The Cayenne Trust plc

Annual Report and Accounts
Year ended 31 January 2009

CAYENNE

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Directors and Advisers

Directors

Jonathan Agnew (Chairman)
Aged 67. Joined the Board in January 2006 when he was elected Chairman. He is Chairman of Ashmore Global Opportunities Limited, Beazley Group PLC and LMS Capital plc, and Senior Independent Director of Rightmove plc.

Christopher Jones
Aged 68. Appointed in January 2006. He was head of investments at Merchant Investors Assurance Co Ltd until retiring in 2003. He is a non-executive director of Schroder UK Mid and Small Cap Fund plc, Atlantis Japan Growth Fund Ltd, Ecofin Water & Power Opportunities plc, Japan Accelerated Performance Fund plc, Jupiter Second Enhanced Income Trust plc, Montanaro European Smaller Companies plc and Montanaro UK Smaller Companies Investment Trust plc.

Sir Laurence Magnus
Aged 53. Joined the Board in February 2006. He is Vice-Chairman of Lexicon Partners, and non-executive Chairman of Xchanging in-sure Services Limited and JP Morgan Income & Capital Trust plc. He is a non-executive Director of Climate Exchange plc. He is also Deputy Chairman of the National Trust and an elected member of its Council.

Advisers

Investment Manager
Cayenne Asset Management Limited
23 Buckingham Gate
London SW1E 6LB

Company Secretary and Registered Office
Phoenix Administration Services Limited
Springfield Lodge
Colchester Road
Chelmsford
Essex CM2 5PW
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www.phoenixfundservices.com
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Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA
Tel: 0871 664 0300 *(calls cost 10p per minute plus network charges)*
www.capita.deal.com

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

Auditors
BDO Stoy Hayward LLP
Chartered Accountants
55 Baker Street
London W1U 7EU

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

Investment Policy

The Cayenne Trust plc is a UK investment trust with a limited life (see page 12) listed on The London Stock Exchange. Its investment policy (full details of which can be found on page 52) can be summarised as follows:

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

At 31 January 2009 the actual gearing was 129%.

Principal Data

	At 31 January 2009	*At 31 January 2008*	*% change*
Shareholders' funds (£'000)	**29,883**	47,254	(36.8)
Gearing[†]	**131%**	121%	
Basic net asset value[†] per Ordinary share – per AIC guidelines:			
(CULS at par value (see note 15))	**86.63p**	120.62p	(28.2)
Discount[†]	**3.6%**	2.4%	
Basic net asset value[†] per Ordinary share:			
(CULS at debt value (see note 15))	**88.23p**	122.72p	(28.1)
Discount[†]	**5.4%**	4.0%	
Closing mid-market price per Ordinary share	**83.50p**	117.75p	(29.1)
Closing FTSE 350 Equity Investment Instruments Index (Source: Bloomberg)	**3,865.31**	5,673.80	(31.9)

	Year to 31 January 2009	*Year to 31 January 2008*	*% change*
Net revenue after taxation (£'000)	**629**	479	31.3
Recommended dividends per Ordinary share	**1.4p**	1.0p	40.0
Dividend yield[†]	**1.7%**	0.9%	
Total expense ratio[†]	**1.6%**	1.3%	
FTSE 350 Equity Investment Instruments Index (total return) (Source: Bloomberg)	**(23.3)%**	1.1%	
Performance Fee high water mark*[†]	**132.49p**	126.18p	
Returns per Ordinary share – basic			
Revenue	**1.76p**	1.13p	
Capital	**(35.42)p**	0.29p	
Total return	**(33.66)p**	1.42p	

*The performance fee high water mark for the year to 31 January 2010 is 139.12p.

[†]*Terms defined in the Glossary (see inside back cover).*

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*
2005	859	378	446	3.5	91.7*	81.5
2006	866	340	446	3.5	109.9	107.5
2007	908	441	425	1.0	121.9	118.3
2008	990	479	373	1.0	122.7	117.8
2009	**1,149**	**629**	**471**	**1.4**	**88.2**	**83.5**

*Restated for new UK Accounting Standards

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

Share and Loan Capital

Ordinary shares

At 31 January 2009 the Company had 37,630,000 (2008: 41,605,643) Ordinary shares of 25p each in issue. During the year it bought back 4,637,893 Ordinary shares, of which 3,975,643 Ordinary shares were cancelled. At 31 January 2009 there were 3,762,250 Ordinary shares held in treasury.

Income entitlement

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

Capital entitlement

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

Voting entitlement

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

Transfers

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

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

Share and Loan Capital

continued

3.25% Convertible Unsecured Loan Stock 2011

At 31 January 2009 there were 9,171,000 units (2008: 10,000,000 units) of the Company's 3.25% Convertible Unsecured Loan Stock 2011 ("CULS") in issue. During the year the Company bought back and cancelled 829,000 units.

Income entitlement

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

Capital entitlement

Upon redemption, whether by effluxion of time or an event of default, CULS holders are entitled to repayment of the principal amount and any outstanding interest. The CULS are unsecured.

Voting entitlement

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

Conversion

CULS may be converted into Ordinary shares on 31 January and 31 July each year. A letter is sent to holders of CULS not less than one month before the dates of conversion reminding CULS holders of their right to convert and setting out the deadlines for lodgement of conversion notices. The conversion rate at the date of this report for each £100 in nominal value of CULS is 70.77 Ordinary shares.

Chairman's Statement

During the financial year under review, the Company's Net Asset Value (NAV) per Ordinary share, calculated in accordance with AIC guidelines, declined 33.99p (28.18%) and a dividend of 1p was paid on 16 May 2008. This equates to a total return for the year of (27.35%). 31 January 2009 marks the end of the third year since Cayenne Asset Management Limited took over the investment management of your Company and during this period the NAV (total return) per Share has declined 23.26p (21.17%) compared to falls in the FTSE 350 Equity Investment Investments Index and FTSE All Share Index of 27.27% and 29.01% respectively. This has been a tumultuous year in global markets and the reasons for the Company's performance are set out in the Investment Manager's Report which follows. It is disappointing to report a loss of this magnitude despite your Company's strong performance relative to its peer group.

As a result of an increase in income received by the Company in the last financial year, your Board is recommending a final dividend of 1.4p (2008: 1.0p). If approved by shareholders, this will be paid on 12 June 2009. This significant increase in the dividend is due to two factors. First, income has been received on substantial liquid positions, consisting of gilt edged securities and short term cash holdings, resulting from the realisation of equity positions during the year. Secondly, shares repurchased by your Company during the year carry no entitlement to dividends and accordingly revenue earned is being shared amongst fewer shares outstanding at year end. Shareholders should not assume that the Company will attempt to maintain this level of dividend in future years.

Your Board's commitment to the Company's stated policy, to repurchase shares available in the market at prices representing discounts greater than 5% to NAV, resulted in 4,637,893 Ordinary shares being repurchased during the year. 3,975,643 of these were cancelled together with £829,000 nominal of the Company's Convertible Unsecured Loan Stock. Your Company has been one of a limited number of investment companies to adhere to its stated intent to manage the discount at which its shares trade, and shareholders have therefore benefited from very low discount volatility.

Enclosed with this Annual Report is a circular which sets out details of a proposed bonus issue of subscription shares. If shareholders pass the relevant resolution, subscription shares will be issued in a ratio of one subscription share for every five existing Ordinary shares (excluding those held by the Company in treasury). Should these subscription shares be subsequently subscribed, shareholders will benefit from an increase in the share capital of the Company and in its net assets, which is likely to increase the liquidity of the shares in the market. Shareholders will also benefit from a reduction in the Total Expense Ratio which had recently been increasing, due in part to the smaller number of shares in issue as a result of share repurchases by the Company.

While it is too early to say whether financial markets are ready to stage a recovery, the portfolio exhibits some extremely good characteristics. Your Company currently has one quarter of its assets held in short dated liquid securities which the Investment Manager believes can be re-invested opportunistically as cash is received over the next few months. In addition, should the subscription for new shares be forthcoming, there will be opportunity to commit this cash to a sector which is likely to contain shares having exceptional reward/risk characteristics.

Jonathan Agnew
Chairman
15 April 2009

Investment Manager's Report

The year under review was dominated by the most tumultuous events experienced in global financial markets for several generations. While difficult times had been anticipated, the scale of the problems that emerged dwarfed all expectations. Markets started the year quietly, albeit with some trepidation of what might beset them as the scale of excess leverage within the system came to light in 2007. By early Spring the first of a series of financial tsunamis appeared and these escalated in speed, size and severity as the year progressed. In the USA, Bear Stearns, Lehman Brothers, Fannie Mae, Freddie Mac, and AIG collapsed. Meanwhile, the ebbing tide appears to have exposed some high profile names as frauds of exceptional proportions and longevity. Internationally and domestically, it now transpires that the banking industry was built upon a bed of sand. Financial oversight was liberalised with Bank of England independence and the repeal of the Glass-Steagall Act in the US. At the same time, interest rates trended lower and financial engineering became ever more innovative. As banking balance sheets and collateral values were artificially inflated, easy lending fuelled the retail obsession and shopping became the national pastime.

Warning here a year ago that, 'this crisis may still be far from over', steps were taken in an attempt to insulate the portfolio from adverse conditions. Unfortunately, the Company appears to have fared particularly badly over the year. What went so wrong that, even with correct foresight, such poor returns were experienced? The short answer is that performance relates to various combinations of three related issues; leverage, illiquidity and volatility.

