources and qualification.

8 Substantial Share Interests

- 8.1 As at 23 April 2009 (being the latest practicable date prior to the publication of this document), the only persons known to the Company who, directly or indirectly, were interested in 3 per cent. or more of the Company's issued share capital (being interests in the Company's capital which are notifiable under the Companies Act) were as follows:

<i>Shareholder</i>	<i>No. of Ordinary Shares</i>	<i>% of Issued Ordinary Share Capital</i>
East Riding Pension Fund	4,000,000	10.70
Investec Asset Management Ltd	3,344,886	8.94
JPMorgan Asset Management UK Ltd	2,340,000	6.26
Reliance Mutal Insurance Society Ltd	2,011,144	5.38
Philip J Milton & Co Ltd	1,905,641	5.09
Brewin Dolphin Ltd	1,773,609	4.74
L J Gayler	1,715,000	4.58
Premier Asset Management plc	1,680,000	4.49
New Star Asset Management Ltd	1,500,000	4.01
Smith & Williamson Investment Management Ltd	1,383,426	3.70
Jupiter Asset Management Ltd	1,215,743	3.25

- 8.2 The Company's major shareholders do not have different voting rights from other Shareholders. The voting rights attached to the Ordinary Shares and the Subscription Shares respectively are described in paragraph 4.1(b) of this Part 6 and paragraph 5 of Part 4.
- 8.3 As at 23 April 2009 (being the latest practicable date prior to the publication of this document), the Company was not aware of any person who, directly or indirectly, jointly or severally, exercised or could exercise control over the Company or will exercise or could exercise control over the Company upon Admission.
- 8.4 As at the date of this document, the Company is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

9. Management, Administration and Custody Arrangements

9.1 Investment Management Agreement

9.1.1 By an investment management agreement dated 30 January 2006 (as amended by an amendment agreement dated 28 March 2006) between (i) Cayenne Asset Management Limited and (ii) the Company, Cayenne has been appointed to act as investment manager of the Company to manage the assets of the Company in accordance with the investment objectives, policies and restrictions of the Company.

Management Fee

The Manager is entitled to receive a management fee from the Company at the rate of 1 per cent. per annum (exclusive of VAT) of NAV provided that (i) there shall be deducted from the NAV, for the purpose of determining the management fee, the aggregate value attributable to any shares or units held by or on behalf of the Company at the relevant valuation date in any collective investment scheme (whether regulated or not) or other investment entity, vehicle or fund which is managed, operated or advised by the Manager or any associate of the Manager or in respect of which the Manager or any associate of the Manager is the authorised corporate director; (ii) no deduction shall be made in respect of any dividend declared in respect of any period at any time during that period and any such sum shall only be included as a liability with effect from, at the earliest, the business day immediately following the end of such period; and (iii) no deduction shall be made in respect of any provision in respect of the performance fee (but deductions shall be made on account of the management fee payable but not paid in respect of any period ending prior to the relevant quarter). The management fee (plus any applicable VAT) is payable quarterly in arrears.

Performance Fee

The Manager is also eligible to receive a performance fee (plus VAT if applicable) determined at the end of each accounting period of the Company.

The performance fee is equal to 10 per cent. of (i) the increase in NAV per Share (in sterling) above 5 per cent. per annum, multiplied by (ii) the average number of Shares in issue during each accounting period, calculated as follows:

- (i) At the end of each accounting period the Manager shall calculate the increase in the NAV per Share between the beginning and end of such accounting period. For these purposes NAV shall include, in respect of the NAV at the beginning or end of an accounting period, deduction for all management fees or other fees or expenses payable but not yet paid in respect of any period (including the relevant accounting period) but shall only include deduction for all performance fees and dividends payable but not yet paid in respect of any prior period (and not in respect of the relevant accounting period); and the NAV per Share at the end or beginning of an accounting period is the NAV as at such date divided by the number of Shares in issue at the end of the relevant accounting period or the previous accounting period respectively.
- (ii) If the result of the calculation called for in paragraph (i) indicates that NAV per Share has not increased in excess of 5 per cent. during the relevant accounting period no further calculation shall be made in respect of such accounting period and at the end of the next succeeding accounting period a calculation shall be made in respect of the period between the beginning of the first accounting period and the end of such second accounting period, this process to be repeated until the increase in NAV per Share is shown, by a calculation pursuant to this paragraph (ii), to exceed the equivalent of 5 per cent. compound per annum over the relevant accounting periods (a “calculation period”).
- (iii) If a calculation pursuant to paragraphs (i) and/or (ii) indicates an increase in the NAV per Share in excess of 5 per cent. per annum over the relevant accounting period or calculation period, the average number of Shares in issue during such period shall be calculated by aggregating the number of Shares in issue (on a fully-diluted basis, i.e. as if all outstanding convertible stock, warrants, options or other rights to subscribe for Shares had been fully exercised and the relevant Shares were in issue, and as if all convertible shares of £1.00 each in the capital of the Company had been fully converted and the relevant shares were in issue except in this latter case if the NAV attributable to each convertible share as at the relevant date is less than 100p) on each business day during such Period and dividing the result by the number of business days in such period.

