The Cayenne Trust plc

(formerly INVESCO City and Commercial Trust plc)

Report and Accounts
Year Ended 31 January 2006

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Directors and Advisers

Directors

Jonathan Agnew (Chairman)
Aged 64. Joined the Board in January 2006 when he was elected Chairman. He is Chairman of Nationwide Building Society and of Beazley Group PLC and a non-executive Director of Rightmove plc.

Christopher Jones
Aged 65. Joined the Board in January 2006. He was formerly head of investments at Merchant Investors Assurance Company Ltd.

Sir Laurence Magnus
Aged 50. Joined the Board in February 2006. He is Vice-Chairman of Lexicon Partners, non-executive Chairman of Xchanging in-sure services Limited; and a non-executive Director of J. P. Morgan Fleming Income & Capital Investment Trust plc and TT electronics plc.

Advisers

Investment Manager
Cayenne Asset Management Limited
42 Portman Road
Reading
Berkshire RG30 1EA

Company Secretary and Registered Office
INVESCO Asset Management Limited
30 Finsbury Square
London EC2A 1AG
Tel: 020 7065 4000
Fax: 020 7065 3166

Registrars
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: 0870 1623 100
Non-advisory share dealing service (existing shareholders only):
Tel: 0870 458 4577
www.capital.deal.com

Custodian
JP Morgan Chase Bank
1 Chaseside
Bournemouth
Dorset BH7 7DB

Auditors
Deloitte & Touche LLP
Chartered Accountants
London

Stockbrokers
Winterflood
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

Investment Policy

The Cayenne Trust plc is a UK investment trust listed on The London Stock Exchange. Its investment policy can be summarised as follows:

- the Company invests principally in the securities of UK investment trust companies and other closed-end funds;
- up to 15% of the Company's assets, at the time of investment, may be invested in Apollo Fund plc; 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.

Share and Loan Capital

The Company's share capital consists of ordinary shares. At 17 March 2006 the actual gearing was 100.

Key Data

Terms marked † are defined in the Glossary	***At 31 January 2006***	*At 31 January 2005 Restated**	*% change*
Shareholders' funds (£'000)	14,017	11,696	+19.8
Actual gearing†	100	189	
Asset gearing†	53	133	
Net asset value† per ordinary share	109.9p	91.7p	+19.8
Mid-market price per ordinary share	107.5p	81.5p	+31.9
Discount† per ordinary share	2.2%	11.1%	
FTSE Investment Companies Index (capital only)	5,379.69	4,016.70	+33.9

	Year to 31 January 2006	*Year to 31 January 2005 Restated**	*% % change*
Net revenue after taxation (£'000)	340	378	-10.1
Dividends per ordinary share	3.5p	3.5p	
Dividend yield	3.3%	4.3%	
Total expense ratio†	1.5%	1.3%	
Gross assets total return before expenses and taxation	18.5%	15.3%	
FTSE Investment Companies Index (total return)	34.9%	17.3%	
Returns per ordinary share			
Revenue – basic	2.7p	3.0p	
Capital – basic	21.0p	13.8p	
Total return – basic	23.7p	16.8p	

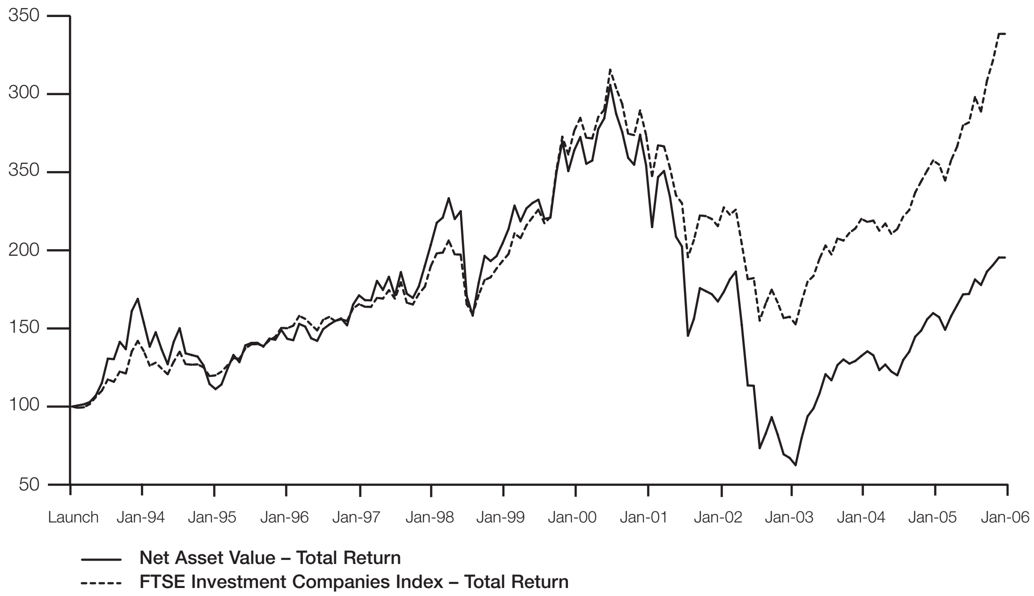
*Restated for new UK Accounting Standards

Five Year Historical Record

Year	*Revenue*				*Capital*	
		Net revenue available for ordinary shares	*Dividends on ordinary shares*		*Basic net asset value per ordinary share*	*Mid-market price per ordinary share*
To 31 Jan	*Gross income £'000*	*£'000*	*Cost £'000*	*Rate p*	*p*	*p*
2002	1,179	483	701	5.50	120.9	121.5
2003	1,020	365	446	3.50	45.7	35.0
2004	664	194	446	3.50	78.4*	65.5
2005	859	378	446	3.50	91.7*	81.5
2006	**866**	**340**	**446**	**3.50**	**109.9**	**107.5**

Cayenne Asset Management Limited was appointed Investment Manager under an agreement dated 30 January 2006. Prior to this the Investment Manager was INVESCO Asset Management Limited.
*Restated for new UK Accounting Standards.

Net Asset Value per Ordinary Share, with Dividends Reinvested (indexed to 100 at launch 8 February 1993)



Chairman's Statement

Christopher Jones and I were appointed Directors of your Company, and I became Chairman, on 30 January 2006 following the Extraordinary General Meeting at which Cayenne Asset Management Ltd ('Cayenne') was appointed the Company's new investment manager and the Company's name was changed. Laurence Magnus joined us as a Director on 13 February 2006.

Under its new investment policy, approved by shareholders, the Company will invest principally in the securities of UK investment trusts and other closed-end funds which it believes to be undervalued. The Company will also seek to ensure preservation of capital by the use of derivative or similar hedging instruments. Up to 15% of the Company's assets, at the time of investment, may by invested in Apollo Fund plc, an offshore fund which is managed by Cayenne with an investment approach substantially similar to that which Cayenne intends to use for the Company's portfolio.

Accordingly, the Company has made an initial investment of £1.48 million in Apollo on 28 February 2006, steps have been taken to hedge the general market risk of the Company's portfolio and various assets have been sold and others purchased. The performance of the Company's portfolio in the year to 31 January is described in the report of the previous investment manager, INVESCO Asset Management, on page 5. A report from Cayenne is on page 6.

The company paid a total dividend of 3.5p per share in respect of the year to 31 January 2006. The present investment objective is to achieve consistent positive absolute returns. Income as such will not be sought and dividends payable by the Company are therefore likely to fluctuate. Your Board estimates, on the basis of advice received from Cayenne, that, in the absence of unforeseen circumstances, dividends of at least 1p per share will be paid in respect of the Company's current financial year to 31 January 2007.

In view of the new investment policy, the management expenses and finance costs of the Company will now be allocated 80% to capital and 20% to income.

The Company is proposing to raise up to £45 million new capital, in the form of £10 million of convertible unsecured loan stock, to reintroduce a degree of gearing into the Company, and £35 million "C" shares, which when the proceeds of issue are fully invested will convert into ordinary shares. The final details of the issue are contained in a prospectus expected to be published on 28 March 2006.

Following the issue, the Board will follow an active discount management policy. Shares will be repurchased at prices representing discounts to net asset value of more than 5% and will be held in treasury until resold or cancelled.