Throughout the year, the Company maintained exposure to a number of blue chip funds which were considered to be of superior quality. Of these, Alliance Trust, EP Global, Perpetual Income & Growth and Schroder Income Growth put in commendable performances. Meanwhile, Scottish Mortgage and Law Debenture suffered a particularly turbulent period and cost the Company significant NAV erosion. In hindsight, it was erroneous to hold these positions as the climate deteriorated. Scottish Mortgage was clearly poorly positioned for the environment but having significantly reduced the position close to its peak, it now seems prudent to maintain the current exposure to benefit from any return of stability in global markets. Law Debenture made some early forays into a declining market and suffered as a consequence. It is believed that there is significantly more value now inherent in Law Debenture's trustee business as the economic climate deteriorates and as it becomes a greater proportion of the fund's assets.

Recognising that 2008 was likely to be a difficult year, a decision was taken to increase cash positions within the Company to counteract the potential for a worsening climate. Investors will remember that, even in the best of times, the closed-end fund sector is not blessed with an abundance of liquidity. For this reason, as 2008 got underway, an effort was made to increase cash by reducing exposure to more easily tradable but higher risk equity funds. These were positions which could be easily re-entered as the storms passed. Emerging market exposure was reduced as Monks and Scottish American were sold. Smaller company exposure was reduced by the sale of Aberforth Smaller Companies and Caledonia was sold to reduce potential concerns over smaller financial stocks and the possibility of discount expansion.

The effect of these sales was to further concentrate the portfolio in less liquid issues which tended to be investment companies in which the respective managers had significant shareholdings. These also tended to be funds where the underlying assets have historically been less correlated to equity market movements. The rationale was clear. In difficult times, it is prudent to align one's interests with the people calling the shots. These managers tend to purchase deeply discounted assets with a long term view that substantial value will, over time, be realised. As major owners of their companies they generally consider themselves somewhat immune from the problems of short term volatility but sometimes need reminding of their obligations to public shareholders.

Being invested alongside some of these managers, in these markets, has proved to have been poor judgement as they have been unable for various reasons to give much, if any, support to their share prices. In some cases, they made some very poor investment decisions resulting in the permanent loss of capital which has affected parts of their portfolios. Much of this was caused or exacerbated by the presence of structural leverage in various investments. The failure to consider the potential magnitude of the disruption to the system caused by the uniquely dire set of circumstances outlined above resulted in significant losses. In hindsight, some apparently obvious mispriced situations, especially in the real estate sector, were in fact 'value traps' into which the Company was drawn and, as yet, has failed to exit.

Much has been written here and in the monthly Investment Manager's reports on the subject of Real Estate Opportunities zero dividend preference shares. It is possible that the market is right and that the year-end valuation of 20p is a fair price, in this environment, for a quasi-bond with a two year life redeeming at 235p. The company is highly leveraged, although not on the scale of many other property companies. Assets are in Ireland, Battersea and China with the former particularly out of favour and management are in the process of renegotiating loans with a recently nationalised Irish bank. There is every chance that the new terms will be more punitive. It is believed that the Irish Government will seek to avoid calling in these debts and attempt to find a solution which leaves the management in control, the shareholders intact (but diluted) and the assets in private ownership.

New Star Asset Management's trials and tribulations have been well documented in the news media. The principal, John Duffield, released equity from the company in 2007, increasing its leverage and in 2008 it breached covenants and ended up in bank ownership. It is currently being sold for a fraction of its previous value. The Company owns New Star Investment Trust (NSI), an independent corporate entity which invests in funds managed by New Star and more recently, by other managers. NSI is 60% owned by John Duffield and it was assumed that he would be keeping a close eye on the portfolio make-up to carefully select best ideas for investment. The NAV of the company declined 40% and the share price by 48% over the period. At a 37% discount to NAV and with management about to change, the future structure of this company is surely up for debate.

Utilico Investment Trust and its sister fund, Utilico Emerging caused significant distress over the period. The price of the former declined 70% and the latter, where the warrants were held, fell by 88%. An accusation could be levelled that leveraged returns contributed to and perhaps flattered the long term track record, but their portfolio seemed to have the right ingredients for the climate. The opposite was unfortunately true as hedges proved insufficient, core investments were annihilated and the leverage increased into a declining market. However, with a discount at the company level of over 30% and look through discounts on its holdings far in excess of this, no immediate exit is being sought.

The savage de-rating of listed private equity reflects the challenging landscape for the sector, however, the apparent widespread falls in share prices have opened several interesting opportunities which the Company has taken advantage of. The first of these, 3i Group, has been particularly hard hit in part due to unfounded rumours of a rights issue that may be required to shore up the company's balance sheet. Although the company is highly geared, there is a reasonable degree of flexibility with both its debt arrangements and future funding commitments, making the shares an attractive investment at a discount of over 70% to NAV. Similarly the company's convertible unsecured loan stock was bought yielding over 20% and trading significantly below par. Other positions of note are Electra Private Equity and LMS Capital which have net cash and are conservatively managed with low levels of outstanding future commitments. Quality management with cash reserves and access to deals should have the ability to create substantial value for shareholders in the medium term.

Investing in the commercial property sector over the past twelve months has been as painful as attempting to catch the proverbial falling knife. Listed real estate funds have suffered particularly badly as declining asset values in their leveraged structures have put enormous pressure on the covenants on outstanding bank loans. Although the initial investment in the sector has been somewhat premature, at current levels the market value of many companies could be said to represent a call option on a return

Investment Manager's Report

continued

to stability. Confidence remains that ING UK Real Estate could benefit markedly once there is further clarity over the renegotiation of its loan covenants.

Thus, the Company's portfolio was exposed to investments which were, to a greater or lesser extent, pervaded by illiquidity and leverage; two of the enemies highlighted earlier. In addition, errors in qualitative judgement were made in relation to how some managers would behave in times of crisis. To compound this negativity, illiquidity and leverage increased exponentially over the year as the crunch became a full blown crisis from which paralysis has ensued. Enormous intra-day volatility gathered momentum over the course of the year with currencies, equities and corporate debt making historical monthly price movements in hours of trading.

This was the 'wrong sort of volatility', and in particular the kind of volatility which makes it impossible to trade and worse, makes it impossible to hedge in a cost effective manner. It became prohibitively expensive to buy puts, and shorting large amounts of index futures was potentially dangerous in rising markets as the Company's assets became less correlated with major indices. The solution was to increasingly rely on index put spreads to capture quantifiable declines rather than open ended falls. As markets fell in an orderly manner, this strategy was moderately successful as strike prices could be reset lower and further out to maintain protection. Again, a failure to correctly predict the catastrophic sell off following the collapse of Lehman Brothers meant that this put spread strategy was insufficient to protect the portfolio from the market's 30% decline in the autumn.

On 21 November 2008, the Company announced that the cost of hedging had become prohibitively expensive and that the risk of losses in a significant bear market rally had materially increased. To that extent, all the put spreads were sold and the resulting cash was added to existing deposits to provide a cushion against further market falls. In January, following a stock market rally, some futures were sold to partially reinstate the hedge position. At the year-end, the Company's portfolio was approximately 50% exposed to listed equity markets, 25% to alternative assets and utilities and 25% in cash and short-dated securities. In addition, the short positions on the FTSE 100 covered nearly 20% of the portfolio.

Cayenne Asset Management Limited
15 April 2009

Investments in Order of Valuation

at 31 January 2009

(Ordinary shares unless otherwise indicated)	*At Fair Value £'000*	*% of Portfolio*
Listed investments		
Apollo Fund (Participating Shares)	2,125	5.52
Treasury 4.25% 07/03/2011	2,113	5.49
Treasury 4.75% 07/06/2010	2,099	5.45
Electric & General Investment Trust	2,012	5.22
Ecofin Water & Power Opportunities (Income Shares)	2,000	5.19
Scottish Mortgage Investment Trust	1,973	5.12
Treasury 4% 07/03/2009	1,504	3.91
Schroder Income & Growth Fund	1,464	3.80
Law Debenture	1,349	3.50
Ecofin Water & Power Opportunities	1,190	3.09
The Alliance Trust	1,071	2.78
EP Global Opportunities Trust	969	2.52
Polar Capital Technology Trust	861	2.24
Utilico Limited	860	2.23
BlackRock World Mining Trust	843	2.19
New Star Investment Trust	835	2.17
Majedie Investments	820	2.13
Gartmore Irish Growth Fund	790	2.05
China Real Estate Opportunities	777	2.02
Electra Private Equity	690	1.79
Artemis Alpha Trust	667	1.73
Caledonia Investments	660	1.71
Hansa Trust 'A'	656	1.70
JPMorgan European Investment Trust Growth	655	1.70
Mercantile Investment Trust	585	1.52
3i Group	566	1.47
SVG Capital Plc 8.25% CULS 05/06/2016	508	1.32
Fidelity European Values	483	1.25
Ecofin Water & Power Opportunities (Capital Shares)	470	1.22
Foreign & Colonial Investment Trust	452	1.17
Terra Catalyst Fund	431	1.12
LMS Capital	430	1.12
Independent Investment Trust	399	1.04
3i Group 3.625% CULS 29/05/2011	385	1.00
Real Estate Opportunities (Zero Dividend Preference Shares) 31/05/2011	320	0.83
Principle Capital Investment Trust	309	0.80
Henderson Opportunities Trust	291	0.76
RIT Capital Partners	286	0.74
Finsbury Worldwide Pharmaceutical (Warrants 31/07/2009)	285	0.74
ING UK Real Estate Income Trust	275	0.71
Perpetual Income & Growth Investment Trust (Subscription Shares)	254	0.66
Cambium Global Timberland	238	0.62
Murray Income Trust	235	0.61
Investec High Income Trust	231	0.60
TR Property Investment Trust (Sigma Ordinary Shares)	176	0.46
3i Infrastructure	156	0.41
Utilico Emerging Markets Utilities (Warrants 31/07/2010)	150	0.39
Real Estate Opportunities 7.5% CULS 31/05/2011	134	0.35
The Equity Partnership Investment Company (Income Shares)	85	0.23
New India Investment Trust (Warrants 30/06/2010)	38	0.10
Advance Frontier Markets (Warrants 15/06/2010)	23	0.06
Utilico Emerging Markets Ltd (Subscription Shares)	12	0.03
M&G Equity Investment Trust (Capital Shares)	9	0.02
Invesco Property Income Trust	8	0.02
India Capital Growth Fund (Warrants 22/12/2010)	5	0.01
Utilico (Warrants 30/04/2012)	0	0.00
Total Investments	**37,212**	**96.63**
Derivatives		
FTSE 100 Index 20-Mar-09 Future	**488**	**1.27**
Other net current assets	**810**	**2.10**
Total assets less current liabilities	**38,510**	**100.00**

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

Report of the Directors

for the year ended 31 January 2009

Introduction

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 January 2009.