- (iv) A performance fee shall then be payable to the Manager in respect of the relevant period equal to 10 per cent. of the product of (i) the average number of Shares in issue during such period (calculated in accordance with paragraph (iii)) and (ii) the increase in the NAV per Share (in sterling) above the equivalent of 5 per cent. per annum over such period (calculated in accordance with paragraph (i)).
- (v) The calculation of the performance fee in respect of any accounting period or calculation period shall be undertaken by the Manager following the completion of the audit of the Company's accounts for the relevant accounting period or the final accounting period in the calculation period as appropriate and presented, together with details of the calculation, as soon as practical thereafter for the approval of the Board (such approval not to be unreasonably refused or delayed) and any performance fee due to the Manager shall be payable on receipt of an invoice, which invoice may be dispatched by the Manager as soon as the Board's approval has been given.

Termination Provisions

The Management Agreement may be terminated by either party giving to the other not less than 6 months' notice such notice.

The Company is entitled to terminate the Management Agreement immediately if Cayenne commits a material breach of the Management Agreement which is not rectified, experiences an insolvency event, fails to maintain its status as authorised person under the Financial Services and Markets Act 2000 or is otherwise subject to a material restriction on the conduct of its duties, loses the services of its chief executive, Len Gayler, for a period of more than 30 days (if it has failed to provide the Company with satisfactory alternative proposals within a further 60 day period) or is subject to a change of control (if it has failed to satisfy the Company of its ability to properly carry out its duties within three months).

Other Provisions

The Management Agreement contains an indemnity in favour of Cayenne against losses arising directly out of the proper performance of its duties, except in so far as they may arise from a breach of contract, negligence, wilful default, bad faith or fraud on the part of Cayenne, its delegates or associates, or employees, directors or agents of Cayenne or its associates.

- 9.1.2 The Manager, Cayenne Asset Management Limited, was incorporated and registered in England and Wales on 24 March 2004 as a private limited company under the Companies Act with registered number 5082657. It operates under the Act and regulations made under the Act. Cayenne has its registered office at 42 Portman Road, Reading, Berkshire RG30 1EA and its principal place of business is at 23 Buckingham Gate, London SW1E 6LB. Cayenne's telephone number at its principal place of business is + 44 (0) 20 7233 8899.

9.2 Administration

Under the terms of the Administration Agreement Phoenix has been appointed to provide accounting, taxation, company secretarial and administrative services to the Company. Phoenix is entitled to receive an annual fee from the Company of £80,000 (plus VAT). This fee is payable quarterly in advance.

The Administration Agreement may be terminated by either party giving the other not less than six month's notice in writing.

The Company may elect to terminate one or more (or all or part) of the services without prejudice to the continuation of the Administration Agreement in relation to these other services or those parts of the services that remain by serving not less than six months' notice in writing on Phoenix.

Each party can terminate the Administration Agreement immediately should the other (i) commit a material breach of its terms which is not rectified within 30 days of receipt of a written notice from the other party or (ii) experience an insolvency event.

The Administration Agreement contains an indemnity by the Company in favour of Phoenix against all losses arising out of performance of its duties, except in so far as they may arise out of negligence, bad faith, fraud, wilful default or breach of any provisions of the agreement by Phoenix.

9.3 **Custody**

9.3.1 The Company has entered into a custody agreement with The Chase Manhattan bank (whose successor is JPMorgan Chase Bank N.A.) to provide custodian or sub-custodian services to the Company including all settlement and safekeeping of the Company's securities. The agreement is terminable by either party on 60 days' written notice. Fees payable by the Company to the Custodian will relate mainly to the market value of securities held at each calendar quarter end. There is also a transaction settlement charge, fee rates for which vary as between UK and overseas securities.

9.3.2 The Custodian is a National Banking Association organised under the laws of the United States and, as a foreign corporation, is registered as a branch in England and Wales with branch number BR000746. The Custodian operates under the Act and regulations made under the Act. The Custodian has its registered office at 125 London Wall, London EC2Y AJ. The Custodian's telephone number at its registered office is +44 (0) 20 7777 2000. The Custodian is authorised and regulated in the UK by the FSA.

9.3.3 Although the Custody Agreement permits the Custodian to act through, and hold the Company's securities with, sub-custodians, no sub-custodians have been or are expected to be appointed in relation to the Company's investments. The Custodian must use reasonable care in the selection and continued appointment of such sub-custodians.

10. **Material Contracts**

10.1 Save for the Management Agreement, the Administration Agreement and the Custody Agreement (details of which are summarised in paragraphs 9.1, 9.2 and 9.3 respectively of this Part 6), the Company has not:

- (i) entered into any material contract (not being a contract entered into in the ordinary course of business) within the two years immediately preceding the date of this document; or
- (ii) entered into any other contract (not being a contract entered into in the ordinary course of business) which contains any provision under which the Company has any obligation or entitlement which is material to the Company as at the date of this document.

11. **UK Taxation**

11.1 **Introduction**

The following statements are based upon current UK tax law and what is understood to be the current practice of HMRC, both of which are subject to change, possibly with retrospective effect. The statements are intended only as a general guide and may not apply to certain Shareholders or Subscription Shareholders, such as dealers in securities, insurance companies, collective investment schemes or Shareholders or Subscription Shareholders who have (or are deemed to have) acquired their Ordinary Shares or Subscription Shares by virtue of an office or employment, who may be subject to special rules. They apply only to Shareholders and Subscription Shareholders resident and ordinarily resident for UK tax purposes in the UK (except in so far as express reference is made to the treatment of non-UK residents), who hold Ordinary Shares and Subscription Shares as an investment rather than trading stock and who are the absolute beneficial owners of those Ordinary Shares and Subscription Shares.

