

## INVESCO CITY AND COMMERCIAL TRUST PLC

### **HEADLINE: PROPOSALS FOR AN EXTENSION OF THE COMPANY'S LIFE BY WAY OF AMENDMENTS TO THE ARTICLES, CHANGES TO THE COMPANY'S INVESTMENT POLICY, A CHANGE OF THE COMPANY'S NAME, AND SHARE BUYBACK AND TREASURY SHARE AUTHORITIES**

#### **Introduction**

The Board announced on 21 December 2005 that it intended to write to Shareholders recommending proposals providing for:

- The extension of the Company's life for at least a further five years;
- The adoption of a revised investment objective and policy;
- The appointment of Cayenne as the Company's new investment manager and a change of the Company's name to The Cayenne Trust plc; and
- The introduction of an active discount management policy.

A circular setting out the Proposals, details of which are set out below, and convening the appropriate extraordinary general meetings of the Company, will be dispatched to Shareholders today.

#### **The Proposals**

##### *Extension of the Company's life*

Under the Proposals the Company's life would be extended until at least 2011. This would be effected by way of a special resolution amending the Articles by removing the obligation to propose a special resolution to wind up the Company by 31 January 2006 and making certain minor consequential amendments. The amended Articles would instead require that the Board propose, at the Company's annual general meeting to be held in 2011 and annually thereafter, an ordinary resolution that the Company continue in existence as an investment trust.

If Shareholders approve the extension of the Company's life, and the change of the Company's investment policy set out below, the Company will not be liquidated and Shareholders wishing to realise their investment in the Company will need to do so by selling their Shares in the market or otherwise. The Board has been advised that any Shareholder wishing to realise his holding in the period to the end of February 2006 should be able to do so on terms at worst equivalent to those at which the Board believes that cash would have been available under a scheme winding the Company up. In this regard, Winterflood Investment Trusts has been appointed as the Company's corporate stockbroker.

##### *Changes to investment objective and policy*

It is proposed that the investment objective of the Company becomes to "achieve consistent positive absolute returns". The primary statement of investment policy – that the Company invests principally in the securities of UK investment trust companies and other closed-end funds – will be retained, but certain elements of the Company's investment policy are proposed to be materially changed under Cayenne's management. The revised investment policy can be summarised as follows:

- the Company will invest principally in the 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 Fund plc; and
- the Company will seek to ensure preservation of capital by the use of derivative instruments to the extent permissible within the regulations governing investment trust companies and the Listing Rules.

Apollo is an open-ended offshore fund, managed by Cayenne and listed on the Irish Stock Exchange, with an overall objective of achieving consistent absolute returns by exploiting pricing inefficiencies in the closed-end fund universe while ensuring preservation of capital. Apollo uses an investment approach substantially similar to that which Cayenne intends to utilise for the Company's portfolio. As at 31 December 2005, based on its published net asset values, Apollo had since its inception on 1 September 1997 provided a return for its shareholders of 14.99 per cent. per annum.

#### *Change to the Company's name*

To reflect the identity of the new investment manager, it is proposed that the Company's name be changed to 'The Cayenne Trust plc'.

#### *Share buyback and treasury share authorities*

With a view to establishing and supporting an improved rating in the Shares, the Board has announced its intention to apply an active discount management policy. Subject to Shareholders granting the Board the necessary authority and to the limits of that authority, it is intended that on an ongoing basis Shares available in the market at prices representing discounts greater than 5 per cent. to NAV will be repurchased by the Company. It is intended that any Shares repurchased will, to the extent permissible by law, be held in treasury by the Company with a view to their future sale in response to market demand.

#### **Liquidation**

If Shareholders do not approve the extension of the Company's life and the change of the Company's investment policy, resolutions for a winding-up of the Company will be proposed at the Second EGM. The Articles confer weighted voting rights for Shareholders voting in favour of the special resolution to wind up the Company. If the Company is wound up, Shareholders will receive in cash, through one or more liquidation distributions, all the assets of the Company after the repayment of the Stock and after providing for all known liabilities of the Company, including the expenses of the winding-up.

#### **Management of the Company**

##### *The Board*

The existing Directors have indicated their intention to retire at the end of the Company's initial thirteen year life. If Shareholders approve the extension of the Company's life and the change of the Company's investment policy, Peter Sedgwick, Philip Ashfield, Tristan Hillgarth and Simon Stevens will resign as Directors. Subject to Shareholders' approving the extension of the Company's life and the change of the Company's investment policy, Jonathan Agnew, who is chairman of Nationwide Building Society and of Beazley Group PLC, has agreed to act as a Director and as chairman of the Company, and Christopher Jones, who was formerly head of investments at Merchant Investors Assurance Company Ltd, will also be appointed to the Board. It is intended that at least one further independent Director will be appointed to the Board as soon as practicable.