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. It is a member of the Association of Investment Companies.

Company's Business

The Company is an investment company as defined in Section 833 of the Companies Act 2006 and operates as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988. HM Revenue & Customs approval of the Company's status as an investment trust in respect of the year ended 31 January 2008 has been received and the Company has subsequently conducted its affairs so as to enable it to continue to obtain such approval. The Company is a qualifying trust for the purposes of Individual Savings Accounts.

During the financial year under review, the Board has 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.

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

Investment Policy

Details of the Company's investment policy are set out on page 2.

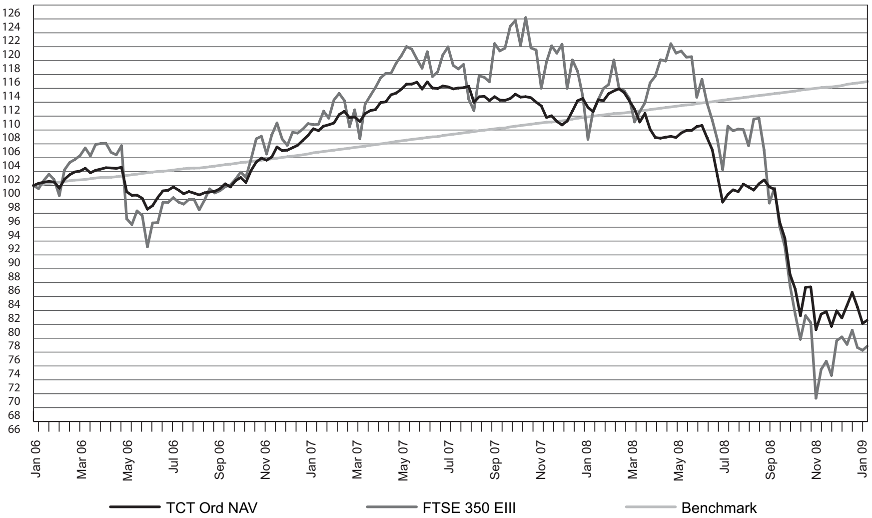
Business Review

The Company aims to achieve consistent positive absolute returns by investing principally in the securities of UK investment trusts and other closed-end funds. It will seek to ensure the preservation of capital by the use of derivatives or similar hedging instruments. Up to 15% of the Company's assets, at the time of investment, may be invested in Apollo Fund plc, an offshore fund also managed by Cayenne Asset Management Ltd.

Key Performance Indicator ("KPI")

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

Performance Relative to Benchmark and Index



Source: Bloomberg LLP/Phoenix Administration Services Limited

*see glossary

Total expense ratio ('TER')

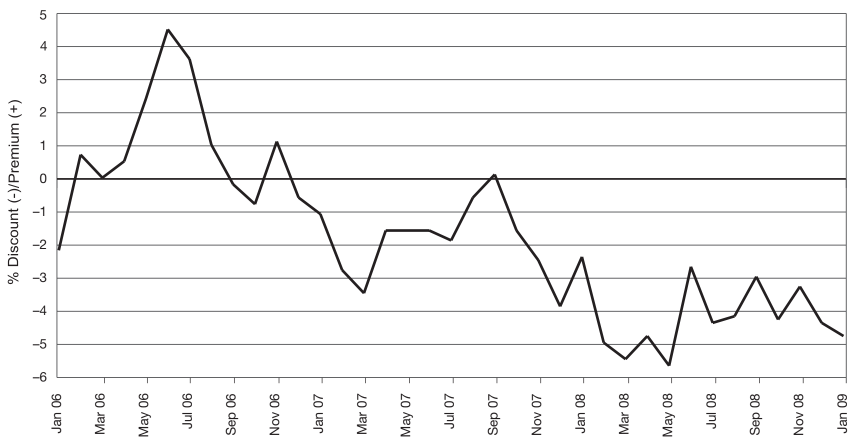
The total expense ratio ('TER') is an expression of the Company's management fees and other operating expenses (including tax relief, where allowable) as a percentage of average net assets over the year. The TER for the year ended 31st January 2009 was 1.6% (2008: 1.3%). The Board reviews the TER of the Company regularly and, at least annually, the Company's TER against other companies having similar investment objectives and policies.

Principal Risks

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

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

Discount to NAV



Source: Winterflood Securities/Thompson Financial Datastream

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

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

Report of the Directors

continued

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

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

Taxation

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

Economic Conditions

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

Accounts

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

Duration of the Company

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

Financial Results and Dividends

The results for the year are shown in the Income Statement on page 27. The Directors are proposing a dividend of 1.4p (2008: 1.0p) per Ordinary share for the year which, if approved by shareholders at the forthcoming Annual General Meeting, will be payable on 12 June 2009 to holders on the register at the close of business on 8 May 2009 (ex dividend 6 May 2009).

Use of Financial Instruments

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

Share Capital and Loan Stock

During the year the Company bought back 4,637,893 (2008: 3,969,500) Ordinary shares for an aggregate consideration of £4,880,454 (2008: £4,644,159) as part of its stated policy to buy back shares (where available) at discounts to net asset value of 5% or less if the Board considers it appropriate. The Company cancelled 3,975,643 (2008: 869,500) Ordinary shares held in treasury during the year on a FIFO basis, reducing the issued Ordinary share capital of the Company at the year end to 37,630,000 (2008: 41,605,643) Ordinary shares in issue. At the year end the Company was holding 3,762,250 (2008: 3,100,000) Ordinary shares in treasury, as a result of which the total voting rights attaching to the issued share capital was 33,867,750 (2008: 38,505,643) votes.

Subsequent to the year end the Company bought back into treasury a further 231,550 Ordinary shares for an aggregate consideration of £182,358. The purchases were made in accordance with the Company's stated discount management policy. The Company has also cancelled 256,500 Ordinary shares from those held in treasury on a FIFO basis. As a result of these transactions at the date of this report the number of shares in issue is 37,373,500, the number of shares held in treasury is 3,737,300 representing 9.99% of the Ordinary shares in issue (11.11% of the Ordinary shares excluding treasury shares) and the total voting rights attaching to shares in issue is 33,636,200.

During the year the Company also bought back for cancellation 829,000 units of its 3.25% Convertible Unsecured Loan Stock 2011 of £1.00 nominal per unit ("CULS") for an aggregate consideration of £759,600. The terms of the Trust Deed which created the CULS requires that any CULS units bought back are cancelled immediately and accordingly at 31 January 2009 there were 9,171,000 CULS units in issue (2008: 10,000,000).

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

At 31 January 2009, the mid-market price and the net asset value per Ordinary share were 83.50p (2008: 117.75p) and 88.23p (2008: 122.72p) respectively. At 31 January 2009, the mid-market price of the CULS was 97.00p (2008: 103.00p).

Substantial Holdings in the Company

At the year end and at 31 March 2009 the Company had been notified or was aware of the following holdings of 3% and over of the Company's capital carrying unrestricted voting rights:

	Holding 31 January 2009	*Holding 31 March 2009*	*Ordinary share %*
East Riding of Yorkshire Council	4,000,000	4,000,000	11.87
Investec Asset Management	3,344,866	3,344,866	9.92
JP Morgan Asset Management	2,340,001	2,340,001	6.95
Reliance Mutual Insurance Society	2,011,144	2,011,144	5.97
Philip J Milton & Company	1,914,013	1,905,641	5.66
Brewin Dolphin	1,743,374	1,802,709	5.35
Premier Asset Management	1,680,000	1,680,000	4.99
LJ Gayler	1,635,000	1,635,000	4.85
New Star Asset Management	1,500,000	1,500,000	4.45
NCL Smith & Williamson	1,423,641	1,392,376	4.13
Jupiter Asset Management	1,215,743	1,215,743	3.60

Report of the Directors

continued

Directors

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

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

The powers of the Directors are set out in the Company's Articles of Association, publicly available at Companies House, and there are no specific rules relating to the exercise of those powers.

Directors' Interests

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

	Ordinary shares		*Convertible Loan Stock*	
	31 January 2009	*31 January 2008*	***31 January 2009***	*31 January 2008*
Jonathan Agnew	**150,000**	150,000	**–**	–
Christopher Jones	**20,000**	20,000	**–**	–
Sir Laurence Magnus	**66,982**	16,982	**35,000**	–

No changes in the above interests occurred between 31 January 2009 and 15 April 2009.