The information contained in this Prospectus relating to taxation matters is a summary of the taxation matters which the Directors consider should be brought to the attention of Shareholders and Subscription Shareholders. All Shareholders and Subscription Shareholders, and in particular those who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the UK, should consult their own professional advisers on the potential tax consequences of holding, transferring or otherwise disposing of Subscription Shares or exercising the Subscription Rights under the laws of their country and/or state of citizenship, domicile or residence.

11.2 **The Company**

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies and continues to satisfy the conditions necessary for it to be approved by HMRC as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988. However, neither the Manager nor the Directors can guarantee that this approval will be maintained. One of the conditions for a company to qualify as an investment trust is that it is not a close company. The Directors consider that the Company should not be a close company immediately following the issue of the Subscription Shares pursuant to the Bonus Issue. In respect of each accounting period for which the Company continues to be approved by HMRC as an investment trust the Company will be exempt from UK taxation on its capital gains. The Company will,

however, be liable to UK corporation tax on its income in the normal way. Income arising from any overseas investments may be subject to foreign withholding tax at the relevant jurisdiction's applicable rate, but relief may be available under the terms of an applicable double tax treaty.

11.3 *Shareholders*

11.3.1 For the purposes of UK capital gains tax and corporation tax on chargeable gains, the receipt of the Subscription Shares arising from the Bonus Issue will be a re-organisation of the share capital of the Company. Accordingly, the Subscription Shares will be treated as the same asset as the Shareholder's holding of Ordinary Shares and as having been acquired at the same time as the Shareholder's holding of Ordinary Shares was acquired. As a result of the Bonus Issue, the Shareholder's acquisition cost in his or her Ordinary Shares will be apportioned between his or her Ordinary Shares and the Subscription Shares by reference to their respective market values on the day on which the Subscription Shares are admitted to trading on the London Stock Exchange's main list.

On the exercise of the Subscription Rights, the Ordinary Shares issued pursuant thereto will be treated as the same asset as the Subscription Shares in respect of which the Subscription Rights are exercised. The base cost of each such Ordinary Share will be the base cost of the Subscription Share that it replaces, calculated as described above, plus the Subscription Price.

11.3.2 *Taxation of capital gains*

Shareholders and Subscription Shareholders who are individuals and who are resident or ordinarily resident in the UK for tax purposes will generally be subject to capital gains tax at the flat rate of 18 per cent. in respect of any gain arising on a disposal or deemed disposal of their Ordinary Shares or Subscription Shares. No indexation allowance will be available to such Shareholders or Subscription Shareholders. However, each individual has an annual exemption, such that capital gains tax is chargeable only on gains arising from all sources during the tax year in excess of this figure. The annual exemption is £10,100 for the tax year 2009-2010.

Shareholders or Subscription Shareholders who are individuals and who are temporarily non-resident and not ordinarily resident in the UK may, under anti-avoidance legislation, still be liable to UK tax on any capital gain realised (subject to any available exemption or relief).

Corporate Shareholders or Subscription Shareholders who are resident in the UK for tax purposes will generally be subject to corporation tax on chargeable gains arising on a disposal of their Ordinary Shares or Subscription Shares. The indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

11.3.3 *Taxation of dividends*

Under current tax law, the Company will not be required to withhold tax at source when paying a dividend.

An individual Shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company should generally be entitled to a tax credit which may be set off to the appropriate extent against the Shareholder's total income tax liability on the dividend. An individual UK resident Shareholder will be liable to income tax on the sum of the tax credit and the dividend (the gross dividend) which will be treated as the top slice of the individual's income for UK income tax purposes. The tax credit equals 10 per cent. of the gross dividend, or one-ninth of the cash dividend received.

A UK resident individual Shareholder who is liable to income tax at the basic rate will be subject to tax on the dividend at the rate of 10 per cent. of the gross dividend. This means that the tax credit will satisfy in full such a Shareholder's liability to income tax on the dividend.

The rate of income tax applied to dividends received by a UK resident individual liable to income tax at the higher rate will be 32.5 per cent. to the extent that such dividends, when treated as the top slice of the Shareholder's income, fall above the threshold for higher rate income tax. In the case of such Shareholder's liability, the tax credit will be set against their tax liability on the gross dividend. After taking account of the 10 per cent. tax credit, such Shareholder will have to account for additional tax equal to 22.5 per cent. of the gross dividend (which equals 25 per cent. of the cash dividend received) to the extent that it falls above the threshold for higher rate income tax.

If all or part of the cash dividend to which an individual Shareholder is entitled falls outside the charge to income tax, the amount of the tax credit to which the Shareholder is entitled is reduced in the same proportion. Accordingly, individual Shareholders who hold all their Ordinary Shares in an ISA will not be entitled to a tax credit.

UK resident taxpayers who are not liable to UK tax on dividends, including pension funds and charities, will not be entitled to a tax credit for the same reason.

UK resident corporate Shareholders will generally not be subject to corporation tax on dividends paid by the Company and will not accordingly be entitled to a tax credit in respect of the dividends.

11.3.4 *Stamp duty and stamp duty reserve tax*

Transfers on sale of Ordinary Shares or Subscription Shares will generally be subject to UK stamp duty at the rate of 0.5 per cent. of the consideration given for the transfer, to the extent that the consideration exceeds £1,000. The purchaser normally pays the stamp duty.