Len Gayler, the chief executive of Cayenne, is well-known to your Board and Cayenne has been successful in generating returns for Apollo substantially above its benchmark of 5% per annum. Although any investment policy which seeks to generate superior returns carries risks, your board is confident that the Company's new investment policy, to be implemented by Cayenne, is likely to be successful.

Jonathan Agnew
Chairman

22 March 2006

Investment Manager's Report

For the Period 1 January 2005 to 30 January 2006

In the period under review the major equity markets rose significantly. Of these, in local currency terms, the strongest performance came in Japan. MSCI Japan was up 51.0%, and the weakest in the US, MSCI US was up 9.3%. Europe ex UK was up 27.3%, the Pacific Basin ex Japan was up 19.3% and the UK was up 17.5%. The US dollar strengthened against the other major currencies rising 13.2% against the Yen, 7.3% against the Euro and 5.9% against Sterling. Certain sectors of the global equity market performed strongly with MSCI World Metals & Mining rising 57.9% and MSCI World Oil & Gas rising 40.0%. Global bond markets generally were strong.

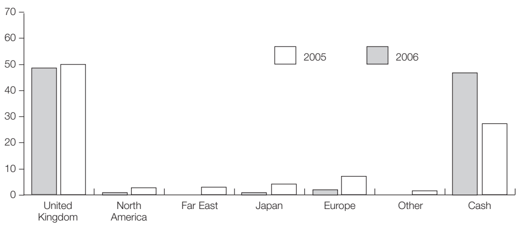
Given this background it is not surprising to find that trusts specialising in the stronger areas of the global equity market performed particularly well during the period. However most trusts benefited from the rising markets either by virtue of the rising value of their investments or their gearing or the narrowing of the discount that is often seen when investor confidence increases.

As 31 January 2006 approached, the time at or before which the Directors were obliged to have proposed a Special Resolution to wind up the Company unless previously relieved of that obligation, the Directors considered it prudent to continue to reduce the effective gearing of the Company as equity markets rose. At the interim stage asset gearing was reported to have fallen to 113. With the requirement to repay the RPI debenture and possibly to the to return of cash to shareholders at the scheduled wind up date or as a result of alternative proposals, we continued to take advantage of the general strength in the markets to raise further cash. The emphasis of activity within the portfolio was on cash raising rather than alternative or new investment opportunities.

Ian Carstairs
INVESCO Asset Management Limited

22 March 2006

Geographical Distribution of the Underlying Assets of the Portfolio



Investment Manager's Report

For the Period from 30 January 2006

The objective of the Company is 'to achieve consistent positive absolute total returns' by investing in investment trusts and other closed-end funds. The Investment Manager will seek to ensure preservation of capital and to minimise NAV volatility through the use of derivative instruments. An investment of up to 15% of the Company's gross assets will be made into Apollo Fund plc, an existing offshore open-end fund managed by Cayenne Asset Management Ltd, which has produced annualised returns of 15.30% since inception in 1997.

Income will not be sought for its own sake, but it is expected that dividends will be payable as a by-product of the investment policy.

The investment trust sector is currently undergoing a period of evolution with many specialist products being launched allowing access to highly qualified managers. Moreover, discounts have narrowed in response to arbitrage activity and the consequent corporate restructuring process. Investment trust boards have become more proactive with the introduction of discount control mechanisms and the requirement for regular manager assessments. Despite this activity there are still many pricing inefficiencies within the investment trust industry, due to over-simplified analysis and lack of quality research. As a result, undervalued opportunities exist and in depth analysis of complex structures continue to reveal interesting anomalies.

With this benign investment outlook and the specific opportunities available within the Company's investment universe, the Investment Manager believes that the Company is positioned to take advantage of continued asset price appreciation. However, as stated above, the Investment Manager will maintain hedging arrangements with a view to mitigating against any potential losses due to adverse stock market performance.

Len Gayler
Cayenne Asset Management Limited

22 March 2006

Investments in Order of Valuation

at 31 January 2006

(Ordinary shares unless otherwise indicated)	At Valuation £'000	% of Portfolio
Non-split trusts		
JP Morgan Fleming Mercantile	1,058	14.31
Monks	771	10.42
Aberforth Smaller Companies	747	10.10
Murray Income	746	10.09
City Of London Investment	643	8.69
British Empire Securities & General	400	5.41
Schroder UK Growth Fund	348	4.71
City Merchants High Yield	277	3.75
Lowland Investment Company	218	2.95
Foreign & Colonial	166	2.24
Platinum Investment	131	1.77
India Capital Growth (warrants)	76	1.03
	5,581	75.47
Split capital trusts (ABN AMRO ranking in brackets)		
Investor Capital units (AAA4)	835	11.29
JP Morgan Fleming Income & Growth–Income shares (AA3)	688	9.30
City of Oxford Geared Income–Income shares (A3)	291	3.93
Exeter Equity Growth & Income (AA3)	1	0.01
	1,815	24.53
	7,396	**100.0**

With regard to the split capital trusts, these have been ranked in accordance to the system used by ABN AMRO which ascribes a letter to denote the proportion of the underlying portfolio invested in other splits and a number from one to nine to denote the level of gearing in the underlying portfolio. Details of this system are as follows:

AAA No other splits in portfolio
AA Less than 5% splits in portfolio
A 5% to 25% splits in portfolio

0 No debt
1 Up to 10% of assets represented by debt
2 Up to 20% of assets represented by debt
3 Up to 30% of assets represented by debt
4 Up to 40% of assets represented by debt

Classification of Investments

at 31 January

	2006	**2005**
United Kingdom	**%**	%
Equities	**97.7**	98.9
Other investments	**2.3**	1.1
	100.0	100.0

Shareholder Information

Capital Gains Tax

To assist shareholders in the calculation of capital gains, the market value of City and Commercial Investment Trust plc Capital and Income shares at 31 March 1982 was 280p and 27½p respectively.

Further to an EGM on 1 February 1993, City and Commercial Investment Trust plc was placed in members' voluntary liquidation, with shareholders being offered the option to invest in INVESCO City and Commercial Trust plc 25p ordinary shares, with warrants attached. On 8 February 1993, the first day of trading, the market price for capital gains tax purposes of these was 85½p and 20½p respectively.

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

Financial Calendar

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

Announcements	
Interim unaudited results	September
Final preliminary results	March/April
Ordinary Share Dividends	
Interim payment	November
Final payment	April/May
Annual General Meeting	April
Year End	31 January

Location of Annual General Meeting

To be held at 10.30 am on 20 April 2006 at 30 Finsbury Square, London EC2A 1AG.

Share Price Listings

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

Financial Times	Investment Companies
Daily Telegraph	Investment Trusts
Reuters	ordinary shares, ordinary shares TCT.L
Bloomberg	ordinary shares, ordinary shares TCT

The current share price can also be obtained by calling 0906 8431473.

NAV Publication

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

Website

The Company is currently developing a website, which is expected to be live by May 2006. The address will be:
www.thecayennetrust.co.uk

Report of the Directors

for the year ended 31 January 2006

Introduction

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 January 2006.

The Company was incorporated in Great Britain and registered in England and Wales on 1 March 1991 as a public limited company under the Companies Act 1985 registered number 2774914.

Company's Business

The Company is an investment company as defined in section 266 of the Companies Act 1985 and operates as an investment trust in accordance with section 842 of the Income and Corporation Taxes Act 1988. Inland Revenue approval of the Company's status as an investment trust in respect of the year ended 31 January 2005 has been received and the Company has subsequently conducted its affairs so as to enable it to continue to obtain such approval.

During the financial year under review, the Board has pursued an investment policy, whereby it invested in the securities of UK investment trust companies and other closed-end funds. This aimed to give shareholders an interest in a broad spread of underlying investment trusts and close-end funds with gearing.

With effect from 30 January 2006 shareholders approved:

- the change of name from INVESCO City and Commercial Trust plc to The Cayenne Trust plc;
- the adoption of new Articles of Association one of the principle changes of which is to extend the life of the Company until at least 2011 when an ordinary resolution will be proposed at the Annual General Meeting of that year and annually thereafter that the Company continue in existence as an investment trust;
- a change in investment objective and policy to that detailed on page 2;
- new directors as detailed below; and
- an active discount management policy through share buyback and treasury share authorities undertaken through stock market purchases at prices supporting discounts greater than five per cent to net asset value.