Disclosable Interests

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

Mr Agnew is Chairman of LMS Capital plc, and Mr Jones is a Director of Ecofin Water & Power Opportunities plc ("EWPO"), in both of which companies the Company has shareholdings. Accordingly they refrain from participating in discussions relating to the Company's investments in their respective companies. In the circumstances the Board are satisfied that their positions as Directors of these companies do not impair their impartiality or independence in relation to the affairs of the Company nor generate direct conflicts of interest as decisions on individual investments are delegated to the Investment Manager. The Board has accordingly authorised these potential conflicts of interests, which their Directorships of these companies might give rise to.

Investment Manager

Cayenne Asset Management Limited was appointed Investment Manager under an agreement dated 30 January 2006. This agreement is terminable by either party at six months' notice or by the Company immediately on the occurrence of certain specified events. The fee for these services is calculated at 1% per annum by reference to the Company's net assets (excluding the value of its investment in Apollo) (of which, for the year to 31 January 2009, 25% has been paid directly to charities, including The Teenage Cancer Trust and The Charities Aid Foundation at the request of Cayenne Asset Management Limited). Under the same agreement, the Company also pays a performance fee of 10% of any outperformance above a hurdle rate of 5% per annum on a total return basis, subject to a high water mark. For the year ended 31 January 2009 the high water mark was 132.49p and for the year to 31 January 2010 the high water mark is 139.12p.

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

Administrator and Company Secretary

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

Assessment of the Investment Manager and Administrator

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

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

Other suppliers

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

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 (2008: nil).

Employees, Social and Environmental matters

The Company has no employees. Since the business of the Company is to invest in a broad range of equities as set out in the Investment Policy on page 2, it has no direct social or environmental impact as a result of its operations.

Corporate Governance

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

Articles of Association

At an Extraordinary General Meeting of the Company, held on 27 October 2008, the Company adopted amendments to the Articles of Association to bring them into line with those parts of the Companies Act 2006 already in force.

Report of the Audit Committee

The Audit Committee is responsible for reviewing all aspects of the Company's financial reporting, its internal control and the management of financial risks, the audit process, compliance with laws and regulations, and any non-audit work to be undertaken by the external independent auditor. The Committee considers annually whether the Company should have an internal audit function and has determined that this is not necessary given the Company's circumstances.

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

Report of the Directors

continued

The Audit Committee recommended approval by the Board of an audit fee of £16,750, exclusive of VAT, for the year. Non-audit work undertaken on behalf of the Company by the Auditors is restricted to the Company's taxation affairs, for which a fee of £2,500, exclusive of VAT, has been agreed. The Audit Committee has reviewed the objectivity and independence of the external auditor, BDO Stoy Hayward LLP, and is satisfied on both of these points. The Audit Committee accordingly was pleased to recommend to the Board that a resolution to re-appoint BDO Stoy Hayward LLP as auditors for the year to 31 January 2010, with authority for the Directors' to determine the auditors' remuneration, should be put to the forthcoming Annual General Meeting on 4 June 2009.

Disclosure of information to auditors

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

– so far as each is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and

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

The confirmations above are given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

Auditors

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

Directors' Responsibility Statements

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

Special business at the Annual General Meeting

At the forthcoming Annual General Meeting, the following Special Resolutions will be proposed. Resolution 6 is to allot a limited number of shares without applying pre-emption rights. Resolution 7 is to permit the Company to sell and/or transfer shares held in treasury in response to market demand without applying pre-emption rights, at a discount to prevailing net asset values not exceeding 5%. Resolution 8 is to authorise the Company to buy back shares for cancellation or, at the discretion of the Directors, to hold in treasury. The Board does not have any immediate plans to exercise all of these powers and would only exercise them if they considered it to be in the best interests of shareholders generally. The Board therefore recommends that shareholders vote in favour of the resolutions to ensure that the Directors have the maximum number of options available to them.

By order of the Board
Phoenix Administration Services Limited
Company Secretary

15 April 2009

Directors' Remuneration Report

for the year ended 31 January 2009

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 25 and 26.

Remuneration Responsibilities

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

With effect from 1 February 2008 the annual fees payable to the Directors are at a rate of £23,000 (Chairman of the Board), £17,500 (Audit Committee Chairman) and £15,000 (Other Directors).

Policy on Directors' Remuneration

The Board's policy is that the remuneration of non-executive Directors should be fair and reasonable in relation to that of other investment trusts. It is intended that this policy will continue for the year ending 31 January 2010.

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

Directors' Service Contracts

It is the Board's policy that none of the Directors 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 retire or be removed from office by written notice having immediate effect and that no compensation will be due on leaving office.

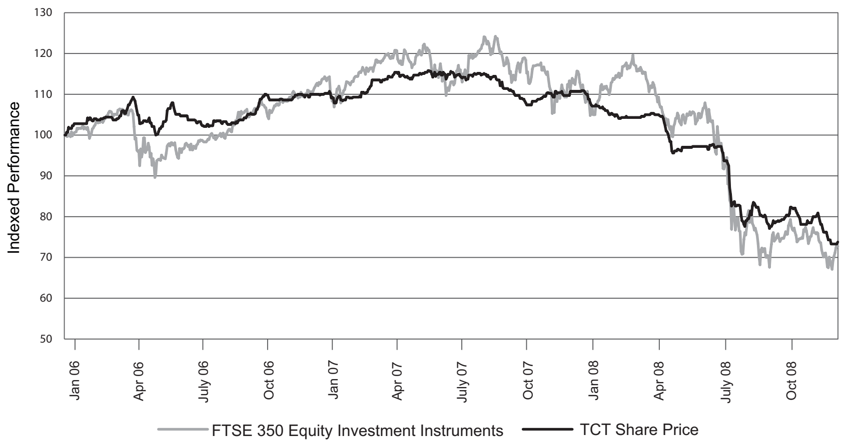
Directors & Officers' liability insurance is maintained by the Company on behalf of the Directors and officers.

Directors' Remuneration Report

continued

Your Company's Performance

The Directors' Remuneration Report Regulations 2002 require that a performance graph be included within the Directors' Remuneration Report which compares the total return to each class of shareholder to a notional total return of a broad equity market index. The graph below shows the total return on the Company's Ordinary shares against the FTSE 350 Equity Investment Instruments Index (total return), which the Directors feel is the most appropriate comparitor, for the period since inception as The Cayenne Trust plc.



Directors' Emoluments (audited)

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

	2009	*2008*
	£'000	*£'000*
Jonathan Agnew	**23.0**	20.0
Christopher Jones	**15.0**	13.0
Sir Laurence Magnus	**17.5**	15.0
Total	**55.5**	48.0

Of the Directors' emoluments detailed above none was paid to third parties (2008: nil).

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 26 March 2009.

By order of the Board
Phoenix Administration Services Limited
Company Secretary

15 April 2009

Corporate Governance Statement

Directors' Statement of Compliance with the Combined Code on Corporate Governance 2006 ("the Code") and the AIC Code of Corporate Governance published by the Association of Investment Companies (AIC) in 2007 ("the AIC 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 AIC 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 AIC Code is more flexible for investment trust companies. Where the Directors have relied on the greater flexibility of the AIC Code, the variance with the Code has been highlighted in this Statement.

The 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 AIC Code except as explained under the relevant sections.

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

Directors

Independence

The Board consists of three Directors, all of whom are non-executive and all 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 Directors are given on page 1 and details of potential conflicts of Mr Agnew and Mr Jones are given on page 14.

Chairman

The Chairman is Mr Jonathan Agnew, a non-executive and independent Director and has no conflicting relationships except as disclosed on page 14.

Senior Independent Director

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

Supply of Information

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

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

Corporate Governance Statement

continued

Board Responsibilities

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

The powers of the Directors are set out in the Company's Articles of Association, publicly available at Companies House, and there are no specific rules relating to the exercise of those powers.

The Investment Manager's Responsibilities

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

Company Secretary

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

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

Appointment and Re-election

As the Board comprises only three Directors, all responsibilities relating to nominations are taken by the Board as a whole. 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 will be available at the Annual General Meeting ("AGM"). The Articles of Association require that each Director shall retire at least every three years after appointment or (as the case may be) last reappointment, and may offer themselves for re-election.

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

Sir Laurence Magnus will offer himself for re-election at the 2009 AGM. The Board reviewed Sir Laurence's performance, who is Chairman of the Audit Committee, and considers he is effective, provides good contributions to the Board's deliberations and demonstrates commitment to the role. The Board accordingly recommends that shareholders vote in favour of his re-election.

Directors' Remuneration

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

Board and Directors' Performance Appraisal

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

Accountability and Audit

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

Audit Committee

As the Board is small, all Directors are members of the Audit Committee under the Chairmanship of Sir Laurence Magnus. Committee members consider that individually and collectively they are appropriately experienced to fulfil the role required. The Committee has written terms of reference which clearly define its responsibilities. The terms of reference were reviewed and updated in February 2006, will be available for inspection at the Annual General Meeting (AGM) and can be 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 Half Year and Annual Reports to shareholders, and to review accounting policies. In addition, the Committee reviews the Auditors' independence, objectivity and effectiveness, the quality of services provided to the Company, any non-audit work and its cost and effectiveness, and, together with the Investment Manager, reviews the Company's compliance with financial reporting and regulatory requirements. Representatives of BDO Stoy Hayward 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 ultimately responsible for the Company's system of internal financial and non-financial controls which have been in place throughout the year and up to the date of this report. The effectiveness of the Company's operations has been reviewed, and the control systems codified to facilitate regular monitoring, management of risks, and review by the Committee. The Directors consider that these procedures enable the Company to comply with Turnbull Guidance.