An agreement to transfer Ordinary Shares or Subscription Shares will normally give rise to a charge to stamp duty reserve tax (SDRT) at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer. If a duly stamped transfer in respect of the agreement is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional) any SDRT paid is repayable, generally with interest, and otherwise the SDRT charge is cancelled. SDRT is, in general, payable by the purchaser.

Paperless transfers of Ordinary Shares or Subscription Shares within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Deposits of shares into CREST will not generally be subject to SDRT, unless the transfer into CREST is itself for consideration.

Where Ordinary Shares or Subscription Shares are issued or transferred (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT will be payable at the higher rate of 1.5 per cent. of the amount or value of the consideration given or, in certain circumstances, the value of the Ordinary Shares or the Subscription Shares. Strictly speaking, the liability for stamp duty or SDRT will be payable by the clearance service or depositary receipt operator or their nominee, as the case may be, but will, in practice, be payable by the participants in the clearance service or depositary receipt scheme.

11.3.5 *ISAs*

The Subscription Shares and the Ordinary Shares arising on the exercise of the Subscription Rights should be eligible to be held in a stocks and shares ISA, subject to applicable annual subscription limits (£7,200 for the 2009-2010 tax year, with the limit increasing to £10,200 from 6 October 2009 for those Shareholders aged 50 and over). Investments held in ISAs will be free of UK tax on both capital gains and income. The opportunity to invest in Subscription Shares or Ordinary Shares through an ISA is restricted to certain UK resident individuals aged 18 or over. The Subscription Price paid upon any exercise of the Subscription Rights would contribute towards the annual subscription limit in the year in which the Subscription Right was exercised, unless the Subscription Price were paid out of cash already within the Subscription Shareholder's stocks and shares ISA, or with cash subscribed in the same tax year to a cash ISA held by the Subscription Shareholder and transferred to the Subscription Shareholder's stocks and shares ISA.

11.4 ***Stockholders***

Individual Stockholders will not be treated as having made a disposal of their CULS for the purposes of capital gains tax as a result of the amendment to the Conversion Rate of the CULS.

Corporate Stockholders are strongly recommended to seek their own professional advice in relation to the UK corporation tax treatment of the amendment to the Conversion Rate of the CULS, as this treatment may vary materially depending on the particular circumstances of the Stockholder.

12. **Mandatory Bids, Squeeze-out and Sell-out Rules**

12.1 **Mandatory Bid**

The City Code on Takeovers and Mergers applies to the Company. Under the City Code on Takeovers and Mergers, if an acquisition of Shares were to increase the aggregate holding of the acquirer and any parties acting in concert with it to Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties (if any), would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the Shares not already owned by the acquirer or its concert parties (if any). A similar obligation to make such a mandatory cash offer would also arise on the acquisition of Shares by a person holding (together with its concert parties, if any) Shares carrying at least 30 per cent. but not more than 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase the percentage of the aggregate voting rights held by the acquirer and its concert parties (if any).

12.2 **Squeeze-out**

Under the 2006 Act, if a person who has made a general offer to acquire the Shares (the “offeror”) were to acquire 90 per cent. of the Shares within a time period to be determined according to the type of offer, the offeror could then compulsorily acquire the remaining 10 per cent. The offeror would do so by sending a notice to remaining Shareholders telling them that the offeror will compulsorily acquire their Shares and then, six weeks later, executing a transfer of the outstanding Shares in the offeror’s favour and paying the consideration to the Company, which would hold the consideration on trust for remaining Shareholders. The consideration offered to those Shareholders whose Shares are compulsorily acquired under the 2006 Act must, in general, be the same as the consideration that was available under the general offer.

12.3 **Sell-out**

12.3.1 The 2006 Act gives minority Shareholders a right to be bought out in certain circumstances by a person who has made a general offer as described in paragraph 12.2 of this Part 6. If, at any time before the end of the period within which the general offer can be accepted, the offeror holds, or has agreed to acquire not less than 90 per cent. of the Shares, any holder of Shares to which the general offer relates who has not accepted the general offer can, by a written communication to the offeror, require it to acquire that holder’s Shares.

12.3.2 The offeror is required to give each Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his rights, the offeror is entitled and bound to acquire those Shares on the terms of the offer or on such other terms as may be agreed.

13. **Profile of Typical Investors**

The typical investors for whom an investment in the Company is intended are institutional investors, or professionally advised private investors, seeking to achieve consistent positive absolute returns. An investment in the Company may also be suitable for financially sophisticated private investors who are not professionally advised but are capable of evaluating the risks and merits of an investment in the Company and who have sufficient resources to bear any loss that may result from such an investment. However, such investors should consider consulting an independent financial adviser authorised under FSMA before investing. If prospective investors are in any doubt as to the consequences of their acquiring, holding or disposing of Ordinary Shares or Subscription Shares, they should consult an independent financial adviser authorised under the Financial Services and Markets Act 2000.

14. **Conflicts of Interest**

Cayenne (or its associates) may provide investment management, investment advisory and other services to other clients (including investment companies), including clients which may invest in the securities in which the Company may invest and, in providing such services, may use information obtained by them which is used in advising on the Company’s investments. Neither Cayenne nor any of its associates will be liable to account to the Company for any profit, commission or remuneration earned as a result of such conflict. However, in the event of a conflict of interest arising, Cayenne will take reasonable steps to ensure fair treatment for the Company in accordance with the FSA’s Conduct of Business Sourcebook.