The Chairman's Statement appears on page 4 and the Managers' Reports on page 5 and on page 6.

RPI 5.06% Debenture Stock

On 31 January 2006 the RPI 5.06% Debenture Stock was repaid in accordance with the terms of the Trust Deed.

Financial Results and Dividends

The results for the year are shown in the Income Statement on page 22. The interim dividend of 1.5p per share was paid on 23 May 2005 (2004: 1.5p) and the second interim dividend of 2.0p per share (2005: 2.0p) was paid on 30 January 2006 to shareholders on the register on 13 January 2006.

Use of Financial Instruments

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

Share Valuations

At 31 January 2006, the mid-market price and the net asset value per ordinary share were 107.5p (2005: 81.5p) and 109.9p (2005 restated amount: 91.7p) respectively.

Report of the Directors

continued

Substantial Holdings in the Company

At 28 February 2006 the Company had been notified of the following holdings of 3% and over of the Company's capital carrying unrestricted voting rights:

	Holding	*Ordinary shares %*
Philip Milton & Company	2,111,735	16.56%
Brewin Dolphin	999,870	7.84%
East Riding of Yorkshire	900,000	7.10%
Reliance Mutual	500,000	3.90%
Adam & Co.	475,750	3.70%
Astaire & Co.	444,000	3.45%

Directors

The present members of the Board are listed on page 1. The Directors serving during the year include Mr Peter Sedgwick, Mr Simon Stevens, Mr Tristan Hillgarth and Mr Philip Ashfield each of whom resigned on 30 January 2006. Mr Jonathan Agnew and Mr Christopher Jones were appointed Directors on 30 January 2006 and Sir Laurence Magnus was appointed a Director on 13 February 2006.

Mr Agnew, Mr Jones and Sir Laurence Magnus retire at the Annual General Meeting in accordance with the Company's Articles of Association and, being eligible, offer themselves for re-election.

Directors' Interests

The beneficial interest of the Directors in the share capital of the Company were:

	At 31 January 2006 Ordinary shares	*At 31 January 2005 Ordinary shares*
Jonathan Agnew	**150,000**	–
Christopher Jones	**20,000**	–
Sir Laurence Magnus	–	–

No changes in the above interests occurred between 31 January 2006 and 21 March 2006.

Disclosable Interest

No Director is under contract of service with the Company and no contract subsisted since their appointment in which any Director was materially interested and which was significant in relation to the Company's business.

Administrator and Company Secretary

INVESCO Asset Management Limited, a wholly owned subsidiary undertaking of AMVESCAP plc, was appointed Administrator to the Company under an agreement dated 30 January 2006, providing full company secretarial services, ensuring that the Company complies with all legal and regulatory requirements and attending on the Directors at Board meetings and shareholders' meetings. The Administrator maintains records of the Company's investment transactions and portfolio and of all monetary transactions, from which they prepare interim and annual financial statements on behalf of the Company.

Appointment of New Investment Manager

Cayenne Asset Management Limited was appointed Investment Manager under an agreement dated 30 January 2006. This agreement is terminable by either party at six months notice (after an initial period of twelve months) or by the Company immediately on the occurrence of certain specified events. The fee for these services is calculated at 1% per annum (plus VAT) by reference to the Company's net assets (excluding the value of any investment in Apollo). Under the same agreement, the Company also pays a performance fee of 10% of any outperformance of a hurdle rate of 5% per annum on a total return basis. Prior to this agreement, INVESCO Asset Management Limited acted as Investment Manager and Company Secretary and Administrator under an agreement dated 23 December 1992.

Statement of Investment Manager's Responsibilities

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

Assessment of the Investment Manager and Administrator

Following the change in the Company's Investment Manager to Cayenne Asset Management Limited on 30 January 2006, the Board does not believe that they have had adequate time to fully assess the new Investment Manager's performance and therefore intends to do so during the year ending 31 January 2007 and report to shareholders in the Annual Report for that period.

The Company's administrative arrangements will be considered annually by the Board. The results of this formal review will be advised to the Board. The quality and timeliness of reports to the Board will also be taken into account. The Board has initially decided that the continuing appointment of INVESCO Asset Management Limited as Administrator on the terms agreed is in the interests of shareholders as a whole.

Report of the Audit Committee

The Audit Committee is responsible to the Board for reviewing each aspect of the financial reporting process, the systems of internal control and the management of financial risks, the audit process, the Company's processes for monitoring compliance with laws and regulations, its code of business conduct and for making recommendations to the Board.

The Company's internal financial controls and risk management systems that were in place up until 30 January 2006 have been reviewed with INVESCO against the risk parameters approved by the Board. The Audit Committee has also received a satisfactory report on INVESCO's internal operations from INVESCO's Compliance and Internal Audit Officers. This report is based on the period 1 February 2005 to 30 January 2006. The Audit Committee intend to review the internal financial controls and risk parameters of both Cayenne Asset Management Limited as Investment Manager and INVESCO Asset Management Limited as Administrator and Company Secretary as part of the interim reporting process for the six months to 31 July 2006.

The external audit findings are considered by the Audit Committee and discussed with the Auditors, the Investment Manager and the Administrator prior to the approval and signature of the Financial Statements. The Audit Committee reviews the Financial Statements for the year with the Manager, the Administrator and the Auditors at the conclusion of the audit process.

The Audit Committee recommended approval by the Board of an audit fee of £14,500, exclusive of VAT, for the year. Non-audit work undertaken on behalf of the Company by the Auditors has been restricted to the Company's taxation affairs, for which a fee of £2,500 inclusive of VAT has been agreed. The Audit Committee has considered the independence of the Auditors and the objectivity of the audit process and is satisfied that Deloitte & Touche LLP has fulfilled its obligations to shareholders and is pleased to recommend to the Board their re-appointment for a further term.

Creditor Payment Policy

It is the Company's policy to obtain the best terms for all business, including purchases of investments, and to abide by those agreed terms. The Company had no trade creditors at the year end (2005: nil).

Auditors

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditors and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

By order of the Board
INVESCO Asset Management Limited
Company Secretary

30 Finsbury Square
London EC2A 1AG
22 March 2006

Directors' Remuneration Report

for the year ended 31 January 2006

The Board presents this report which has been prepared under the requirements of Schedule 7A of the Companies Act 1985. An Ordinary Resolution for the approval of this Report will be put to shareholders at the Annual General Meeting.

Your Company's auditors are required to audit certain of the disclosures provided in this Report. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their Report on pages 20 and 21.

Remuneration Responsibilities

The Board have resolved that a remuneration committee is not appropriate for a Company of this size and nature. Remuneration responsibilities are part of the Board's responsibilities, to be addressed regularly as a whole.

All Directors are non-executive and all participate in meetings of the Board at which Directors' remuneration is considered. The Board seeks advice, *inter alia*, from the Company Secretary, INVESCO Asset Management Limited, when considering the level of Directors' fees.

The Board reviewed Directors' remuneration during the year and agreed that there be no change in their emoluments, details of which are shown on page 13.

Policy on Directors' Remuneration

The Board's policy is that the remuneration of non-executive Directors should be fair and reasonable in relation to that of other investment trusts. It is intended that this policy will continue for the year ending 31 January 2007.

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

Directors' Service Contracts

It is the Board's policy that none of the Directors have a service contract. The terms of the Directors' appointment provide that a Director shall retire and be subject to re-election at the first annual general meeting after appointment and at least every three years thereafter. The terms also provide that a Director may be removed from office without notice and that no compensation will be due on leaving office.

Your Company's Performance

The Director's Remuneration Report Regulations 2002 require that a performance graph be included with the Directors' Remuneration Report which compares, for a five year period, the total return to each class of shareholder to a notional total return of a broad equity market index. Due to the fundamental changes in the nature and structure of the Company which occurred on 30 January 2006, the Directors do not consider that a graph in respect of the past five years would be meaningful.