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

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

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

Corporate Governance Statement

continued

Internal Audit Function

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

Auditors' Non-audit Services

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

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

The Management Engagement Responsibilities

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

Board and Committee Meeting Attendance

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

	Board	*Audit Committee*	*Management Engagement Committee*
Number of meetings held	4	2	1
Jonathan Agnew	4	2	1
Christopher Jones	4	2	1
Sir Laurence Magnus	4	2	1

Relations with Shareholders

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

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

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

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

Institutional Voting

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

Corporate Social Responsibility

As the Company has no employees and invests principally in other investment vehicles it has no direct impact on social, economic or environmental issues but uses its voting rights and contact with senior executives of invested companies to make its views known where it has any concerns.

Statement of Directors' Responsibilities

in respect of the preparation of financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations and United Kingdom Generally Accepted Accounting Practice which give a true and fair view of the state of affairs of the Company at the end of the financial year and its total return for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a 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.

Financial statements will be published on www.thecayennetrust.com. 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 occur to the financial statements since the date of their audit report. 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.

Directors' Confirmation Statement

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

a) that the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

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

Independent Auditors' Report

to the shareholders of The Cayenne Trust plc

We have audited the financial statements of The Cayenne Trust plc for the year ended 31 January 2009 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and 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 to be audited in accordance with relevant 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 and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, 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' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 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 statements on internal control cover 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors and Advisers, the Investment Policy, the Principal Data, the Five Year Historical Record, the Share and Loan Capital, the Chairman's Statement, the Investment Manager's Report, the Investments in Order of Valuation, the Report of the Directors, the unaudited part of the Directors' Remuneration Report, the Corporate Governance Statement, and the Statement of Directors' Responsibilities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 to be audited. It also includes an assessment of the significant estimates and judgments 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.

Independent Auditors' Report

continued

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 to be 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 to be 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 2009 and of its total return for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors

55 Baker Street, London, W1U 7EU

15 April 2009

Income Statement

for the year ended 31 January

	Notes	**Revenue £'000**	**2009 Capital £'000**	**Total £'000**	*Revenue £'000*	*2008 Capital £'000*	*Total £'000*
Losses on investments held at fair value	10	**–**	**(16,355)**	**(16,355)**	–	(1,555)	(1,555)
Current assets held at fair value:							
Gains on futures contracts		**–**	**497**	**497**	–	–	–
Gains on listed put warrants		**–**	**5,357**	**5,357**	–	2,382	2,382
(Losses)/gains on forward currency contracts		**–**	**(1,480)**	**(1,480)**	–	151	151
Gains on cancellation of 3.25% Convertble Unsecured Loan Stock 2011		**–**	**90**	**90**	–	–	–
Exchange differences		**–**	**(33)**	**(33)**	–	(26)	(26)
Investment and other income	2	**1,149**	**–**	**1,149**	990	–	990
Investment management fee	3	**(78)**	**(313)**	**(391)**	(94)	(377)	(471)
Other expenses	4	**(342)**	**(21)**	**(363)**	(311)	(30)	(341)
Net return/(loss) before finance costs and taxation		**729**	**(12,258)**	**(11,529)**	585	545	1,130
Interest payable and similar charges	5	**(100)**	**(400)**	**(500)**	(106)	(424)	(530)
Return/(loss) on ordinary activities before taxation		**629**	**(12,658)**	**(12,029)**	479	121	600
Tax on ordinary activities	7	**–**	**–**	**–**	–	–	–
Transfer to/(from) reserves		**629**	**(12,658)**	**(12,029)**	479	121	600
Return/(loss) per Ordinary share:							
Basic	9a	**1.76p**	**(35.42)p**	**(33.66)p**	1.13p	0.29p	1.42p
Diluted	9b	**1.72p**	**(35.42)p**	**(33.66)p**	1.13p	0.29p	1.42p

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

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

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

The accompanying notes are an integral part of this statement

Reconciliation of Movements in Shareholders' Funds

	Notes	Share Capital £'000	Share Premium £'000	Special Reserve £'000	Capital Redemption Reserve £'000	Equity Component CULS 2011 £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
At 31 January 2008		**10,401**	**9,192**	**22,926**	**218**	**1,161**	**2,722**	**634**	**47,254**
3.25% Convertible Unsecured Loan Stock 2011 bought back and cancelled		**–**	**–**	**–**	**–**	**(96)**	**8**	**–**	**(88)**
Shares bought back and held in treasury	14	**–**	**–**	**(4,881)**	**–**	**–**	**–**	**–**	**(4,881)**
Shares cancelled out of treasury	14	**(994)**	**–**	**–**	**994**	**–**	**–**	**–**	**–**
Net (loss)/return from ordinary activities		**–**	**–**	**–**	**–**	**–**	**(12,658)**	**629**	**(12,029)**
Final dividend paid for 2008	8	**–**	**–**	**–**	**–**	**–**	**–**	**(373)**	**(373)**
At 31 January 2009		**9,407**	**9,192**	**18,045**	**1,212**	**1,065**	**(9,928)**	**890**	**29,883**

	Share Capital £'000	Share Premium £'000	Special Reserve £'000	Capital Redemption Reserve £'000	Equity Component CULS 2011 £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
At 31 January 2007	10,619	9,192	–	27,570	1,161	2,658	580	51,780
Cancellation of Capital Redemption Reserve	–	–	27,570	(27,570)	–	–	–	–
Share reduction costs	–	–	–	–	–	(57)	–	(57)
Shares bought back and held in treasury	–	–	(3,629)	–	–	–	–	(3,629)
Shares bought back and cancelled	(218)	–	(1,015)	218	–	–	–	(1,015)
Net return from ordinary activities	–	–	–	–	–	121	479	600
Final dividend paid for 2007	–	–	–	–	–	–	(425)	(425)
At 31 January 2008	10,401	9,192	22,926	218	1,161	2,722	634	47,254

The accompanying notes are an integral part of this statement

Balance Sheet

as at 31 January

	Notes	2009 £'000	2008 £'000
Fixed Assets			
Investments held at fair value through profit or loss	10	**37,212**	48,534
Current Assets			
Listed put warrants held at fair value through profit or loss		**–**	2,906
Futures contracts held at fair value through profit or loss		**488**	–
Forward currency contracts held at fair value through profit or loss		**–**	7,340
Debtors	11	**157**	3,844
Cash at bank		**969**	2,961
		1,614	17,051
Creditors: amounts falling due within one year			
Forward currency contracts held at fair value through profit or loss		**–**	(7,550)
Other creditors	12	**(316)**	(1,590)
		(316)	(9,140)
Net current assets		**1,298**	7,911
Total assets less current liabilities		**38,510**	56,445
Creditors: amounts falling due after more than one year			
3.25% Convertible Unsecured Loan Stock 2011	13	**(8,627)**	(9,191)
Net assets		**29,883**	47,254
Capital and reserves			
Called-up share capital	14	**9,407**	10,401
Share premium account		**9,192**	9,192
Other reserves:			
Special reserve		**18,045**	22,926
Capital redemption reserve		**1,212**	218
Equity component 3.25% Convertible Unsecured Loan Stock 2011		**1,065**	1,161
Capital reserve		**(9,928)**	2,722
Revenue reserve		**890**	634
Equity Shareholders' funds		**29,883**	47,254
Net asset value per Ordinary share:			
Basic	15	**88.23p**	122.72p
Diluted	15	**88.23p**	122.72p

These financial statements were approved by the Board of Directors on 15 April 2009.

Signed on behalf of the Board of Directors

Jonathan Agnew
Chairman

The accompanying notes are an integral part of this statement

Cash Flow Statement

for the year ended 31 January

	Notes	**2009 £'000**	2008 £'000
Cash inflow from operating activities	*16(a)*	**6,576**	2,293
Servicing of finance	*16(b)*	**(303)**	(326)
Financial investment	*16(b)*	**(2,218)**	4,714
Equity dividends paid		**(373)**	(425)
Share reduction costs		**–**	(57)
Net cash inflow before financing		**3,682**	6,199
Financing			
Cancellation of 3.25% Convertible Unsecured Loan Stock 2011		**(760)**	–
Shares bought back and held in treasury		**(4,881)**	(3,629)
Shares bought back and cancelled		**–**	(1,015)
(Decrease)/increase in cash during the year		**(1,959)**	1,555

Reconciliation of net cash flow to movement in net debt

	Notes	**2009 £'000**	2008 £'000
(Decrease)/increase in cash during the year		**(1,959)**	1,555
Exchange movements		**(33)**	(26)
Non-cash flow movements:			
Notional interest charge on 3.25% Convertible Unsecured Loan Stock 2011 – income		**(40)**	(41)
Notional interest charge on 3.25% Convertible Unsecured Loan Stock 2011 – capital		**(158)**	(162)
Cancellation of 3.25% Convertible Unsecured Loan Stock 2011:			
Cancellation of debt element		**762**	–
Change in net debt		**(1,428)**	1,326
Opening net debt		**(6,230)**	(7,556)
Closing net debt	*16(c)*	**(7,658)**	(6,230)

The accompanying notes are an integral part of this statement

Notes to the Financial Statements

for the year ended 31 January 2009

1. Accounting policies

A summary of the principal accounting policies is set out below. They are consistent with the policies set out in the annual report for the year ended 31 January 2008.

a) Basis of accounting

The financial statements have been prepared under the historical cost convention under the Companies Act 1985 except that certain assets and liabilities, as described below, are stated at their fair value as allowed under the fair value accounting rules of Accounting Standards and with the Statement of Recommended Practice ("SORP") "Financial Statements of Investment Trust Companies", issued by the Association of Investment Companies in January 2009.

b) Investments

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

c) Listed put warrants and futures contracts

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

d) Forward currency contracts

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

e) Debtors, and other creditors

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

f) 3.25% Convertible Unsecured Loan Stock 2011

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

Notes to the Financial Statements

continued

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

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

g) Income

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

h) Expenses

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

i) Taxation

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

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

j) Foreign currency

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

k) Treasury shares

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

2. Investment and other income

	2009 £'000	*2008 £'000*
Income from investments		
UK dividends	**787**	716
Unfranked investment income	**74**	22
UK fixed interest	**189**	92
Short term investment fund income	**86**	138
	1,136	968
Other income		
Deposit interest	**13**	22
Total income	**1,149**	990
Total income comprises:		
Dividends	**861**	738
Interest	**288**	252
	1,149	990

There were no special dividends treated as capital received during the year (2008: nil).