15. **Miscellaneous**

- 15.1 Certain information contained in this document has been sourced from third parties. Such information has been accurately reproduced and, as far as the Company is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 15.2 Winterflood Investment Trusts, which is authorised and regulated by the FSA, has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.
- 15.3 The costs of the Proposals will be met by the Company and are expected to amount to approximately £125,000 (inclusive of VAT). Further fees amounting to £44,550 (inclusive of VAT) will be payable by the Company pro rata to the value of the Subscription Rights which are exercised.
- 15.4 Save as disclosed in paragraph 6.9 of this Part 6, no persons involved in the Bonus Issue have any interests that are material to the Bonus Issue.
- 15.5 No application is being made for the Subscription Shares to be listed or dealt in on any stock exchange or investment exchange other than the Main Market of the London Stock Exchange.
- 15.6 The publication or delivery of this document shall not under any circumstances imply that the information contained in this document is correct as at any time subsequent to the date of this document or that there has not been any change in the affairs of the Company since that date.

16. **Documents Available for Inspection**

- 16.1 Copies of the following documents are available for inspection at the registered office of the Company and at the offices of Maclay Murray & Spens LLP, One London Wall, London EC2Y 5AB, during normal business hours on any weekday (Saturdays and public holidays excepted) until 4 June 2009 and at the General Meeting itself at least 15 minutes before that meeting and until its conclusion:
- 16.1.1 the memorandum of association of the Company, the current Articles and the New Articles proposed to be adopted at the General Meeting;
- 16.1.2 the audited report and accounts of the Company for the years ended 31 January 2007, 31 January 2008 and 31 January 2009; and
- 16.1.3 the Trust Deed and deed of amendment of the Trust Deed containing the amendments proposed in order to amend the Conversion Rate.

17. **Availability of this Prospectus**

Copies of this document are available for viewing, free of charge during normal business hours, at The Document Viewing Facility, The Financial Services Authority, 25 North Colonnade, Canary Wharf, London E14, and at the Company's registered office at Springfield Lodge, Colchester Road, Chelmsford, Essex, CM2 5PW. Copies of this document may also be collected, free of charge during normal business hours, from the Company's registered office and, from the date of this document up to and including 4 June 2009, from Winterflood Investment Trusts.

PART 7

DEFINITIONS

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

“2006 Act”	the UK Companies Act 2006;
“Act” or “Companies Act”	the UK Companies Act 1985 (as amended), or the 2006 Act, as the context requires;
“Administration Agreement”	the administration/service agreement between the Administrator and the Company dated 21 June 2006, details of which are set out in paragraph 9.2 of Part 6 of this document;
“Administrator” or “Phoenix”	Phoenix Administration Services Limited;
“Admission”	the admission of the Subscription Shares to the Official List and to trading on the London Stock Exchange’s Main Market becoming effective in accordance with, respectively, the Listing Rules and the Admission and Disclosure Standards;
“Admission and Disclosure Standards”	the requirements contained in the publication “Admission and Disclosure Standards” dated 1 October 2008 containing, amongst other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange’s markets for listed securities;
“AGM”	the annual general meeting of the Company scheduled to take place at 2:30 p.m. on 4 June 2009;
“AIC”	Association of Investment Companies;
“Apollo”	Apollo Fund plc;
“Articles”	the articles of association of the Company;
“Board” or “Directors”	the directors of the Company, whose names appear on page 11 of this document;
“Bonus Issue”	the issue to Qualifying Shareholders of one Subscription Share for every five Ordinary Shares held by such shareholders on the Record Date;
“Business Day”	any day other than a Saturday, Sunday or a day on which the major clearing banks are not open for normal business in London;
“Calculation Date”	5:00 p.m. on 3 June 2009 being the date immediately preceding the General Meeting, on which the Subscription Price of the Subscription Shares will be calculated;
“certificated” or “in certificated form”	a share or other security which is not in uncertificated form (that is, not held in CREST);
“Combined Code”	the UK Combined Code on Corporate Governance dated June 2008, as amended from time to time;

“Company”	The Cayenne Trust plc;
“Conversion Rate”	the rate at which £100 nominal of CULS can convert into Ordinary Shares, currently £100 nominal for 70.77 Ordinary Shares;
“CREST”	the computerised settlement system (as defined in the Regulations) to facilitate the paperless settlement of trades in searches and the holding of securities in uncertificated form operated by Euroclear UK & Ireland Limited;
“CULS”	the 3.25 per cent. convertible unsecured loan stock 2011 of the Company constituted by the Trust Deed;
“Excluded Jurisdiction”	the United States, Australia, Canada, Japan, New Zealand and the Republic of South Africa;
“EEA”	the European Economic Area;
“Financial Services and Markets Act”	the Financial Services and Markets Act 2000, as amended;
“Financial Services Authority” or “FSA”	the Financial Services Authority in the UK;
“General Meeting”	the extraordinary general meeting of the Company to be held at 2:45 p.m. on 4 June 2009 or as soon thereafter as the AGM has concluded or been adjourned;
“HMRC”	HM Revenue and Customs;
“Index Futures”	contractual agreements carrying an obligation to pay/receive a cash sum equivalent to the difference between the purchase/sale price and the prevailing price on a pre-determined date in the future;
“Index Put Options”	contractual agreements carrying a right, but not an obligation, to sell an index-related instrument at a specified price on a specified future date;
“Investment Company Act”	the United States Investment Company Act of 1940, as amended;
“Listing Rules”	the rules and regulations made by the FSA under Part VI of the Financial Services and Markets Act;
“London Stock Exchange”	London Stock Exchange plc;
“Main Market” or “London Stock Exchange’s Main Market”	the London Stock Exchange’s market for larger and established companies;
“Management Agreement”	the investment management agreement between the Company and the Manager, details of which are set out in paragraph 9.1 of Part 6 of this document;
“Manager” or “Cayenne”	Cayenne Asset Management Limited, being the investment manager of the Company appointed pursuant to the Management Agreement;