Directors' Emoluments (audited)

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

	2006	*2005*
	£'000	*£'000*
I. Peter Sedgwick (Chairman of the Board; resigned 30 January 2006)	**10**	10
Philip J. C. Ashfield (resigned 30 January 2006)	**8**	8
Tristan P. A. Hillgarth (resigned 30 January 2006)	**8**	8
Simon C. G. Stevens (resigned 30 January 2006)	**8**	8
Jonathan Agnew (appointed as Chairman on 30 January 2006)	**–**	–
Christopher Jones (appointed 30 January 2006)	**–**	–
Total	**34**	34

Of the Directors' emoluments detailed above none was paid to third parties (2005: none).

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 22 March 2006.

Signed on behalf of the Board of Directors

Corporate Governance Statement

Directors' Statement of Compliance with the Combined Code on Corporate Governance issued by the Financial Reporting Council ("FRC") in July 2003 ("the Code") and the Code of Corporate Governance published by the Association of Investment Trust Companies (AITC) ("the AITC Code")

The Principles

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

During the year under review, a comprehensive review of the Company's corporate governance procedures was carried out. The main outcomes of this review comprised:

- updated schedule of matters reserved for the Board;
- updated terms of reference for the Audit Committee;
- new appointment policy and revised appointment letters for new non-executive directors;
- new tenure policy for the Board;
- new policy for the remuneration of Directors;
- updated Directors' induction and training procedure;
- new policy for the provision of non-audit services to the Company; and
- updated Directors' share dealing policy.

The Directors believe that, during the period under review, they have complied with the provisions of the Code, insofar as they are relevant to the Company's business, and with the provisions of the AITC Code, save in respect of those matters discussed below as being in the course of implementation and except as explained under the relevant sections.

Directors

Independence

Up to 30 January 2006, the Board consisted of four Directors, all of whom were non-executive and three of whom were considered independent. Tristan Hillgarth was formerly a director of INVESCO Asset Management Limited, the Company's previous Investment Manager, and, by virtue of that fact, was not considered to be independent under the terms of the Code or the AITC Code. Furthermore, the Board considers that the independence of Messrs. Sedgwick and Stevens, each of whom were appointed to the Board at the Company's inception in 1992, was not compromised by their length of service but, to the contrary, was strengthened by experience. In this respect the Board has relied on the AITC Code.

With effect from 30 January 2006, Messrs. Sedgwick, Stevens, Hillgarth and Ashfield resigned as non-executive Directors of the Company and Mr Jonathan Agnew and Mr Christopher Jones were appointed as non-executive Directors. On 13 February 2006, a further non-executive Director, Sir Laurence Magnus, was appointed. At the time of writing, the Board therefore consists of three Directors, all of whom are non-executive and all of whom are considered independent. The Directors have a range of business, financial and asset management skills and experience relevant to the direction and control of the Company. Brief biographical details of the current members of the Board are shown on page 1.

Senior Independent Director

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

Chairman

The Chairman is Mr Jonathan Agnew, a non-executive and independent Director who has no conflicting relationships. Since all Directors are non-executive and day-to-day management responsibilities are sub-contracted to the Investment Manager and/or Administrator, the Company does not have a Chief Executive Officer.

Supply of Information

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

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

Board Responsibilities

The Board is responsible for promoting the success of the Company by directing and supervising its affairs within a framework of effective controls which enable risk to be assessed and managed. A formal schedule of matters reserved for decision by the Board and detailing the responsibilities of the Board has been established. The schedule is reviewed annually. The schedule was reviewed and updated in February 2006 to ensure compliance with the latest legislation and best practice. The main responsibilities include: setting the Company's objectives and standards, ensuring that the Company's obligations to shareholders and others are understood and complied with, approving accounting policies and dividend policy, managing the capital structure; setting long-term objectives and strategy; assessing risk; reviewing investment performance; approving loans and borrowing; and controlling risks.

The Investment Manager's Responsibilities

The Investment Manager is responsible for the day-to-day investment management decisions of the Company. A statement of the Investment Manager's responsibilities is shown on page 11.

Company Secretary

The Board has direct access to the advice and services of the Company Secretary, INVESCO Asset Management Limited. The Company Secretary is responsible for ensuring that the Board and Committee procedures are followed and that all applicable regulations are observed. The Company Secretary is also responsible for ensuring the timely delivery of information and reports and that the statutory obligations of the Company are met.

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

Corporate Governance

continued

Appointment and Re-election

As the Board is considered small for the purposes of the Code, the Directors have resolved that the Company no longer requires a separate Nominations Committee. With effect from 30 January 2006, all responsibilities relating to nominations are the responsibilities of the Board as a whole. The main nominations responsibilities are to review the size and structure of the Board and agree any changes considered necessary or new appointments. No Director has a contract of employment with the Company. Directors' terms and conditions of appointment are set out in letters of appointment, copies of which are available for inspection at the Registered Office of the Company and which will be available at the Annual General Meeting ("AGM"). The Articles of Association require that each Director shall retire at an AGM every three years after appointment or (as the case may be) last reappointment, and shall offer themselves for re-election. No Director serves a term of more than three years before re-election. A Director's normal tenure of office will be for three terms of three years, except that the Board may determine otherwise if it is considered that the continued service on the Board of an individual Director is in the best interests of the Company and its shareholders.

On appointment to the Board, Directors are fully briefed as to their responsibilities and are kept informed throughout their terms in office of industry and regulatory developments. The Investment Manager, the Administrator and the Board have formulated a programme of induction for newly-appointed Directors. An ongoing training programme has been implemented during the year to ensure Directors keep up to date with new legislation and changing risks. The Articles of Association provide that the Directors may, by notice in writing, remove any Director from the Board without compensation.

All of the Directors will offer themselves for re-election at the 2006 AGM. The Board confirms that the performance of these Directors is effective and demonstrates commitment to the role. The Board recommends to shareholders the approval of resolutions 3 to 5 relating to the Directors seeking re-election.

Directors' Remuneration

Details of the Company's policy on remuneration and of payments to Directors are given in the Directors' Remuneration Report on pages 12 and 13.

Board and Directors' Performance Appraisal

Due to the changes in Board membership, which took place on 30 January 2006, Board and Directors' performance appraisals for the year ended 31 January 2006 were not carried out.

The Board recognise the importance of the Code in terms of evaluating the performance of both the Board as a whole and individual Directors. The Directors will be considering the method by which they will carry out appraisals for the year ended 31 January 2007 and it is their intention to report on the process in the Annual Report and Accounts for that period.

Accountability and Audit

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 19. The Auditors' Report appears on pages 20 and 21.

Audit Committee

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

The Committee meets at least twice a year to review the internal financial and non-financial controls of the Investment Manager and Administrator, to approve the contents of the draft interim and annual reports to shareholders and to review the accounting policies. In addition, the Committee reviews the Auditors' independence, objectivity and effectiveness, the quality of the services of service providers to the Company and, together with the Investment Manager, reviews the Company's compliance with financial reporting and regulatory requirements. At each meeting, representatives of the Administrator's Internal Audit and Compliance teams are present. Representatives of Deloitte & Touche LLP, the Company's auditors, attend the Committee meeting at which the draft annual report and financial statements are reviewed.

Internal Financial and Non-Financial Controls

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

As stated above, the Board meets regularly, at least four times a year, and reviews financial reports and performance against stock market indices and its peer group. In addition, the Investment Manager, the Administrator and the Custodian maintain their own systems of internal controls and the Board and Audit Committee receive regular reports from the Internal Audit and Compliance Departments of the Administrator and Investment Manager. Formal reports on the internal controls and procedures in place for the operation of custodial, investment management and accounting activities are reviewed annually by the Board.

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

Internal Audit Function

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

Auditors' Non-audit Services

The Company's auditors also provide taxation and other advisory services to the Company. The cost of providing these services is stated in note 5 to the Financial Statements on page 29. In the opinion of the Committee, the Auditors' role in providing taxation and other advisory services to the Company does not compromise their objectivity and independence in carrying out their audit function.

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

The Management Engagement Responsibilities

As the Board is considered small for the purposes of the Code, the Directors have resolved that the Company no longer requires a separate Management Engagement Committee. With effect from 30 January 2006, all responsibilities relating to management engagement are the responsibilities of the Board as a whole. The Board meets annually to review the investment management and administration agreements with the Company's Investment Manager and Administrator and to review the services provided by the Investment Manager and Administrator.