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

3. Investment management fee

		2009			*2008*	
	Revenue £'000	**Capital £'000**	**Total £'000**	*Revenue £'000*	*Capital £'000*	*Total £'000*
Investment management fee	**78**	**313**	**391**	94	377	471

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

As at 31 January 2009 the Company held 155.02 shares in the Apollo Fund at a total cost of £2,886,209 and a market value of £2,124,566.

As at 31 January 2009 £91,943 (2008: £121,249) was due for payment in respect of management fees. There was no liability for performance fees (2008: nil).

At the request of Cayenne Asset Management Limited 25% of their management fee amounting to £97,886 was paid to charities being Teenage Cancer Trust (£30,312) and The Charities Aid Foundation (£67,574).

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

Notes to the Financial Statements

continued

4. Other expenses

	2009 £'000	*2008 £'000*
Administration fee	**94**	94
Directors' emoluments	**56**	48
Auditors' remuneration for:		
– annual audit	**20**	18
– half-year review	**–**	2
– taxation	**3**	3
– other advisory services to the Company	**6**	–
Custodian fees	**11**	8
Printing fees	**22**	17
Directors' liability insurance	**16**	18
London Stock Exchange/FSA fees	**12**	11
Brokerage fees	**29**	29
Registrar's fees	**27**	19
Employer's national insurance contributions	**6**	5
Other support services	**40**	39
	342	311

The maximum 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 (2008: nil).

In addition to the above, a further £21,000 of capital related expenses were charged to capital reserves (2008: £30,000).

5. Interest payable and similar charges

	Revenue £'000	***2009 Capital £'000***	***Total £'000***	*Revenue £'000*	*2008 Capital £'000*	*Total £'000*
Interest on 3.25% Convertible Unsecured Loan Stock 2011	**100**	**398**	**498**	106	422	528
Overdraft interest	**–**	**2**	**2**	–	2	2
	100	**400**	**500**	106	424	530

6. Disclosure of interests

In accordance with the Investment Management Agreement dated 30 January 2006, between the Company and Cayenne Asset Management Limited (Cayenne), Cayenne has been appointed to provide investment research and discretionary fund management services to the Company, for which Cayenne receives an annual management fee of 1% (of which 25% has been paid directly to Teenage Cancer Trust and The Charities Aid Foundation at the request of Cayenne) of total assets (excluding any investment in Apollo) payable quarterly in arrears, and an annual performance fee equivalent to 10% of the out performance of a hurdle rate of 5% per annum on a total return basis, subject to a high water mark.

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

Under an Administration Agreement dated 21 June 2006 between the Company and Phoenix Administration Services Limited (Phoenix), Phoenix has been appointed to provide administration services to the Company, for which Phoenix receives an annual fee of £80,000 plus VAT.

7. Tax on ordinary activities

Factors effecting tax charge for the year

	2009 **£'000**	*2008* *£'000*
(Loss)/return on ordinary activities before taxation	**(12,029)**	600
Reconciliation of current tax charge		
Theoretical tax at UK Corporation Tax rate of 28.36%* (2008: 30%)	**(3,411)**	180
Effects of:		
– Capital losses/(gains) which are not taxable	**3,589**	(36)
– UK dividends which are not taxable	**(223)**	(215)
– Expenses not deductable for tax purposes	**12**	13
– Income taxable in different periods	**–**	(1)
– Movement in excess expenses	**33**	59
Actual current tax amount	**–**	–

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

As allowable expenses exceeded taxable income for the year, no corporation tax is payable for the year (2008: nil).

Factors that may affect future tax charges

The Company has excess management expenses and non-trading loan relationship deficits of £12,008,000 (2008: £11,892,000) 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

	2009 **£'000**	*2008* *£'000*
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 January 2008 of 1.00p per share (2007: 1.00p per share)	**373**	425

For the year ending 31 January 2009 the directors recommend a final dividend of 1.40p per share.

Notes to the Financial Statements

continued

9. Return per Ordinary share

(a) Basic earnings

	2009	*2008*
Total earnings per Ordinary share		
Total earnings	**£(12,029,000)**	£600,000
Weighted average number of Ordinary shares in issue during the year	**35,732,298**	42,205,445
Total earnings per Ordinary share	**(33.66)p**	1.42p

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

Revenue earnings per Ordinary share		
Revenue earnings	**£629,000**	£479,000
Weighted average number of Ordinary shares in issue during the year	**35,732,298**	42,205,445
Revenue earnings per Ordinary share	**1.76p**	1.13p
Capital earnings per Ordinary share		
Capital earnings	**£(12,658,000)**	£121,000
Weighted average number of Ordinary shares in issue during the year	**35,732,298**	42,205,445
Capital earnings per Ordinary share	**(35.42)p**	0.29p

(b) Diluted earnings

The diluted revenue return per Ordinary share has been calculated on the assumption that the 3.25% Convertible Unsecured Loan Stock 2011 was fully converted on the first day of the financial period giving weighted average of 42,401,138 Ordinary shares and based on net revenue after taxation for the year ended 31 January 2009 of £729,000. The diluted revenue earnings per Ordinary shares of 1.72p includes the savings of finance costs on the loan stock.

The effect of the 3.25% Convertible Unsecured Loan Stock 2011 on the capital and total earnings per Ordinary share is anti-dillutive. The diluted capital and total earnings per Ordinary share are therefore equal to the basic returns per Ordinary share.

10. Investments

	2009 £'000	2008 £'000
(a) Analysis of investments by listing status		
Investments listed on a recognised stock exchange		
– Equities	**29,968**	46,402
– Fixed Interest bearing securities	**6,743**	382
– Warrants	**501**	1,750
	37,212	48,534

	2009 £'000	2008 £'000
(b) Analysis of investment (losses)/gains		
Opening book cost	**49,938**	54,366
Opening unrealised (depreciation)/appreciation	**(1,404)**	2,785
Opening valuation	**48,534**	57,151
Movements in the year:		
Purchases at cost	**36,730**	31,666
Sales – proceeds	**(31,697)**	(38,728)
– realised (losses)/gains on sales	**(1,176)**	2,634
Increase/decrease in unrealised depreciation/appreciation	**(15,179)**	(4,189)
Closing valuation	**37,212**	48,534
Closing book cost	**53,795**	49,938
Closing unrealised depreciation	**(16,583)**	(1,404)
	37,212	48,534
Sales proceeds	**31,697**	38,728
Investments at cost	**(32,873)**	(36,094)
Realised (losses)/gains on sales based on historical cost	**(1,176)**	2,634
Less losses/(gains) recognised as unrealised in previous year	**354**	(1,313)
Realised (losses)/gains on sales based on carrying value at previous years balance sheet date	**(822)**	1,321
Unrealised depreciation for the year	**(15,533)**	(2,876)
Net losses on investments	**(16,355)**	(1,555)

(c) Transaction costs

Investment transaction costs on purchases and sales of investments during the year to 31 January 2009, amount to £144,000 and £42,000 respectively (2008: £172,000 and £68,000 respectively).

(d) Registration of investments

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

Notes to the Financial Statements

continued

11. Debtors

	2009	2008
	£'000	£'000
Amounts due from brokers	**–**	3,739
Prepayments and accrued income	**157**	105
	157	3,844

12. Creditors: amounts falling due within one year

	2009	2008
	£'000	£'000
Amounts due to brokers	**148**	1,072
Accruals and deferred income	**168**	518
	316	1,590

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

	2009		2008	
	No. of units 000's	**£'000**	No. of units 000's	£'000
Balance at beginning of year	**10,000**	**9,191**	10,000	8,988
Cancellation of 3.25% Convertible Unsecured Loan Stock 2011	**(829)**	**(762)**	–	–
Finance charge to the Income Statement (see note 1f)	**–**	**198**	–	203
Balance at end of year	**9,171**	**8,627**	10,000	9,191

On 25 April 2006 the Company issued a 3.25% Convertible Unsecured Loan Stock 2011 for a nominal value of £10,000,000. The loan stock can be converted twice a year into Ordinary shares during the months of January and July commencing January 2008. Post the "C" share conversion the 3.25% Convertible Unsecured Loan Stock 2011 will convert at a rate of 70.77 Ordinary shares for every £100 nominal of 3.25% Convertible Unsecured Loan Stock 2011. Interest is paid on the 3.25% Convertible Unsecured Loan Stock 2011 on 31 January and 31 July each year. The interest on the 3.25% Convertible Unsecured Loan Stock 2011 is charged 20% to revenue and 80% to capital in line with the Board's expected long-term split of returns from the investment portfolio of the Company.

