

The Cayenne Trust plc

Annual Report and Accounts
Year ended 31 January 2011



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THIS DOCUMENT IS IMPORTANT and, if you are a holder of Ordinary shares requires your immediate attention. If you are in doubt as to what action to take or the contents of this document you should seek advice from an independent financial advisor authorised under the Financial Services and Markets Act 2000, or, if outside the UK, another appropriately authorised independent financial advisor. If you have sold or otherwise transferred all of your Ordinary shares in the capital of the Company you should send this document and the accompanying Form of Proxy immediately to the purchaser or transferee; or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Directors and Advisers

Directors

Jonathan Agnew (Chairman)

Aged 69. Joined the Board in January 2006 when he was elected Chairman. He is also Chairman of Ashmore Global Opportunities Limited and Beazley plc, and Senior Independent Director of Rightmove plc.

Christopher Jones

Aged 70. Joined the Board 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, Ecofin Water & Power Opportunities plc, EW&PO Finance plc and Montanaro European Smaller Companies plc.

Sir Laurence Magnus

Aged 55. Joined the Board in February 2006. He is Chairman of Lexicon Partners and non-executive Chairman of JP Morgan Income & Capital Trust plc. He is a non-executive Director of Fidelity Japanese Values plc. He is Deputy Chairman of the National Trust and an elected member of its Council, Deputy Chairman of The Windsor Leadership Trust, and a Trustee of Beat (Eating Disorders Association) and the Landmark Trust.

Advisers

Investment Manager

Cayenne Asset Management Limited
23 Buckingham Gate
London SW1E 6LB

Company Secretary and Registered Office

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Custodian

JP Morgan Chase Bank
1 Chaseside
Bournemouth
Dorset BH7 7DB

Auditors

BDO LLP
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 listed on The London Stock Exchange. Its investment policy (full details of which can be found on page 56) 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.

Principal Data

	<i>At</i> 31 January 2011	<i>At</i> 31 January 2010	% <i>change</i>
Shareholders' funds (£'000)	58,918	42,938	37.2
Gearing [^]	125%	122%	
Basic net asset value per Ordinary share per AIC guidelines: (CULS at par value – see note 16)	133.66p	120.51p	10.9
Discount [†]	2.4%	5.2%	
Diluted net asset value per Ordinary share per AIC guidelines: (CULS at par value – see note 16)	133.66p	118.29p	13.0
Discount [†]	2.4%	3.4%	
Basic net asset value per Ordinary share (CULS at debt value – see note 16)	135.34p	121.46p	11.4
Discount [†]	3.6%	5.9%	
Diluted net asset value per Ordinary share (CULS at debt value – see note 16)	135.34p	119.09p	13.6
Discount [†]	3.6%	4.1%	
Closing mid-market price per Ordinary share	130.50p	114.25p	14.2
Closing FTSE 350 Equity Investment Instruments Index (Source: Bloomberg)	5,950.33	4,925.42	20.8
	Year to 31 January 2011	<i>Year to</i> 31 January 2010	% <i>change</i>
Net revenue return after taxation (£'000)	451	884	(49.0)
Recommended dividends per Ordinary share	1.0p	2.2p	(54.5)
Dividend yield [†]	0.8%	1.9%	
Total expense ratio [†]	1.6%	1.7%	
FTSE 350 Equity Investment Instruments Index (total return) (Source: Bloomberg)	23.3%	30.6%	
Performance Fee high water mark ^{*†}	140.87	134.16	
Returns per Ordinary share – basic			
Revenue	1.14p	2.61p	
Capital	16.69p	32.61p	
Total return	17.83p	35.22p	

[^] This reflects the amount of loans already arranged and in use by the Company. This is the gearing figure calculated as published by the Association of Investment Companies. It is calculated by dividing total assets less current liabilities of £72,941,000 at 31 January 2011, (excluding the Convertible Unsecured Loan Stock at par value) by Ordinary shareholders' funds of £58,187,000 at 31 January 2011.

^{*} The performance fee high water mark for the years ended 31 January 2010 and 31 January 2011 have been adjusted to take into account the exercise of the Subscription Shares on 30 June 2010. The performance fee high water mark for the year to 31 January 2012 is 147.91.

[†] Terms defined in the Glossary (see page 57).