Board and Committee Meeting Attendance

All the Directors who served on the Board were considered to have a good attendance record at Board and Committee meetings of the Company. The following table sets out the number of meetings held during the year and the number of meetings attended by each Director or member of each Committee.

Corporate Governance

continued

	Board meetings		*Audit Committee meetings*		*Management Engagement Committee meetings*	
	Held	*Attended*	*Held*	*Attended*	*Held*	*Attended*
I. Peter Sedgwick	7	7	2	2	1	1
Philip Ashfield	7	5	2	1	1	0
Tristan P. A. Hillgarth	7	7	n/a	n/a	n/a	n/a
Simon C. G. Stevens	7	7	2	2	1	1
Jonathan Agnew	1	1	0	n/a	0	n/a
Christopher Jones	1	1	0	n/a	0	n/a

Relations with Shareholders

Shareholder relations are given high priority by both the Board, the Investment Manager and the Administrator. The prime medium by which the Company communicates with shareholders is through the Interim and Annual Reports and Accounts which aim to provide shareholders with a full understanding of the Company's activities and their results. This information is supplemented by the daily calculation of the net asset value of the Company's ordinary shares, which is published via the Stock Exchange. At each AGM shareholders have the opportunity to address questions to the Chairman and the Chairman of the Audit Committee at the AGM. All shareholders are encouraged to attend the AGM.

It is the intention of the Board that the Annual Reports and Accounts and Notice of the AGM be issued to shareholders so as to provide twenty working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so, either on the reverse of the proxy card or otherwise in writing to the Company Secretary at the address given on page 1. At other times, the Company responds to letters from shareholders on a range of issues.

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

Institutional Voting

The Board considers that the Company has a responsibility as a shareholder towards ensuring that high standards of Corporate Governance are maintained in the companies in which it invests. The Board does not seek to intervene in daily investment management decisions, but aims to support high standards of governance and, where necessary, will take the initiative to ensure those standards are met. The principal means of putting shareholder responsibility into practice is through the exercise of voting rights. Your Company's voting rights are exercised on an informed and independent basis and are not simply passed back to the Company concerned for discretionary voting by its chairman.

Social Responsibility Investing

While a company's policy towards their own socially responsible investing is considered as part of the overall assessment of risks and the suitability of the company for the portfolio, the Investment Manager does not preclude an investment being made in the company on these grounds alone.

Statement of Directors' Responsibilities

in respect of the preparation of financial statements

The Directors are required by United Kingdom company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the total return for the year to that date. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for safeguarding the assets of the Company, for the system of internal control and the prevention and detection of fraud and other irregularities.

It is expected that financial statements will be published on www.thecayennetrust.co.uk, which is a website currently being developed by the Company's Investment Manager. This is expected to be live by May 2006. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdictions.

Independent Auditors' Report

to the Members of The Cayenne Trust plc (formerly INVESCO City and Commercial Trust plc)

We have audited the Company's financial statements for the year ended 31 January 2006, which comprise the Income Statement, Reconciliation of Movements in Shareholders' Funds, Balance Sheet, Cash Flow Statement and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and whether the financial statements and the part of the Directors' Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We report to you if, in our opinion, the Directors' Report is not consistent with the financial statements. We also report to you if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' transactions is not disclosed.

We also report to you if, in our opinion, the Company has not complied with any of the four Directors' Remuneration disclosure requirements specified for our review by the Listing Rules of the Financial Services Authority. These comprise the amount of each element in the remuneration package and information on share options, details of long term incentive schemes, and money purchase and defined benefit schemes. We give a statement, to the extent possible, of details of any non-compliance.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the Directors' Report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the Directors' Remuneration Report and we consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report described as having been audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 January 2006 and of its total return for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

22 March 2006

Income Statement

for the year ended 31 January

	Notes	2006 Revenue £'000	2006 Capital £'000	2006 Total £'000	2005 Revenue £'000	2005 Restated* Capital £'000	2005 Total £'000
Gains on investments	10	**—**	**3,227**	**3,227**	—	2,167	2,167
Income	3	**866**	**59**	**925**	859	174	1,033
Investment management fee	4	**(65)**	**(65)**	**(130)**	(59)	(59)	(118)
Other expenses	5	**(192)**	**—**	**(192)**	(160)	—	(160)
Net return before finance costs and taxation		**609**	**3,221**	**3,830**	640	2,282	2,922
Increase in value of RPI 5.06% Debenture Stock	14	**—**	**(308)**	**(308)**	—	(279)	(279)
Increase in value of hedge on £5 million RPI 5.06% Debenture Stock	14	**4**	**157**	**161**	4	143	147
Profit on RPI buy backs	14	**—**	**—**	**—**	—	5	5
Interest payable and similar charges	6	**(273)**	**(388)**	**(661)**	(266)	(388)	(654)
Return on ordinary activities before taxation		**340**	**2,682**	**3,022**	378	1,763	2,141
Tax on ordinary activities	7	**—**	**—**	**—**	—	—	—
Return on ordinary activities after taxation for the financial year	14	**340**	**2,682**	**3,022**	378	1,763	2,141
Return per ordinary share:							
Basic	9	**2.7p**	**21.0p**	**23.7p**	3.0p	13.8p	16.8p

No operations were acquired or discontinued in the year.

* Restated for new UK Accounting Standards

The accompanying notes are an integral part of this statement

Reconciliation of Movements in Shareholders' Funds

	Share Capital £'000	*Share Premium £'000*	*Warrant Redemption Reserve £'000*	*Capital Reserve – realised £'000*	*Capital Reserve – unrealised £'000*	*Revenue reserve £'000*	*Total £'000*
At 31 January 2004 (as previously stated)	3,189	9,119	73	941	(3,730)	313	9,905
Effects of revaluing investments to bid	—	—	—	—	(159)	—	(159)
Second interim dividend 2004 declared in 2005	—	—	—	—	—	255	255
At 31 January 2004 (restated)	3,189	9,119	73	941	(3,889)	568	10,001
Second interim dividend for 2004 declared and paid in 2005	—	—	—	—	—	(255)	(255)
Interim dividend for 2005 paid in year	—	—	—	—	—	(191)	(191)
Net return from ordinary activities	—	—	—	(431)	2,194	378	2,141
At 31 January 2005	3,189	9,119	73	510	(1,695)	500	11,696
Final dividend for 2005	—	—	—	—	—	(255)	(255)
Net return from ordinary activities	—	—	—	616	2,066	340	3,022
Expiry of warrants	—	73	(73)	—	—	—	—
Interim dividend for 2006 declared and paid in year	—	—	—	—	—	(191)	(191)
Second interim dividend for 2006 declared and paid in year	—	—	—	—	—	(255)	(255)
At 31 January 2006	**3,189**	**9,192**	**—**	**1,126**	**371**	**139**	**14,017**

Balance Sheet

as at 31 January

	Notes	2006 £'000	2005 Restated* £'000
Fixed assets			
Investments at fair value through profit or loss	10	**7,396**	15,573
Current assets			
Debtors	11	**3,078**	516
Certificates of deposit		**—**	2,000
Cash at bank		**3,688**	4,108
		6,766	6,624
Creditors: amounts falling due within one year	12	**(145)**	(10,501)
Net current assets/(liabilities)		**6,621**	(3,877)
Total assets less current liabilities		**14,017**	11,696
Net assets		**14,017**	11,696
Capital and reserves			
Called-up share capital	13	**3,189**	3,189
Share premium account	14	**9,192**	9,119
Other reserves			
Warrant premium reserve	14	**–**	73
Capital reserve – realised	14	**1,126**	510
Capital reserve – unrealised	14	**371**	(1,695)
Revenue reserve	14	**139**	500
Equity Shareholders' funds		**14,017**	11,696
Net asset value per ordinary share			
Basic and diluted	15	**109.9p**	91.7p

* Restated for new UK Accounting Standards

These financial statements were approved by the Board of Directors on 22 March 2006.