During the year the Company bought back and cancelled 829,000 units of the 3.25% Convertible Unsecured Loan Stock 2011 at a cost of £759,600.

14. Called-up share capital

	2009 £'000	2008 £'000
Authorised:		
220,000,000 Ordinary shares of 25p each (2008: 220,000,000)	**55,000**	55,000
Called-up and fully paid:		
37,630,000 Ordinary shares of 25p each (2008: 41,605,643)	**9,407**	10,401

	Number of Ordinary shares	Share capital £'000
Balance at beginning of year	41,605,643	10,401
Shares bought back and cancelled during the year	(3,975,643)	(994)
Balance at end of year	37,630,000	9,407

During the year 4,637,893 Ordinary shares were bought back into treasury at a cost of £4,880,455. 3,975,643 Ordinary shares have been cancelled out of treasury.

The Ordinary shares in issue at the year end includes 3,762,250 Ordinary shares held in treasury (2008: 3,100,000). See note 20 for details of transactions in the Company's own shares since the year end.

15. Net asset value per Ordinary share

	2009	2008
Net asset values attributable	**£29,883,000**	£47,254,000
Ordinary shares in issue at the year end	**33,867,750**	38,505,643
Basic net asset value per Ordinary share	**88.23p**	122.72p

The basic net asset value per Ordinary share is based on net assets of £29,883,000 which includes the deduction of the liability component of the 3.25% Convertible Unsecured Loan Stock 2011 and on 33,867,750 Ordinary shares being the number of Ordinary shares in issue at the year end, excluding 3,762,250 Ordinary shares held in treasury.

The 3.25% Convertible Unsecured Loan Stock 2011 has an anti-dilutive effect on the net asset value per Ordinary share, and therefore the diluted net asset value is equal to the basic net asset value.

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

	2009	2008
Total assets less current liabilities (per the balance sheet)	**£38,510,000**	£56,445,000
Redemption value of 3.25% Unsecured Loan Stock 2011	**£(9,171,000)**	£(10,000,000)
Net assets (CULS at par value)	**£29,339,000**	£46,445,000
Ordinary shares in issue at the year end	**33,867,750**	38,505,643
Basic net asset value per Ordinary share	**86.63p**	120.62p

Notes to the Financial Statements

continued

16. Notes to the cash flow statement

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

	2009 £'000	2008 £'000
Net (loss)/return before finance costs and taxation	**(11,529)**	1,130
Losses on investments	**16,355**	1,555
Gains on cancellation of 3.25% Convertible Unsecured Loan Stock 2011	**(90)**	–
Exchange differences	**33**	26
Decrease/(increase) in debtors	**9,758**	(3,012)
Increase in accrued income	**(54)**	(38)
(Decrease)/increase in creditors	**(7,897)**	2,632
Net cash inflow from operating activities	**6,576**	2,293

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

	2009 £'000	2008 £'000
Servicing of finance		
Interest paid allocated to income	**(60)**	(65)
Interest paid allocated to capital	**(243)**	(261)
Net cash outflow from servicing of finance	**(303)**	(326)
Financial investment		
Purchase of investments	**(37,654)**	(31,027)
Sale of investments	**35,436**	35,741
Net cash (outflow)/inflow from financial investments	**(2,218)**	4,714

(c) Analysis of changes in net debt

	1 February 2008 £'000	*Cash flow £'000*	*Cancellation of 3.25% CULS 2011 £'000*	*Non cash flow £'000*	*Exchange Movements £'000*	*31 January 2009 £'000*
Net cash:						
Cash at bank	2,961	(1,959)	–	–	(33)	**969**
3.25% Consolidated Unsecured Loan Stock 2011	(9,191)	–	762	(198)	–	**(8,627)**
Net debt	(6,230)	(1,959)	762	(198)	(33)	**(7,658)**

17. Contingencies, guarantees or financial commitments

There were no contingencies, guarantees or financial commitments of the Company at the year end (2008: none).

18. Related-party transactions

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

Len Gayler is a director and major shareholder of Cayenne Asset Management Limited. At 31 January 2009 he controlled by virtue of his direct holdings 1,635,000 (2008: 1,440,000) Ordinary shares and 750,000 (2008: 500,000) 3.25% Convertible Unsecured Loan Stock 2011 in The Cayenne Trust plc.

Jonathan Agnew is Chairman of LMS Capital plc. The Company's investment in LMS Capital plc is shown on page 9.

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

19. Financial instruments and fund risk profile

Risk Management Policies and Procedures

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

As an investment trust the Company invests in equity shares, fixed interest investments, preference shares and quoted futures and options for the long-term so as to secure its investment objective. In pursuing its investment objectives, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a revenue shortfall. These risks, market risk (comprising currency, interest rate and price risk), liquidity risk, and credit risk together with the Director's approach to the management of them, are set out in this note to the financial statements. The Board of Directors and the Investment Manager co-ordinate the Company's risk management. No changes have been made to the risk policies from the prior year.

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

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

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

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

Market risk

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

Notes to the Financial Statements

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

The Company's exposure to equity price risk at the year end is represented primarily by fair value of ordinary shares in investment trusts held per the 'Investments in Order of Valuation' on page 9. The Company purchases futures contracts and put options on equity indices which alters its exposure to equity price risk. The Board intends that the Company's strategies should generally be hedged to the extent practicable against general market movements.

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

If the investment portfolio (excluding short dated gilts) increased/decreased by 10% at 31 January 2009 (2008: 10%), the impact would be a gain/loss of £3,150,000 (2008: gain/loss £4,853,000).

The Company employs hedging strategies which aim to mitigate any reduction in the value of the portfolio in declining markets. This strategy is based around the movement in stock market indices which will not necessarily react to changing economic conditions in the same way as the portfolio would. The hedge positions held at 31 January 2009 would have had a positive impact on the Company's portfolio of £615,000 for a 10% fall in the FTSE 100 Index (2008: positive impact on the Company's portfolio for movements in the indices between +5.9% and –21.3%).

Currency risk

The following table shows the foreign exchange risk analysis:

Currency of Assets	***Investments held at fair value through profit or loss***	***Listed put warrants and futures***	***Forward currency contract debtor***	***Forward currency contracts creditor***
At 31 January 2009	***£'000***	***£'000***	***£'000***	***£'000***
Sterling	**35,087**	**488**	**–**	**–**
US Dollars	**2,125**	**–**	**–**	**–**
Euro	**–**	**–**	**–**	**–**
	37,212	**488**	**–**	**–**
At 31 January 2008				
Sterling	40,072	1,495	7,340	–
US Dollars	8,462	318	–	(7,550)
Euro	–	1,093	–	–
	48,534	2,906	7,340	(7,550)

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

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

The Company uses forward currency contracts to hedge foreign exchange movements and reduce the Company's exposure to anticipated future changes in exchange rates which might otherwise adversely affect the value of the Company's investments. During the year, the Company had partially hedged its exposure to US Dollars. At the year-end the Company had not hedged its exposure to US Dollars by selling US Dollars against Sterling, (2008: USD 15.0m). This hedging is for economic purposes and hedge accounting has not been applied.

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

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

It assumes the £/US Dollar exchange rate strengthens or weakens by 10.08% (2008: 1.61%) and the £/Euro exchange rate strengthens or weakens by 4.24% (2008: 2.29%). These percentages have been determined based on the average daily market volatility in these exchange rates over the previous 12 months. The sensitivity analysis is based on the Company's significant foreign currency financial instruments held at each balance sheet date, and takes accounts of forward foreign exchange contracts that offset the effects of changes in currency exchange rates.

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

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

	2009		*2008*	
	US$ £'000	***Euro £'000***	*US$ £'000*	*Euro £'000*
Sterling strengthens against the US Dollar/Euro				
Profit after taxation for the year	**(195)**	**–**	(20)	(25)
Sterling weakens against the US Dollar/Euro				
Profit after taxation for the year	**238**	**–**	20	26

Interest rate risk

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

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

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

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

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

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

Notes to the Financial Statements

continued

	2009	*2008*
	£'000	*£'000*
Investments held at fair value through profit or loss – bonds – fixed rate assets	**6,743**	382
Cash at bank – floating rate assets	**969**	2,961

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

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

The Company's fixed income portfolio at the year end was valued at £6,743,000 (2008: £382,000) and it had a modified duration (interest rate sensitivity) of approximately 1.60 years (2008: 2.87 years). A 1% increase/decrease in relevant market interest rates would be expected to decrease/increase the portfolio's value by approximately £108,000 (2008: £11,000), all other factors being equal.

The following table illustrates the sensitivity of the profit before taxation for the year to an increase or decrease of 1% (2008: 1%) in interest rates on cash balances, the only floating rate asset held.