Five Year Historical Record

Year	Revenue				Capital	
	Gross income £'000	Net revenue available for Ordinary shares £'000	Dividends on Ordinary shares Cost £'000	Rate p	Basic net asset value per Ordinary share p	Mid-market price per Ordinary share p
To 31 Jan						
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
2010	1,328	884	835	2.2	121.5	114.3
2011	1,014	451	431	1.0	135.3	130.5

Share and Loan Capital

Ordinary shares

At 31 January 2011 the Company had 43,602,910 (2010: 37,460,224) Ordinary shares of 25p each in issue, of which 68,102 (2010: 2,109,000) were held in treasury.

Details of transactions by the Company in the Ordinary share capital during the year and subsequent to the year end are given on page 13.

Income entitlement

The revenue earnings of the Company, after providing for payment of interest to holders of the 3.25% Convertible Unsecured Loan Stock 2016 ("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 Directors' 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

Subscription Shares

At 31 January 2011 there were no Subscription shares (2010: 6,408,666) in issue.

3.25% Convertible Unsecured Loan Stock 2011/2016

On the 24 January 2011 Shareholders and Stockholders approved the modification of the existing loan stock to 3.25% Convertible Unsecured Loan Stock 2016 ("CULS") and the issue of an additional 5,832,900 units of CULS bringing the total number of CULS in issue at 31 January 2011 to 15,000,000 units. The CULS began trading on the London Stock Exchange on 28 January 2011.

Accordingly, at 31 January 2011 there were no units of 3.25% Convertible Unsecured Loan Stock 2011 in issue (2010: 9,171,000 units).

Income entitlement

Holders of CULS are entitled to receive interest at a rate of 3.25% per annum, payable by quarterly instalments on 31 January, 30 April, 31 July and 31 October 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 final date for maturity of any CULS not previously converted or bought back is 31 July 2016. 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 or a change to the terms of the CULS is proposed.

Conversion

CULS 2016 may be converted into Ordinary shares on 31 January, 30 April, 31 July and 31 October each year to 31 July 2016. The conversion rate at the date of this report for each £100 in nominal value of CULS is 67.74 Ordinary shares (2010: 73.85), equivalent to £1.48 (approximately) per Ordinary share.

Chairman's Statement

During the financial year under review the Company's Net Asset Value per share (NAV), calculated in accordance with AIC guidelines, increased by 15.37p (12.99%) and a dividend of 2.2p was paid on 18 June 2010. This equates to a total return for the year of 14.85%. The investment manager, Cayenne Asset Management Limited, has now completed five years as manager of your Company and during this period the NAV (total return) per share has increased by 26.73% and the share price (total return) has increased by 26.60%. This equates to 4.93% per annum since inception, marginally behind the 5% cumulative total return which is the Company's performance fee benchmark and principal KPI. The share price at the year end represented a discount to NAV of 2.36%. Over the same period the FTSE 350 Equity Investment Instruments Index, total return, increased by 23.34%.

Income received by the Company in the last financial year returned to more normal levels, as the manager reduced exposure to fixed income securities. As a result, your Board is recommending a final dividend of 1.0p (2010: 2.2p). If approved by shareholders, this will be paid on 17 June 2011. Your Board reminds Shareholders that the Company does not attempt to generate income as part of its investment policy and that future dividends may be higher or lower than this.

As part of your Board's commitment to repurchase shares available in the market at prices representing discounts greater than 5% to NAV, a further 1,505,904 shares were repurchased during the year and placed in Treasury. The Company re-issued 3,280,822 shares from Treasury at prices which represented discounts of less than 4% to NAV. The remaining balance of 265,980 of these shares were cancelled. As a result of the exercise of 6,408,666 of the Company's Subscription shares in the first half of this year, a corresponding number of new Ordinary shares were issued. The Company no longer has any Subscription shares outstanding.

The net result of this activity is that, over the twelve month period, over eight million new Ordinary shares were issued, increasing the market capitalisation by over ten million pounds. Indeed, over the past five years, despite employing an active discount control mechanism, your Company has been able to increase the shares in issue by more than one million shares.

Shareholders and holders of the Convertible Unsecured Loan Stock (CULS) will recall that the Company recently amended the terms of the existing CULS and placed additional CULS with new investors, increasing the amount in issue to £15,000,000. CULS are convertible into Ordinary shares quarterly at a rate of 67.74 shares per £100 nominal. CULS not converted by 31 July 2016 will be redeemed at par on 8 August 2016. Interest is payable quarterly at an annual rate of 3.25%.