##### *Cayenne Asset Management*

The Company and Cayenne have agreed in principle the terms for the investment management of the Company and intend to enter into an investment management agreement under which Cayenne will, conditional on Shareholders'

approval of the extension of the Company's life and the change of the Company's investment policy, be responsible for the discretionary management of the Company's portfolio. Cayenne will be remunerated by way of a management fee of 1 per cent. per annum of the Company's net assets (excluding the value of any investment in Apollo) payable quarterly in arrears and an annual performance fee of 10 per cent. of any outperformance of a hurdle rate of 5 per cent. per annum on a total return basis. The performance fee will be only be payable in respect of any period to the extent that the closing NAV per Share exceeds the higher of the NAV per Share as at 1 February 2006 or the highest NAV per Share, taking account of any performance fees, in respect of which a performance fee was previously paid. The agreement will be terminable by either party on 6 months' notice (after an initial period of 12 months) or immediately by the Company on the occurrence of certain events.

#### *INVESCO Asset Management*

If Shareholders approve the extension of the Company's life and the change of the Company's investment policy, and conditional on the signing of an investment management agreement between the Company and Cayenne on terms acceptable to the Board, INVESCO will resign as the Company's investment manager. The Board would like to record their thanks for INVESCO's co-operative stance during the development of the Proposals. No compensation will be payable by the Company to INVESCO in connection with the termination of its position as the Company's investment manager.

#### **Future strategy of the Company**

##### *Capital structure*

The principal amount of the Stock, together with accrued interest, will be repaid on 31 January 2006. The Board estimates that the total amount payable on that date will be £11.01 million (including accrued interest). As at 4 January 2006, the latest practicable date prior to publication of this document, the Company had cash or near cash instruments of £14.33 million from which to fund the required payment.

If Shareholders approve the extension of the Company's life and the change of the Company's investment policy, it is intended to put forward proposals with the aim of materially increasing the Company's asset base during the first half of 2006 by way of a secondary issue of Shares and the replacement, to a lesser degree, of the gearing currently provided by the Stock.

##### *Dividend*

The Board has declared a second interim dividend of 2p per Share payable on 30 January 2006 to Shareholders on the Company's register of members as at the close of business on 13 January 2006.

The Company's proposed ongoing investment objective is to achieve consistent positive absolute returns. Income return will not be sought for its own sake and accordingly future 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. Cayenne estimates that, in the absence of unforeseen circumstances, dividends of at least 1p per Share\* will be paid in respect of the Company's financial year ending 31 January 2007.

\* this figure is an estimate only and is not to be taken as a forecast of profits

#### **Costs and expenses**

The costs and expenses payable by the Company in relation to the Proposals are estimated to be approximately £120,000 (inclusive of irrecoverable VAT). In the event that Shareholders approve the extension of the Company's life and the change of the Company's investment policy, this amount would be reduced to an estimated £45,000 by a contribution of £75,000 from Cayenne. If Shareholders do not approve the extension of the Company's life and the change of the Company's investment policy and it is resolved at the Second EGM that the Company be wound up, a further £35,000 in

costs and expenses (above the estimated £120,000) is expected to be incurred, comprising costs and expenses associated with implementation of the liquidation.

### **Shareholder meetings**

The First EGM is to be held at 10.00 a.m. on Monday, 30 January 2006 at 30 Finsbury Square, London, EC2A 1AG.

The Second EGM to be held at 10.05 a.m. (or, if later, immediately following the conclusion of the First EGM) on Monday, 30 January 2006 at the same venue. This meeting has been convened due to the requirement in the Articles that a special resolution to wind up the Company be proposed by 31 January 2006. If Shareholders approve the extension of the Company's life and the change of the Company's investment policy at the First EGM the Chairman intends to adjourn the Second EGM indefinitely.

### **Enquiries**

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### **Notes**

Terms used in this announcement shall, unless the context otherwise requires, bear the meaning given to them in the circular to Shareholders dated 6 January 2006, which will be submitted to the Financial Services Authority and will shortly be available for inspection at the UK Listing Authority's Document Viewing Facility, which is situated at:

Document Viewing Facility  
UK Listing Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS  
Tel. 020 7066 1000

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