Signed on behalf of the Board of Directors

The accompanying notes are an integral part of this statement

Cash Flow Statement

for the year ended 31 January

	Notes	2006 £'000	2005 £'000
Cash inflow from operating activities	16(a)	**607**	771
Servicing of finance	16(b)	**(38)**	(654)
Financial investment	16(b)	**8,452**	2,431
Equity dividends paid		**(701)**	(446)
Net cash inflow before management of liquid resources and financing		**8,320**	2,102
Management of liquid resources	16(b)	**2,430**	(2,106)
Financing	16(b)	**(10,740)**	(60)
Increase/(decrease) in cash in the year		**10**	(64)

Reconciliation of net cash flow to movement in net debt		2006 £'000	2005 £'000
Increase/(decrease) in cash in the year		**10**	(64)
Cash (inflow)/outflow from (decrease)/increase in liquid resources	16(b)	**(2,430)**	2,106
Debenture Stock non-cash movement		**(307)**	(215)
Repayment of Debenture Stock		**10,740**	—
Movement in net debt in the year		**8,013**	1,827
Net debt at beginning of year		**(4,325)**	(6,152)
Net funds/(debt) at end of year	16(c)	**3,688**	(4,325)

The accompanying notes are an integral part of this statement

Notes to the Financial Statements
for the year ended 31 January 2006

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention modified to include the revaluation of fixed assets and in accordance with applicable United Kingdom law and Accounting Standards and with the Statement of Recommended Practice ("SORP") "Financial Statements of Investment Trust Companies", issued by the Association of Investment Trust Companies in 2003. Effects of changes arising from new UK Accounting Standards have been disclosed below and restatement of prior year balances are shown in note 2.

FRS 26 "Financial Instruments: Measurement" requires that financial liabilities are carried at amortised cost, using the effective interest rate method, and that derivative financial instruments are stated at fair value. The Company's RPI Debenture and related RPI swap were both repaid on 31 January 2006 and the accounting treatment applied, as in previous years, is described below in Notes 1(d), 1(g), 12 and 19. The Directors have not restated the balance sheet as at 31 January 2005 as the Company's departure from FRS 26 will have no effect on the net assets at the current year end and the return on ordinary activities before tax for the year will not be materially different.

(b) Investments

Investments are classified as fair value through profit or loss. As the Company's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increases in fair value, listed equities and fixed income securities are designated as fair value through profit or loss on initial recognition.

Financial assets designated as at fair value through profit or loss, are measured at subsequent reporting dates at fair value, which is the bid price. Prior to 1 February 2005 these were valued at middle market prices. Comparatives have been restated to reflect this change as disclosed in note 2.

FRS 26 requires that transaction costs for financial investments at fair value through profit or loss be expensed. The Company's policy is to capitalise transaction costs on acquisition and the profit or loss on disposal is calculated net of transaction costs on disposal. Whilst there is no overall impact on the total return for the year or net assets, this does result in an overstatement of investment book cost and a misallocation between realised and unrealised capital reserves. This departure from UK GAAP does not have a material impact on the Company's results and details of transaction costs are disclosed in note 10(c).

(c) Income

All dividends and any related tax credits are taken into account on the date investments are marked ex-dividend; other income from investments is taken into account on an accruals basis. Deposit interest and underwriting commission receivable are taken into account on an accruals basis.

(d) Expenses and finance costs

All expenses and finance costs are accounted for on an accruals basis and are charged through the revenue column of the Income Statement except as follows:

– expenses which are incidental to the acquisition of an investment are included within the cost of the investment;

– expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment;

– the investment management fees and interest on the Debenture Stock, net of tax relief, have been allocated 50% to revenue and 50% to the capital reserve in line with the Board's expected long-term split of returns from the investment portfolio of the Company;
– the rights attached to the RPI 5.06% Debenture Stock are set out in the Debenture Trust Deed. The rights include the payment of interest on 31 January and 31 July in each year until 31 January 2006 when the RPI Debenture Stock was repaid. The coupon and the redemption amount on the RPI were adjusted semi-annually on the basis of the movement in the Retail Price Index (see note 12). The adjustments to the redemption amount were dealt with in capital reserve – realised;
– the net amount payable or receivable on the RPI 5.06% Debenture Swap, net of tax relief, was allocated 2.4% to revenue and 97.6% to capital reserve-realised (see note 1(g) below).

(e) Dividends

Following the introduction of FRS 21 "*Events After the Balance Sheet Date*", dividends are not accrued in the accounts unless there is an obligation to pay the dividends at the balance sheet date. Proposed final dividends are thus recognised in the period in which they are approved by the shareholders. As a result, the accounts for the year ended 31 January 2005 have been restated to reflect this change.

(f) Taxation

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

The tax effect of different items of expenditure is allocated between capital and revenue on the same basis as the particular item to which it relates, using the marginal method. This basis is in accordance with the SORP issued by the Association of Investment Trust Companies.

(g) Hedging

The Company had an RPI swap arrangement to hedge £5 million of the RPI 5.06% Debenture entered into in 2000. This was closed out on 31 January 2006. The total amount received on the swap, net of tax relief, has been allocated 2.4% to revenue and 97.6% to capital reserve-realised on the same basis as changes in inflation affect the amounts charged to revenue and capital in respect of the RPI 5.06% Debenture. Hedge accounting has not been adopted.

(h) Foreign currency

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

Notes to the Financial Statements
continued

(i) Capital reserves

Capital reserve – realised.
The following are accounted for in this reserve:
– gains and losses on the realisation of investments
– realised exchange gains and losses of a capital nature
– expenses and finance costs, together with the related taxation effect, charged to this reserve in accordance with the above policies.

Capital reserve – unrealised.
The following are accounted for in this reserve:
– increases and decreases in the valuation of investments held at the year end.

2. Prior period restatement - Changes in UK Accounting Standards

	31 January 2005		31 January 2004	
	£'000	**pence**	£'000	*pence*
Net assets and net asset value under previous accounting policies	**11,650**	**91.3**	9,905	77.7
Reduction due to using bid prices for quoted investments	**(209)**	**(1.6)**	(159)	(1.3)
De-recognition of proposed dividend	**255**	**2.0**	255	2.0
	11,696	**91.7**	10,001	78.4

3. Income

	2006	*2005*
	£'000	*£'000*
Income from listed investments		
UK dividends	**437**	660
Unfranked investment income	**227**	10
	664	670
Other income		
Deposit interest	**202**	189
Total income	**866**	859
Total income comprises:		
Investment income	**664**	670
Interest	**202**	189
	866	859

Special dividends of £58,000 (2005: £174,000) in relation to Martin Currie Capital Return dividends received in lieu of capital distributions have been allocated to capital reserve – realised. A capital payment of £1,275 was also received in the year in respect of a capital distribution from the liquidation of Jupiter Europe Investment Trust.

4. Investment management fee

	2006 Revenue £'000	2006 Capital £'000	2006 Total £'000	2005 Revenue £'000	2005 Capital £'000	2005 Total £'000
Investment management fee	**55**	**55**	**110**	50	50	100
Irrecoverable VAT thereon	**10**	**10**	**20**	9	9	18
	65	**65**	**130**	59	59	118

Cayenne Asset Management Limited was appointed Investment Manager to the Company under an agreement dated 30 January 2006. Details are given in the Directors' Report.

Prior to this agreement INVESCO Asset Management Limited, a wholly-owned subsidiary undertaking of AMVESCAP plc, acted as Investment Manager and Company Secretary to the Company under an agreement dated 23 December 1992 which was terminable by either party at twelve months' notice. The fee was calculated at the rate of 0.5% per annum (plus VAT) by reference to the total assets less current liabilities as set out in the latest published audited balance sheet of the Company.

At 31 January 2006 £446 (2005: £29,600) was due for payment in respect of management fees. There was no liability for performance fees.

5. Other expenses

	2006 £'000	2005 £'000
General expenses	**138**	106
Directors' fees	**34**	34
Auditors' remuneration		
– for audit services	**17**	16
– for tax compliance	**3**	4
	192	160

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

Of the Directors' fees disclosed above, none was payable to third parties in respect of making available the services of Directors (2005: nil).