I should like to thank the investment manager, on behalf of the shareholders, for achieving a very respectable investment performance over a most volatile and difficult five year period and for operating the discount control mechanism so successfully. I should also thank my fellow Directors for their contribution in running the Company in the interests of shareholders.

Jonathan Agnew

Chairman

4 April 2011

Investment Manager's Report

The first half of the year was dominated by the unravelling of confidence in the eurozone. By mid summer this fear had subsided and then, in August, Ben Bernanke fired the starting gun for a 1,000 point rally in the FTSE 100 by announcing a round of quantitative easing which was to be on a far greater scale than expected. The Company was not perfectly positioned for this exuberant market and is certainly still wary of the future should such stimulus be withdrawn. That said, a return in excess of 14% for the financial year is more than satisfactory when one considers the caution with which the market is viewed. Over the five years that Cayenne Asset Management Limited (CAML) has been responsible for the management of the portfolio, both the NAV and the share price have produced returns in excess of the FTSE 350 Investment Companies Index and has done so with much lower share price volatility.

The Company continues to run a well balanced portfolio with approximately 50% invested in what can best be described as general equity funds. Nearly 25% is invested in specialist equity opportunities (including private equity) and real estate assets. The remainder is in fixed interest instruments (including CULS), cash, forward currency contracts, warrants, and subscription shares. A significant hedge position is in place employing equity index puts and futures on the FTSE 100, S&P 500 and Eurostoxx indices. This protection should counteract a large portion of any negative impact in declining markets and covers much of the Company's direct equity exposure.

Four of the underperforming positions during the year were Anglo & Overseas, European Investment Trust, Caledonia and SVM Global and this weakness was used to increase exposure to these funds. The share price performance of the first two improved in the second half while the latter two continue to disappoint. Confidence remains that SVM Global should revert to its previous performance record over time. In the case of Caledonia, the incoming chief executive stated in his report to shareholders in November that the company will institute a revised strategy to improve performance. This process is likely to take some time to produce results and progress will be monitored closely to evaluate the continuing rationale for investment. European Investment Trust causes less concern as the fund remains undervalued and is invested in markets which having weathered significant headwinds this year appear likely to continue their return to normality in time, as fears over the Euro region subside.

Anglo & Overseas has caused much anguish over the period as both the NAV and share price performance remained firmly rooted at the foot of performance tables. Then, shortly after the year end and after much negotiation, its board announced that it was to propose a merger with its sister trust, EP Global. Despite EP Global also suffering from poor performance, this is a very sensible move as the combined entity will be large enough to attract a wider range of potential investors, the discount control employed by EP Global will protect shareholder interests and cost will be significantly reduced over time. All that remains now is for the manager, Dr Sandy Nairn, to improve the performance back to its earlier historical returns. It is pleasing to note that in many discussions with other stakeholders, the idea of this merger was espoused regularly and, although this took a little longer than expected to execute, it appears to have achieved the correct outcome for shareholders, management and the sector at large.

Shareholders will note that the Company has been invested in two other funds which have caused concern in the recent past. It has been argued here (and in monthly updates, which can be found at <http://www.thecayennetrust.com/factsheet.php>) that both Electric & General and Gartmore Irish Growth had outlived their useful lives as they were structured. It has always been stated that CAML's approach tends to be constructive, rather than aggressive but that does not preclude your managers from actively engaging with boards and advisors of investee companies when it is considered in shareholders best interests to bring about change. A combination of factors brought about the end of Gartmore Irish, not least the departure of its successful manager, Gervais Williams. Once this news was released, it was felt that the only sensible option was to return cash to shareholders. The board eventually agreed with this prognosis and, from that point onwards, all stakeholders have worked towards an orderly wind up to return maximum value to investors. Electric & General, on the other hand, was a longer term issue caused by a persistent and widening discount. Low level talks had been established, but the final timing of the announcement of intention to wind up came as some surprise and occurred before any real engagement with their board. There has been some disquiet within the industry that there is

no tax efficient solution to allow shareholders to continue their investment in a traditional closed end structure and that their only option was to maintain exposure to the management group in an quasi open ended vehicle.