Effects of 1% increase/decrease in interest rate:

	2009		*2008*	
	Increase	***Decrease***	*Increase*	*Decrease*
	£'000	***£'000***	*£'000*	*£'000*
Profit after taxation for the year	**10**	**(10)**	30	(30)

Other price risk

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

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

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

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

	2009 £'000	*2008 £'000*
Fixed asset investments held at fair value through profit or loss (note 10)	**37,212**	48,534
Listed futures contracts held at fair value through profit or loss	**488**	–
Listed put warrants held at fair value through profit or loss	**–**	2,906
	37,700	51,440

Liquidity risk

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

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

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

At 31 January 2009	***3 months or less £'000***	***More than three months but not more than 1 year £'000***	***In more than 1 year but not more than 5 years £'000***	***Total £'000***
Creditors: amounts falling due after more than one year				
– 3.25% Convertible Unsecured Loan Stock 2011	**–**	**–**	**(9,171)**	**(9,171)**
– Interest on 3.25% Convertible Unsecured Loan Stock 2011	**–**	**(298)**	**(745)**	**(1,043)**
– Short-term creditors	**(316)**	**–**	**–**	**(316)**
Total financial liabilities	**(316)**	**(298)**	**(9,916)**	**(10,530)**
At 31 January 2008				
Creditors: amounts falling due after more than one year				
– 3.25% Convertible Unsecured Loan Stock 2011	–	–	(10,000)	(10,000)
– Interest on 3.25% Convertible Unsecured Loan Stock 2011	–	(325)	(813)	(1,138)
– Short-term creditors	(1,590)	–	–	(1,590)
Creditors: amounts falling due within one year				
– Forward currency contracts at fair value through profit or loss	(7,550)	–	–	(7,550)
Total financial liabilities	(9,140)	(325)	(10,813)	(20,278)

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

Notes to the Financial Statements

continued

Credit risk

The Company is exposed to credit risk as a result of holding cash balances, foreign exchange forward currency contracts and futures contracts (2008: listed put warrants). The Company will also take a credit risk on the parties with which it trades and therefore the Investment Manager will seek only to transact with established counterparties.

The maximum exposure to credit risk on 31 January is:

	2009	*2008*
	£'000	*£'000*
Foreign exchange forward contracts	**–**	7,340
Futures contracts	**488**	–
Listed put warrants	**–**	2,906
Cash	**969**	2,961
Debtors	**157**	3,844
	1,614	17,051

During the year forward currency contracts had been entered into with JP Morgan which is an international financial institution with a credit rating of A+ (2008: AA-). The Company also invested in listed put warrants and futures contracts through Merrill Lynch which is an international financial institution with a credit rating of A+ (2008: A+). Cash balances are also held with JP Morgan, GNI Touch, Merrill Lynch and the JP Morgan Money Market Fund.

No financial assets are past due or impaired.

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

Fair values of financial assets and financial liabilities

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

	2009		*2008*	
	Book Value	***Fair Value***	*Book Value*	*Fair Value*
	£'000	***£'000***	*£'000*	*£'000*
3.25% Convertible Unsecured Loan Stock 2011	**(8,627)**	**(8,621)**	(9,191)	(10,200)

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

Financial assets held at fair value through profit or loss on initial recognition relate to fixed asset investments (see note 10). At 31 January 2009, financial assets held at fair value through profit or loss which fall within the FRS26 definition of held for trading relate to futures contracts, listed put warrants and forward currency contracts and totalled £488,000 (2008: £10,246,000). At 31 January 2009 there were no financial liabilities held at fair value through profit or loss classified as held for trading (2008: forward currency contracts £7,550,000).

Capital management policies and procedures

The Company's capital management objectives are:

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

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

The Company's capital at 31 January comprises:

	2009	2008
	£'000	£'000
Debt		
– 3.25% Convertible Unsecured Loan Stock 2011	**8,627**	9,191
Equity		
– Equity share capital	**37,856**	42,737
– Retained earnings and other reserves	**(7,973)**	4,517
Net assets	**29,883**	47,254
Total Capital	**38,510**	56,445
Debt as a percentage of net assets	**28.87%**	19.45%

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

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

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

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

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

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

Notes to the Financial Statements

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20. Post balance sheet events

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

Shares bought back and held in treasury:

Date	*Number of Ordinary shares*	*Cost £'000*
13/2/2009	45,800	38
20/2/2009	21,000	17
20/3/2009	109,750	85
03/4/2009	55,000	43
	231,550	**183**

Shares cancelled from treasury:

Date	*Number of Ordinary shares*	*Share capital £'000*
13/2/2009	50,750	13
20/2/2009	23,000	6
20/3/2009	122,000	30
03/4/2009	60,750	15
	256,500	**64**

21. VAT

Following the ruling by the European Court of Justice in June 2007 that investment management fees charged to investment trusts are exempt from VAT, Cayenne Asset Management Limited repaid in full to the Company in the last financial year the £90,408 VAT which it had charged since becoming investment manager.

A further VAT refund is being sought from Invesco Asset Management Ltd, the previous investment manager. As the timing of this refund is uncertain and the amount unlikely to have a material impact on the Net Asset Value, the Directors consider it is inappropriate to recognise any recoverable VAT in these financial statements.

Notice of Annual General Meeting

NOTICE IS GIVEN that the Annual General Meeting of The Cayenne Trust plc will be held at the Crowne Plaza Hotel, Buckingham Gate, London SW1E 6AF on 4 June 2009 at 2.30 pm for the following purposes:

Ordinary Business

1. To receive the Directors' Report and Accounts for the year ended 31 January 2009.
2. To approve the Directors' Remuneration Report for the year ended 31 January 2009.
3. To approve the proposed final dividend of 1.4p per Ordinary share.
4. To re-elect Sir Laurence Magnus a Director of the Company.
5. To re-appoint BDO Stoy Hayward LLP as Auditors and authorise the Directors to determine their remuneration.

Special Business

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

Special Resolutions:

6. THAT the Directors be and are hereby generally and unconditionally authorised and empowered pursuant to Section 95(1) of the Act to allot Relevant Securities without Section 89(1) of the Act applying to such allotment, provided that the authority hereby granted shall expire at the earlier of fifteen months or the conclusion of the next following Annual General Meeting of the Company after the passing of this Resolution and shall be limited to:

   i) the allotment of Relevant Securities up to a nominal value of £466,895, being approximately 5% of the capital currently in issue;

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

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

7. THAT in accordance with Section 95(2)(a) of the Act the Directors be and are hereby generally and unconditionally authorised and empowered to sell, transfer and allot Ordinary shares held by the Company in treasury (whether or not those shares are held in treasury at the date this Resolution is passed or repurchased pursuant to the authority sought under Resolution 9 below) for cash at discounted prices (excluding expenses) not exceeding 5% below the net asset value per Ordinary share for the business day immediately preceding such sale, transfer or allotment, (or, if earlier, agreement to sell, transfer or allot) without Section 89(1) of the Act applying to such sale, transfer or allotment, provided that the authority hereby granted shall expire at the earlier of fifteen months or the conclusion of the next following Annual General Meeting of the Company after the passing of this Resolution save that the Company may before such expiry enter into offer(s) or agreement(s) which shall or may require Ordinary shares held in treasury to be sold or allotted after such expiry and the Company may sell or allot Ordinary shares pursuant to such offer(s) or agreement(s) as if the authority hereby granted had not expired.

8. THAT the Directors be and are hereby authorised in accordance with Section 166 of the Act to make market purchases (within the meaning of Section 163 of the Act) of Ordinary shares of 25p each in the capital of the Company provided that:

   i) the maximum aggregate number of Ordinary shares to be purchased shall be 5,050,000 (being approximately 14.99% of the issued Ordinary shares, excluding treasury shares);

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

   iii) the maximum price which may be paid per Ordinary share (exclusive of expenses) shall be 5% above the average of the mid-market values of the Ordinary shares on the Daily Official list of the London Stock Exchange for the 5 business days immediately preceding the day of purchase;

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

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

Dated this 15 April 2009

By order of the Board
Phoenix Administration Services Limited
Company Secretary

Springfield Lodge
Colchester Road
Chelmsford
Essex CM2 5PW

Notes:

1. The Report and Accounts are circulated to the holders of Ordinary shares all of whom are entitled to attend and vote at the above AGM, and to holders of debenture stock who are not entitled by virtue of that holding to attend the 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. Proxies need not be members of the Company. A form of proxy for the use of members is enclosed. Completion and return of a proxy will not preclude a member from attending and voting in person.
3. Corporate members who propose appointing more than one person to represent them are strongly recommended to appoint multiple proxies rather than multiple corporate representatives since, as currently drafted, the votes of multiple corporate representatives risk nullification under the Companies Act 2006.
4. 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.
5. There are no service contracts between the Directors and the Company.
6. The register of Directors' interests will be available for inspection at the AGM.
7. To appoint proxies or give/amend an instruction to an appointed proxy via the CREST system, the CREST message must be received by the issuer's agent (ID: RA10) by 3.30 pm on 2 June 2009 and time of receipt will be taken as the time (as determined by the timestamp applied by the CREST Applications Host) that the issuer's agent is able to retrieve the message. CREST Personal Members or other CREST Sponsored Members, and CREST Members who have appointed voting service providers, should refer to their sponsor/voting service provider for advice on appointing proxies via CREST. Regulation 35 of the Uncertificated Securities Regulations 2001 will apply to all proxy appointments sent by CREST. For information on CREST procedures and system timings, please refer to the CREST Manual.

Shareholder Information

Capital Gains Tax

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

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

Financial Calendar

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

Announcements	
Unaudited Interim results	September
Final results	April
Ordinary Share Dividends	
Final payment	12 June
Annual General Meeting	4 June
Year End	31 January

Location of Annual General Meeting

To be held at 2.30 pm on Thursday 4 June 2009 at the Crowne Plaza Hotel, Buckingham Gate, London SW1E 6AF.

Share Price Listings

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

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

NAV Publication

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

Website

www.thecayennetrust.com

Registered in England & Wales: 2774914

Investment Objective & Policy

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

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

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

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

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

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

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

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

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

Glossary of Terms

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

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

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

Gearing reflects the amount of loans already arranged and in use by the Company. This is the gearing figure published by the Association of Investment Companies. It is calculated by dividing total assets less current liabilities (31 January 2009: £38,510,000) excluding the Convertible Unsecured Loan Stock, by Ordinary Shareholders' funds of £29,339,000 at 31 January 2009.

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

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

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

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

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

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

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

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