6. Interest payable and similar charges

	2006 Revenue £'000	2006 Capital £'000	2006 Total £'000	2005 Revenue £'000	2005 Capital £'000	2005 Total £'000
Interest on RPI 5.06% Debenture Stock	**270**	**270**	**540**	263	263	526
Net cost of RPI 5.06% Debenture Swap	**3**	**118**	**121**	3	125	128
	273	**388**	**661**	266	388	654

Notes to the Financial Statements
continued

7. Tax on ordinary activities

Tax charge for the year is nil (2005: nil) as allowable expenses exceed taxable income.

Factors effecting tax charge for the year

	2006	*2005*
		Restated
	£'000	*£'000*
Return on ordinary activities before taxation	**3,022**	2,141
Reconciliation of current tax charge		
Theoretical tax at UK Corporation Tax rate of 30% (2005: 30%)	**907**	642
Effects of:		
– Capital gains which are not taxable	**(968)**	(652)
– UK dividends which are not taxable	**(149)**	(250)
– Expenses not deductable for tax purposes	**1**	1
– Movement in excess expenses	**209**	259
Actual current tax amount	**—**	—

As expenses exceeded taxable income in the year, no corporation tax is payable for the current year.

Factors that may affect future tax charges

The Company has excess management expenses and non-trading loan relationship deficits of £9,984,000 (2005: £9,435,000) that are available to offset future taxable revenue. A deferred tax asset has not been recognised in respect of these expenses since they are recoverable only to the extent that the Company has sufficient future taxable revenue.

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

8. Dividends

	2006	*2005*
	£'000	*£'000*
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 January 2005 of 2.0p (2004: second interim of 2.0p)	**255**	255
Interim dividend for the year ended 31 January 2006 of 1.5p (2005: 1.5p) per share	**191**	191
Second interim dividend for the year ended 31 January 2006 of 2.0p (2005: nil) per share	**255**	—
	701	446

We set out below the total dividend payable in respect of the financial year, which is the basis on which the requirements of Section 842 Income and Corporation Taxes Act 1988 are considered.

	2006	*2005*
	£'000	*£'000*
Interim dividend for the year ended 31 January 2006 of 1.5p (2005: 1.5p) per share	**191**	191
Second interim dividend for the year ended 31 January 2006 of 2.0p (2005: nil) per share	**255**	—
Proposed final dividend for the year ended 31 January 2005 of 2.0p per share	**—**	255
	446	446

9. Return per ordinary share

Basic revenue return per ordinary share is based on the net revenue return on ordinary activities after taxation and on 12,755,082 (2005: 12,755,082) shares being the weighted average number of shares in issue during the year.

Basic capital return per ordinary share is based on the net capital gains on ordinary activities after taxation and on 12,755,082 (2005: 12,755,082) shares being the weighted average number of shares in issue during the year.

For year ended 31 January 2005, as the ordinary share price was less than the warrant exercise price and the warrants were non-dilutive, the diluted return per ordinary share was the same as the basic return per ordinary share.

10. Investments

		2006 £'000	2005 Restated £'000
(a)	**Analysis of investments by listing status**		
	Investments listed on a recognised stock exchange	**7,396**	15,573
(b)	**Analysis of investment gains**		
	Opening book cost	**17,719**	20,034
	Opening unrealised depreciation	**(2,146)**	(4,197)
	Opening valuation	**15,573**	15,837
	Movements in the year:		
	Purchases at cost	**562**	899
	Sales – proceeds	**(11,966)**	(3,330)
	– realised gains on sales	**710**	116
	Movement in unrealised depreciation	**2,517**	2,051
	Closing valuation	**7,396**	15,573
	Closing book cost	**7,025**	17,719
	Closing unrealised – appreciation/(depreciation)	**371**	(2,146)
		7,396	15,573
	Realised gains on sales	**710**	116
	Unrealised losses recognised thereon in the previous year	**1,296**	268
	Realised gains based on carrying value at previous year	**2,006**	384
	Movement in unrealised depreciation in the year	**2,517**	2,051
	Amounts recognised in the previous year	**(1,296)**	(268)
	Net movement in unrealised depreciation	**1,221**	1,783
	Gains on investments	**3,227**	2,167

(c) Transaction costs

The transaction costs included in gains on investments amount to £3,400 on purchases and £24,200 for sales (2005: £6,300 and £3,100 respectively).

(d) Registration of investments

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

Notes to the Financial Statements
continued

11. Debtors

	2006	2005
	£'000	£'000
Amounts due from brokers	**3,028**	—
Prepayments and accrued income	**50**	53
Increase in value of RPI hedge 2004: (repayable in less than 1 year)	**—**	463
	3,078	516

12. Creditors: amounts falling due within one year

	2006	2005 Restated
	£'000	£'000
Amounts due to brokers	**76**	—
Accruals and deferred income	**69**	68
RPI 5.06% Debenture Stock 2006	**—**	10,153
Provision for increase in RPI 5.06% Debenture Stock 2006	**—**	280
	145	10,501

The Debenture Stock ("RPI") was secured by a floating charge over the Company's assets. The coupon and the redemption amounts on the RPI were adjusted semi-annually on the basis of the movement in the Retail Price Index. Interest payable, which was index-linked, was based on the initial interest rate of 5.06% p.a. adjusted to reflect movement in the Retail Price Index. Interest payments for 31 July 2005 and 31 January 2006 were 3.4326% and 3.4872% respectively. The RPI was redeemed on 31 January 2006 in accordance with the trust deed.

13. Called-up share capital

	2006	2005
	£'000	£'000
Authorised:		
40,000,000 ordinary shares of 25p each	**10,000**	10,000
Called-up and fully paid:		
12,755,082 ordinary shares of 25p each (2005: 12,755,082)	**3,189**	3,189

Warrants

Holders of warrants were entitled to subscribe for one ordinary share for every warrant held on the 28th day following (or if any such date was not a business day, on the immediate following business day) the AGM in respect of the financial period ending on 31 January 2005 at a price of 100p per share. No warrants were exercised in the year (2005: nil) and on 31 January 2006 the warrants had expired. At 31 January 2005 there were 1,471,725 warrants in issue.

Ordinary shares

Ordinary shareholders are entitled to receive all the net income of the Company, after deducting the interest payable on the RPI Debenture Stock and other revenue expenses.

Winding-up

The Directors shall procure that there is proposed at the AGM of the Company to be held in 2011 and at every AGM 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 winding-up will be a Special Resolution.

14. Reserves

	Share premium account £'000	*Warrant premium reserve £'000*	*Capital reserve – realised £'000*	*Capital reserve – unrealised £'000*	*Revenue reserve £'000*
Reserves as previously stated	9,119	73	510	(1,486)	245
Adjustments arising from changes in UK Accounting Standards	—	—	—	(209)	255
As restated at 1 February 2005	9,119	73	510	(1,695)	500
Cancellation of warrants	73	(73)	—	—	—
Net gain on realisation of investments	—	—	2,006	—	—
Transfer on realisation of investments	—	—	(1,296)	1,296	—
Transfer of unrealised gain on RPI 5.00% Debenture Stock on redemption	—	—	451	(451)	—
Provision for increase in value of RPI 5.06% Debenture Stock	—	—	(308)	—	—
Increase in value of hedge on £5 million RPI 5.06% Debenture Stock	—	—	157	—	—
Costs charged to capital	—	—	(453)	—	—
Special dividends to capital	—	—	58	—	—
Other income to capital	—	—	1	—	—
Movement in unrealised depreciation	—	—	—	1,221	—
Equity dividends paid in year	—	—	—	—	(701)
Revenue return for the year	—	—	—	—	340
End of year	9,192	—	1,126	371	139

15. Net asset value

The net asset per ordinary share and the net assets attributable at the year end were as follows:

	Net asset value per share		***Net assets attributable***	
	2006	*2005 – Restated*	***2006***	*2005 – Restated*
	pence	*pence*	***£'000***	*£'000*
Ordinary shares				
– Basic (and diluted for 2005)	**109.9p**	91.7	**14,017**	11,696

The basic net asset value per ordinary share has been calculated on 12,755,082 (2005: 12,755,082) shares in issue at the year end. For the year ended 31 January 2005 the basic net asset per ordinary share of 25p was calculated after also deducting the £7,792,438 RPI Debenture Stock at par together with the accumulated growth in value to 31 January 2005 of £2,640,366.