Although there were many winners over the course of the year some holdings are worthy of particular attention. The largest contributor by some margin was Law Debenture Corporation; the Trust's biggest holding for much of the year. With James Henderson at the helm, this trust has enjoyed another good year as James' stock selection appears to be excellent. Meanwhile, under the stewardship of Caroline Banszky, the fiduciary services business appears to be making steady progress and a valuable contribution towards cash flow. If this part of the business were to be held in the books at anything like its true value, the uplift would result in the company trading at a headline discount well in excess of 10%. Most other funds with a comparable track record and yield are currently premium rated so Law Debenture remains undervalued.

With commodities continuing to be in favour, BlackRock World Mining led the way in terms of NAV performance. Despite this, there continues to be a certain sense of frustration that this fund habitually trades at a discount which, as pointed out here last year, is more akin to fourth quartile not first quartile performance. It really is no longer acceptable for such discounts to exist. Indeed, with Retail Distribution Review around the corner, this fund could, with the correct structure, lead the way in promoting the benefits of the investment company sector to an entirely new audience. Perversely, an ongoing discount problem may make this trust less attractive to the relatively unsophisticated market in which all trusts will have to compete for new investors.

Over a year ago, the decision was taken to increase exposure to the technology sector and the preferred route was Polar Capital Technology. Managed by Ben Rogoff, this fund was the Company's best performing position in percentage terms. Exposure to this fund was slightly reduced into strength as the discount narrowed dramatically and the proceeds were reinvested into Herald to diversify risk away from one technology manager. Although Katie Potts, Herald's manager, has enjoyed a slightly better year than Ben Rogoff in performance terms, the share price has lagged a little and still trades above a 17% discount to NAV making the switch sensible.

Also worthy of note is Hansa Trust, which offers a unique proposition within the investment companies sector. Although the majority of Hansa's assets are invested in UK equities, the fortunes of the trust are heavily reliant on prospects of Ocean Wilsons Holdings which represents the other circa 50% of the portfolio. Ocean Wilsons is an investment holding company with two principal subsidiaries: Wilson Sons; which is a Brazilian maritime services and logistics company, and a separate investment company with a diverse portfolio of assets. All three entities trade at significant discounts to their NAV's making this one of the most undervalued constituents in the sector. In addition, under the watchful eye of William Salomon, all three entities have enjoyed a tremendous year on the back of demand for exposure to commodity related businesses in the emerging markets.

Elsewhere, the warrant and subscription share portfolio made a useful contribution to overall results with the Emerging Market and Asian names leading the way. Some profit was taken through the sale of JP Morgan Emerging Market and Invesco Asia subscription shares as markets peaked in the fourth quarter. Exposure to a variety of situations including Asian, Eastern European, Healthcare and UK Equities remain. Should markets continue to push higher, these leveraged instruments should add substantial value to the portfolio. However, with less than 4% of the Company invested in this asset class, losses will be limited in declining markets.

During the year, there was plenty of activity surrounding China Real Estate Opportunities. In January 2010 they sold their joint venture in Tangdao Bay; thereby reducing exposure to development property and alleviating any short term cash flow problems. This cash was used to underwrite a tender for stock from forced sellers but was largely unused as new investors took much of the stock on offer. Subsequent to this, it was announced that the company would change its name to Treasury China Trust and relocate its listing to Singapore. After a disappointing debut in June, the share price finally gained

Investment Manager's Report

continued

some traction towards the end of the year as extensive local marketing finally paid off, with some new investors driving the price back towards the highs achieved in the final days of its London listing. By year-end, the company had paid its first dividend, announced further dividend payments totalling 6% for next year, placed further shares at a premium to the share price (although at a discount to NAV) and entered a joint venture to develop shopping malls outside its Shanghai base. In January 2011 they announced the completion of a 5 year funding package of US\$480 million, sufficient to complete the entire re-development of City Center in Shanghai and US\$120 million to refinance the outstanding debt on Central Plaza. These are all extremely positive developments and should continue to add value and enhance demand for the stock.