“member account ID”	the identification code or number attached to any member account in CREST;
“Net Asset Value” or “NAV”	the net asset value of the Company calculated in accordance with its applicable accounting policies;
“Net Asset Value per Share” or “NAV per Share”	the Net Asset Value divided by the number of Ordinary Shares in issue;
“New Articles”	the new articles of association of the Company proposed to be adopted at the General Meeting;
“Notice of General Meeting”	the notice of General Meeting set out in Part 9 of this document;
“Official List”	the Official List of the UKLA;
“Ordinary Shareholders” or “Shareholders”	the holders of Ordinary Shares;
“Ordinary Shares” or “Shares”	ordinary shares of 25p each in the share capital of the Company;
“Overseas Shareholders”	Shareholders whose registered addresses are outside the UK or who are entities of, incorporated in, registered in or otherwise citizens or residents of countries outside the UK;
“participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant;
“Proposals”	the Bonus Issue and related proposals and amendment to the conversion rate applying to the CULS all as described in the sections headed “The Proposals” and “CULS” in Part 1 of this document;
“Prospectus Rules”	the prospectus rules made under Part VI of the Financial services and Markets Act;
“Qualifying Shareholder”	a Shareholder whose name is entered on the Register at the close of business on the Record Date other than an Overseas Shareholder;
“Record Date”	the date on which Qualifying Shareholders’ entitlements to the Bonus Issue will be assessed against the Register, expected to be 5:00 p.m. on 3 June 2009;
“Register”	the register of Shareholders of the Company;
“Registrars” or “Capita”	Capita Registrars Limited;
“Regulations”	the Uncertificated Securities Regulations (SI 2001/3755);
“Resolution”	the resolution set out in the Notice of General Meeting;
“Shareholders”	the holders of Ordinary Shares;
“SIPPs”	self invested personal pensions;

“Sponsor”	Winterflood Investment Trusts, a division of Winterflood Securities Limited;
“SSASs”	small self administered schemes;
“Stockholders”	the holders of CULS;
“Subscription Date”	each of 31 December 2009, 30 March 2010 and 30 June 2010 (or if such date is not a Business Day, the next following Business Day);
“Subscription Price”	an amount equal to the Net Asset Value per Share (calculated on an unaudited basis) as at the Calculation Date plus a premium of 1 per cent. of such amount rounded up to the nearest whole penny and subject to adjustment on the basis set out in paragraph 2 of Part 4;
“Subscription Rights”	the rights attaching to the Subscription Shares entitling the holder thereof to subscribe for Ordinary Shares upon each of the Subscription Dates upon payment of the Subscription Price, such rights being set out in full in the New Articles;
“Subscription Shareholders”	holders of Subscription Shares;
“Subscription Shares”	subscription shares of 1p each in the capital of the Company;
“Trust Deed”	the trust deed dated 25 April 2006 between the Company and the Trustee constituting the CULS;
“Trustee”	The Law Debenture Trust Corporation p.l.c.;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“UK GAAP”	UK generally accepted accounting practice;
“UKLA” or “UK Listing Authority”	the Financial Services Authority in its capacity as competent authority under Part VI of the Financial Services and Markets Act;
“uncertificated” or “in uncertificated form”	recorded on the register of members of the Company as being held in uncertificated form (that is securities held in CREST); and
“United States” or “US”	the United States of America, its territories, its possessions including the States, the district of Columbia and other areas subject to its jurisdiction;
“US Person”	any “US Person” as such term is defined in Regulation S under the US Securities Act, or in regulations adopted under the US Commodity Exchange Act of 1922;
“US Securities Act”	the United States Securities Act of 1933, as amended;

In addition, “**subsidiary**”, “**subsidiary undertaking**”, “**associated undertaking**” and “**undertaking**” have the meanings respectively ascribed to them by the Companies Act, disregarding for this purpose paragraph 20(1)(b) of Schedule 4A to the Companies Act.