Until their expiry, the warrant exercise price was higher than the share price. Therefore, there was no diluted effect of the net asset value. The basis of calculation is prepared in accordance with guidelines laid down by the Association of Investment Trust Companies and is provided to the London Stock Exchange on an ongoing basis.

Notes to the Financial Statements
continued

16. Notes to the cash flow statement

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

	2006 £'000	2005 £'000
Net return before finance costs and taxation	**3,830**	2,922
Gains on investments	**(3,227)**	(2,167)
Decrease/(increase) in debtors	**3**	(20)
Increase in creditors	**1**	36
Net cash inflow from operating activities	**607**	771

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

	2006 £'000	2005 £'000
Servicing of finance		
Interest paid on RPI 5.06% Debenture Stock	**(540)**	(526)
Interest paid on RPI 5.06% Debenture Swap	**(121)**	(128)
Final repayment on RPI 5.06% Debenture Swap	**623**	—
Net cash outflow from servicing of finance	**(38)**	(654)

	2006 £'000	2005 £'000
Financial investment		
Purchase of investments	**(486)**	(899)
Sale of investments	**8,938**	3,330
Net cash inflow from capital expenditure and financial investments	**8,452**	2,431

	2006 £'000	2005 £'000
Management of liquid resources*		
Cash placed on short-term deposits	**2,430**	(2,106)
Net cash inflow/(outflow) from management of liquid resources	**2,430**	(2,106)

*The Cayenne Trust plc includes certificate and term deposits as liquid resources.

	2006 £'000	2005 £'000
Financing		
Cost of RPI Debenture Stock buy backs	**—**	(60)
Repayment of RPI Debenture Stock	**(10,740)**	—
Net cash outflow from financing	**(10,740)**	(60)

(c) Analysis of changes in net (debt)/funds

	1 February 2005 £'000	Cash flow £'000	Non cash flow £'000	31 January 2006 £'000
Net cash:				
Cash at bank	3	10	—	13
Cash placed on short-term deposits	6,105	(2,430)	—	3,675
Debt due within one year	(10,433)	10,740	(307)	—
Net (debt)/funds	(4,325)	8,320	(307)	3,688

17. Contingencies, guarantees or financial commitments

There were no contingencies, guarantees or financial commitments of the Company at the year end (2005: none).

18. Related-party transactions

Cayenne Asset Management Limited acts as Investment Manager and INVESCO Asset Management Limited, a wholly-owned subsidiary of AMVESCAP plc, acts as Secretary to the Company. Details of the management fee arrangement for these services are given in note 4 to the financial statements on page 29. There were no other related party transactions requiring disclosure.

19. Financial instruments

Risk management

The holding of securities, investing activities and associated financing undertaken pursuant to the investment policy involves certain inherent risks. Events may occur that would result in either a reduction in the Company's net assets or a reduction of revenue returns.

Set out below are the principal risks inherent in the Company's activities and the actions taken to manage these risks.

The main risk arising from the Company's financial instruments which include investments is market price risk and interest rate risk. The Board reviews and agrees policies for managing these risks and these are summarised below. Except for the utilisation during the year of an RPI swap, as explained in note 1(g), these policies have remain substantially unchanged.

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements and movements in exchange rates.

The risk is monitored by the Board on a quarterly basis and on a daily basis by the Investment Manager.

Interest rate risk is limited by the Company's financial structure with operations mainly financed through its share capital, share premium and retained profits consisting of realised and unrealised capital profits. In addition, until its repayment, financing was provided by the RPI 5.06% Debenture and the Company used an RPI swap to generate the desired interest rate profile and to manage the Company's exposure to inflation. At the year end, nil% (2005: 48%) of the Company's RPI 5.06% Debenture was effectively at a fixed rate after taking account of the RPI swap.

Liquidity risk and cash flow risk are minimised as the majority of the Company's assets comprise readily realisable securities which can be sold to meet funding commitments as necessary.

The Company has no foreign exchange risk as all the assets and liabilities are denominated in Sterling.

Financial assets and liabilities

The Company's assets and liabilities are mainly comprised of financial instruments which include investments in equity and fixed interest securities and, at 31 January 2005, the RPI Debenture.

Fixed asset investments are valued as disclosed in note 1(b) which equate to their fair values. Details of all the investments held at the year end are shown on page 7.

Notes to the Financial Statements
continued

After taking into account the RPI swap, the interest rate profile of the Company's financial liabilities at 31 January 2006 (excluding short term creditors but including bank loans) is as follows:

Financial Liabilities

Sterling denominated

	Total		***Floating Rate***		***Fixed Rate***	
	2006	*2005*	***2006***	*2005*	***2006***	*2005*
	£'000	***£'000***	***£'000***	*£'000*	*£'000*	*£'000*
RPI 5.06% Debenture Stock	**—**	10,433	**—**	5,433	**—**	5,000

As at 31 January 2005 the fixed rate financial liabilities had a weighted average interest rate of 6.7% and a weighted average period for which the rate is fixed of 1 year. The floating rate liabilities comprised the unhedged portion of the RPI 5.06% Debenture Stock.

The fair value of current assets and liabilities is represented by their carrying value in the balance sheet, except for the RPI 5.06% Debenture and its associated swap. The fair value of the RPI 5.06% Debenture was determined at the mid-market price which at 31 January 2005 was £9,156,115. The RPI swap at 31 January 2005 had a carrying value of £463,000 and a fair value of £500,000.

Notice of Annual General Meeting

NOTICE IS GIVEN that the Annual General Meeting of The Cayenne Trust plc will be held at 30 Finsbury Square, London EC2A 1AG on 20 April 2006 at 10.30 am for the following purposes:

Ordinary Business

1. To receive the Directors' Report and Accounts for the year ended 31 January 2006.
2. To approve the Directors' Remuneration Report for the year ended 31 January 2006.
3. To re-elect Jonathan Agnew a Director of the Company.
4. To re-elect Christopher Jones a Director of the Company.
5. To re-elect Sir Laurence Magnus a Director of the Company.
6. To re-appoint the Auditors and authorise the Directors to determine their remuneration.

Dated this 22 March 2006

By order of the Board

INVESCO Asset Management Limited

Company Secretary
30 Finsbury Square
London EC2A 1AG

Notes:

1. The Report and Accounts are circulated to the holder of ordinary shares all of whom are entitled to attend and vote at the above AGM.
2. Any member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead; a proxy need not be a member of the Company. A form of proxy for the use of members is enclosed.
3. A shareholder entered on the Register of Members 48 hours before the meeting is entitled to attend and vote at the Meeting pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001. Any changes to the Register of Members after such time and date shall be disregarded in determining the rights of any Shareholder to attend and/or vote at the Meeting.
4. There are no service contracts between the Directors and the Company.
5. The register of Directors' interests will be available for inspection at the AGM.

Glossary of Terms

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

Gearing
The term applied to the effect of borrowings and prior charge share capital on assets that will increase the return on investment when the value of the Company's investments is rising but reduce the return when values are declining. A gearing level of 100 or 0% indicates there is no gearing.

Actual Gearing
This reflects the amount of loans already arranged and in use by the Company. This is the gearing figure published by the Association of Investment Trust Companies. It is calculated by dividing total assets less current liabilities (excluding any Debenture Stock) by Ordinary Shareholders' funds.

Asset Gearing
This reflects the amount of loans actively invested in assets and not held in cash. It is calculated by dividing fixed assets investments by Ordinary Shareholders' funds.

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

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

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

Split-Capital Investment Trust
The term is used to describe investment trusts where the rights to income and capital appreciation are shared between two or more separate classes of share. This is in contrast to an investment trust with only ordinary shares in issue that entitle the holder to both income and capital appreciation.

Total Expense Ratio
The total expenses (excluding interest) incurred, including those charged to capital, divided by average total assets less current liabilities (excluding any Debenture Stock).

Winding-up Date
The date specified in the Articles of Association for winding-up a company.

Dividend Yield
Total dividends payable (including tax credit) divided by average market capitalisation of company on ex-dividend dates.

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