Terra Catalyst continued to make steady if not spectacular progress. The realisation of the underlying holding in Spazio requires patience and, as such, this can be a frustrating investment. However, a price appreciation of 20% over the year is satisfactory. It is expected that this upward momentum will accelerate as further cash is received and share buybacks by the company are executed. The initial target price of 100p remains achievable in the medium term and this would represent a further 40% uplift from year end valuations. Success on other fronts, including their sale of IRET Securities and disposals of NR Nordic & Russian Properties, further reinforces the belief that this fund is firmly on the road to recovery.

The Real Estate Opportunities (REO) saga has been covered many times, both here and in monthly reports. The company announced the terms of its long awaited capital reorganisation, in which CAML has played a key role. Holders of CULS and Zero Dividend Preference Shares (ZDPS) will receive shares and warrants in a new entity which will own 50% of Battersea Power Station (BPS). The company, having received planning approval from all relevant authorities, is now seeking a third party investor to purchase the other 50% of the BPS development. Any initial value for shareholders will be dependent on the level and timing of such an injection of fresh capital. A stake in the remaining REO portfolio is also being awarded to CULS and holders of ZDPS, by way of a distribution of REO ordinary shares, to ensure they benefit from any potential significant recovery in the Irish assets.

The recovery in private equity valuations continued throughout 2010 with the portfolio investments making up good ground versus their previous year returns. The two largest holdings by the year end were F&C Private Equity and Pantheon International Participations. Both funds continued to make steady progress throughout the year on a corporate level and this fed through to the share prices accordingly. Despite this rerating, both funds exhibit exceptional value and reduced risk profiles versus twelve months ago. There now seems to be a growing consensus that, as highlighted here many times, outstanding commitments are not in themselves a business risk. It is believed that the managers of these two funds are well in control of their asset and liability management and that, over time, their ratings should return to more sensible levels.

Following the Company's successful placing of new CULS, it had a significant amount of cash on the balance sheet. This coincides with a period of elevated valuations for the majority of equity focused closed end funds and for the market in general. It is expected that this new money will be invested into market or sector weakness and until such opportunities arise, a cautious approach will be adopted. Towards the end of the year, the Company took part in the placing of Edinburgh Dragon CULS. This is an attractive instrument which yielded 3.5% per annum with a seven year maturity. The conversion rate was set at a 10% premium to NAV which represents an acceptable reward / risk profile for exposure to a portfolio of Asian equities but with little capital at risk. It has been noted that other funds are likely to issue CULS in the near future and these are likely to feature in the Company's portfolio if the terms are attractive and the underlying portfolios are of interest.

Cayenne Asset Management Limited

Investment Manager

4 April 2011

Investments in Order of Valuation

at 31 January 2011

(Ordinary shares unless otherwise indicated)