PART 8

CHECKLIST OF DOCUMENTS INCORPORATED BY REFERENCE

The table below sets out the various sections of such documents which are incorporated by reference into this document so as to provide the information required under the Prospectus Rules and to ensure that investors in Subscription Shares and others are aware of all information which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company:

<i>Information incorporated by reference</i>	<i>Document reference</i>	<i>Page nos.</i>
Chairman's Statement	Annual Report and Accounts for the year ended 31 January 2007 (page 4)	40
Investment Manger's Report	Annual Report and Accounts for the year ended 31 January 2007 (pages 4 to 5)	40
Investments in Order of Valuation	Annual Report and Accounts for the year ended 31 January 2007 (page 6)	40
Audit Report	Annual Report and Accounts for the year ended 31 January 2007 (page 21)	39
Financial Statements and notes to the Accounts	Annual Report and Accounts for the year ended 31 January 2007 (pages 27 to 40)	39

<i>Information incorporated by reference</i>	<i>Document reference</i>	<i>Page nos.</i>
Chairman's Statement	Annual Report and Accounts for the year ended 31 January 2008 (page 5)	40
Investment Manger's Report	Annual Report and Accounts for the year ended 31 January 2008 (page 6 to 8)	40
Investments in Order of Valuation	Annual Report and Accounts for the year ended 31 January 2008 (page 9)	40
Audit Report	Annual Report and Accounts for the year ended 31 January 2008 (page 25)	39
Financial Statements and notes to the Accounts	Annual Report and Accounts for the year ended 31 January 2008 (pages 31 to 48)	39

<i>Information incorporated by reference</i>	<i>Document reference</i>	<i>Page nos.</i>
Chairman's Statement	Annual Report and Accounts for the year ended 31 January 2009 (page 5)	40
Investment Manger's Report	Annual Report and Accounts for the year ended 31 January 2009 (pages 6 to 8)	40
Investments in Order of Valuation	Annual Report and Accounts for the year ended 31 January 2009 (page 9)	40
Audit Report	Annual Report and Accounts for the year ended 31 January 2009 (page 25)	39
Financial Statements and notes to the Accounts	Annual Report and Accounts for the year ended 31 January 2009 (pages 31 to 48)	39

PART 9

NOTICE OF 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 a General Meeting of The Cayenne Trust Plc (the “**Company**”) will be held at The Crowne Plaza Hotel, 45 – 51 Buckingham Gate, London, SW1E 6AF at 2:45 p.m. (or as soon thereafter as the Annual General Meeting of the Company shall have concluded or been adjourned) on 4 June 2009 for the purposes of considering and, if thought fit, passing the following Resolution which shall be proposed as a Special Resolution:

SPECIAL RESOLUTION

1. THAT conditional on the passing of an extraordinary resolution of the holders of the £10,000,000 3.25 per cent. convertible unsecured loan stock due 2011 of the Company (the “**Stockholders**”) to be put to a meeting of the Stockholders on the date hereof (or to any adjourned meeting) and subject to the UK Listing Authority agreeing to admit to the Official List the subscription shares of 1p each in the capital of the Company (the “**Subscription Shares**”) to be issued pursuant to the bonus issue described in the prospectus of the Company dated 27 April 2009 (the “**Bonus Issue**” and the “**Prospectus**” respectively) and London Stock Exchange plc agreeing to admit such Subscription Shares to trading on its Main Market (“**Admission**”):
 - 1.1 600,000 ordinary shares of 25p each in the authorised share capital of the Company (“**Ordinary Shares**”) be subdivided into 15,000,000 ordinary shares of 1p each and immediately redesignated as Subscription Shares, each having the rights and being subject to the conditions contained in the articles of association of the Company to be adopted pursuant to sub paragraph 1.2 of this Resolution;
 - 1.2 the articles of association produced to the meeting and signed by the Chairman of the meeting for the purposes of identification be adopted as the articles of association of the Company in substitution for the existing articles of association of the Company (the “**New Articles**”);
 - 1.3 in addition to the existing authority granted to the Directors under section 80 of the Companies Act 1985 (the “**Act**”) by resolution 6 passed at the Annual General Meeting of the Company held on 7 May 2008, the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Act) in connection with and for the purposes of (a) the Bonus Issue of Subscription Shares up to a maximum aggregate nominal amount of £150,000 of Subscription Shares and (b) the grant of the right to subscribe for Ordinary Shares conferred by the Subscription Shares as described in Part 4 of the Prospectus (the “**Subscription Rights**”) up to a maximum aggregate nominal amount of £3,750,000 of Ordinary Shares, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company in 2012, save that the Company may prior to the expiry of such period make any offer or agreement which would or might require such Subscription Shares and/or such Ordinary Shares to be allotted after such expiry and the Directors may allot such Subscription Shares and/or Ordinary Shares in pursuance of any such offer or agreement as if the authority conferred hereby had not expired;
 - 1.4 in addition to any existing authority under section 95 of the Act granted to the Directors at any Annual General Meeting of the Company held before the passing of this Resolution, the Directors be and are empowered in accordance with section 95 of the Act to allot Ordinary Shares for cash, pursuant to the authority conferred on them by sub paragraph 1.3 of this Resolution, as if section 89(1) of the Act did not apply to the allotment, provided that:
 - 1.4.1 this power shall be limited to the allotment of Ordinary Shares in connection with and for the purposes of the exercise of the Subscription Rights up to a maximum nominal amount of £3,750,000; and
 - 1.4.2 this power, unless renewed, shall expire in fifteen months from the date of this Resolution, but shall extend to the making, before such expiry, of an offer or agreement which would or might require any Ordinary Shares to be allotted after such expiry and the Directors may allot Ordinary Shares in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

- 1.5 the Directors be and are hereby authorised and empowered to capitalise any part of the amount then standing to the credit of any of the share premium account or the capital redemption reserve or any reserve (other than the profit and loss account) otherwise available for the purpose of paying up in full at par up to 7,474,700 Subscription Shares to be issued pursuant to the Bonus Issue, such shares to be allotted and distributed credited as fully paid up to and among such holders in the proportion of one new Subscription Share for every five Ordinary Shares held (fractions of a Subscription Share being ignored);
- 1.6 to the extent necessary, the Directors be and are hereby irrevocably authorised to capitalise any part of the amount from time to time standing to the credit of any reserve account of the Company which is available for distribution or standing to the credit of the share premium account, capital redemption reserve, profit and loss account or any other undistributable reserve and to appropriate and apply such sum (i) in paying up in full any Ordinary Shares to be allotted, in accordance with the provisions of the New Articles, in connection with or by reason of exercise of the Subscription Rights or (ii) in issuing, credited as fully paid, additional Subscription Shares to which the holders of Subscription Shares may be entitled in accordance with the provisions of the New Articles;
- 1.7 any consolidation, sub-division or redemption of share capital required in the opinion of the Directors to give effect to the rights of the holders of Subscription Shares be hereby approved;
- 1.8 in addition to any authority under section 166 of the Act granted to the Directors at any annual general meeting held before the passing of this Resolution, the Directors be and are hereby authorised in accordance with section 166 of the Act to make market purchases (within the meaning of section 163 of the Act) of its issued Subscription Shares, provided that:
 - 1.8.1 the maximum number of Subscription Shares hereby authorised to be purchased shall be 1,120,500 or if less, that number of Subscription Shares which is equal to 14.99 per cent. of the Company's issued Subscription Share capital immediately following Admission;
 - 1.8.2 the minimum price which may be paid for a Subscription Share is 1p;
 - 1.8.3 the maximum price which may be paid for a Subscription Share is that price specified in the Listing Rules (being the rules and regulations made by the Financial Services Authority under Part VI of the Financial Services and Markets Act) and, if no such price is specified, 5 per cent. above the average of the middle market quotations for the Subscription Shares (as derived from the London Stock Exchange Daily Official List) for the five consecutive dealing days ending on the dealing day prior to the day such purchase is made;
 - 1.8.4 the authority hereby conferred shall expire on 4 September 2010 unless the authority is renewed at the Company's annual general meeting to be held in 2010 or at any other general meeting prior to such time;
 - 1.8.5 the Company may make a contract to purchase the Subscription Shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of Subscription Shares pursuant to any such contract notwithstanding such expiry; and
 - 1.8.6 any Subscription Shares bought back under the authority hereby granted will be cancelled.
- 1.9 an amendment to the trust deed dated 25 April 2006 between the Company and Law Debenture Trust p.l.c. (which constitutes the 3.25 per cent. Convertible Unsecured Loan Stock 2011 of the Company (the "CULS")) be approved in order to amend the conversion rate applicable to the CULS (currently 70.77 ordinary shares for each £100 in nominal value of CULS) (the "**Conversion Rate**") to that rate which results from a reduction in the effective price at which one unit of CULS converts into one ordinary share of 25p in the issued share capital of the Company ("**Ordinary Share**") (the "**Conversion Price**") (currently £1.413) calculated as follows:
 - 1.9.1 by calculating the percentage growth in the Company's total assets required to increase the net asset value per Ordinary Share of the Company to the Conversion Price (with both the total assets and the net asset value per Ordinary Share taken as at 5 p.m. on 3 June 2009 (the "**Calculation Date**")) ("**A**");

- 1.9.2 by recalculating the net asset value per Ordinary Share on the assumption that the value of the total assets at the Calculation Date increases by the percentage growth rate A (i.e., the value of the total assets is multiplied by the factor $(1 + A)$);
- 1.9.3 by adjusting the net asset value per Ordinary Share calculated in (1.9.2) above on the assumption that the Subscription Shares that the Company proposes to issue pursuant to the Bonus Issue are all issued and fully subscribed in accordance with their terms. Such adjusted net asset value per Ordinary Share will be the new Conversion Price.

27 April 2009

By order of the Board:

Phoenix Administration Services Limited

Company Secretary

Registered Office

Springfield Lodge
Colchester Road
Chelmsford
Essex
CM2 5PW

Notes:

1. As a member, you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the Meeting. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share. A yellow coloured form of proxy is enclosed.
2. To be valid, any proxy form or other instrument of proxy and any power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority should be sent to Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to arrive not less than forty eight hours before the time fixed for the Meeting.
3. The return of a completed proxy form, other instrument of proxy or CREST Proxy Instruction (referred to in Note 9 below) will not prevent you attending the Meeting and voting in person if you wish to do so.
4. In accordance with Regulation 41 of the Uncertified Securities Regulations 2001, to have the right to attend and vote at the Meeting a member must first have his or her name entered in the Company's register of members by not later than forty eight hours before the time fixed for the Meeting (or, in the event that the Meeting is adjourned, forty eight hours before the time of the adjourned Meeting). Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the Meeting referred to above.
5. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between them and the member by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.
6. The statement of the rights of members in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
7. As at 5:00 p.m. on 23 April 2009, the Company's issued share capital comprised 33,636,200 ordinary shares of 25p each (excluding shares held in treasury). Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5:00 p.m. on 23 April 2009 is 33,636,200.
8. 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.
9. 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 (ID RO55) by 2:45 p.m. on 2 June 2009. 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.
10. 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.

11. 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.
12. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate member has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that member at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate member attends the meeting but the corporate member has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk –for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.