	<i>At Fair Value £'000</i>	<i>% of Portfolio</i>
Listed investments		
Electric & General Investment Trust	3,948	5.41
Apollo Fund (Participating Shares)	3,742	5.13
Law Debenture Corporation	3,524	4.83
Anglo & Overseas Trust	3,075	4.22
Gartmore Irish Growth Fund	2,961	4.06
Edinburgh Dragon Trust 3.5% CULS 31/01/2018	2,595	3.56
3i Group 3.625% CULS 29/05/2011	2,513	3.44
British Empire Securities & General Trust	2,505	3.43
The European Investment Trust	2,278	3.12
Pantheon International Participations	2,166	2.97
F&C Private Equity Trust	2,147	2.94
Treasury China Trust	2,134	2.93
Utilico Investments	2,125	2.91
Terra Catalyst Fund	2,100	2.88
Ecofin Water & Power Opportunities	2,032	2.79
Utilico Emerging Markets Utilities	2,031	2.78
Caledonia Investments	1,969	2.70
BlackRock World Mining Trust	1,887	2.59
Herald Investment Trust	1,667	2.28
Hansa Trust 'A'	1,478	2.03
Schroder Japan Growth Fund	1,361	1.87
JPMorgan Japanese Investment Trust	1,357	1.86
Aseana Properties	1,311	1.80
Polar Capital Technology Trust	1,306	1.79
New Star Investment Trust	1,274	1.75
Pacific Assets Trust	1,272	1.74
SVM Global Fund	1,026	1.41
Treasury 4.25% 07/03/2011	1,004	1.38
Schroder Asia Pacific Fund (Subscription Shares)	641	0.88
Cambium Global Timberland	620	0.85
Perpetual Income & Growth Investment Trust (Subscription Shares)	451	0.62
Worldwide Healthcare Trust (Subscription Shares)	435	0.60
JPMorgan Fleming Overseas Investment Trust	432	0.59
3i Infrastructure	347	0.48
Fidelity Asian Values (Subscription Shares)	329	0.45
3i Infrastructure (Warrants 13/03/2012)	325	0.45
Candover Investments	323	0.44
The Eastern European Trust (Subscription Shares)	275	0.38
Invesco Asia Trust (Subscription Shares)	182	0.25
Schroder UK Growth Fund (Subscription Shares)	171	0.23
Real Estate Opportunities 7.5% CULS 31/05/2011	128	0.18
Real Estate Opportunities (ZDPS 31/05/2011)	120	0.16
BlackRock New Energy Investment Trust (Subscription Shares)	62	0.08
JP Morgan Private Equity (Warrants 30/06/2014)	38	0.05
Ecofin Water & Power Opportunities (Subscription Shares)	15	0.02
Utilico (Warrants 30/04/2012)	1	0.00
Total Investments	63,683	87.31
Derivatives		
FTSE 100 15-Apr-11 put option @ 5900	441	0.60
The Euro Stoxx 50 17-Jun-11 put option @ 2800	211	0.29
S&P 500 Index 18-Jun-11 put option @ 1200	190	0.26
FTSE 100 18-Mar-11 put option @ 5500	129	0.18
S&P 500 Index 19-Mar-11 put option @ 1200	62	0.08
The Euro Stoxx 50 18-Mar-11 put option @ 2650	52	0.07
FTSE 100 Index 18-Mar-11 Future	(32)	(0.04)
	1,053	1.44
Other net current assets	8,205	11.25
Total assets less current liabilities	72,941	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 2011

Introduction

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 January 2011.

The Company is registered in England & Wales under number 2774914. It was incorporated as New City & Commercial Investment Trust plc on 14 December 1992 and changed its name to The Cayenne Trust plc on 31 January 2006. The Company is a member of the Association of Investment Companies ("AIC").

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 Sections 1158/1159 of the Corporation Tax Act 2010. HM Revenue & Customs approval of the Company's status as an investment trust in respect of the year ended 31 January 2010 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 continued to pursue its stated policy of investing in the securities of UK investment trust companies and other closed-ended funds, to give shareholders an interest in a broad spread of underlying investments.

The Company's investments are managed by Cayenne Asset Management Limited ("Cayenne Asset Management").

Investment Policy

Details of the Company's investment policy are set out on page 56.

Business Review

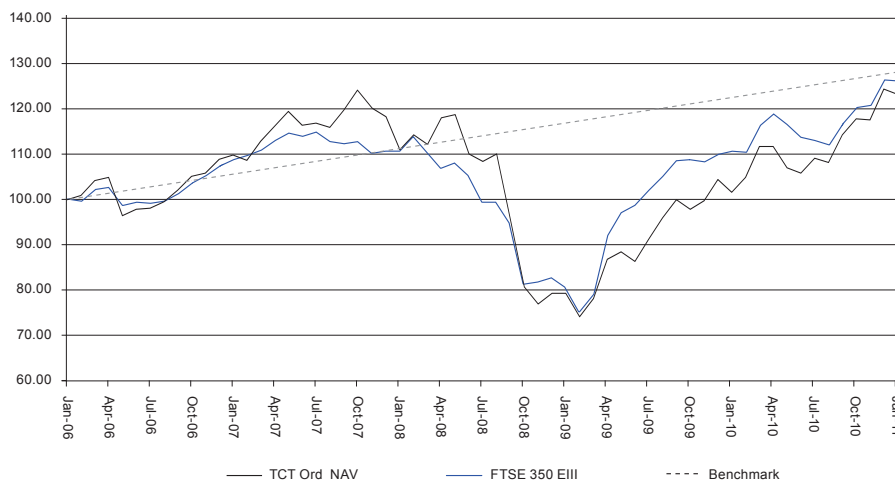
The Chairman's Statement appears on page 5 and the Investment Manager's Report on pages 6 to 8.

The Company aims to achieve consistent positive absolute returns by investing principally in the securities of UK investment trusts and other closed-ended funds. It seeks 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. Details of the activities which have taken place during the year are given in the Chairman's Statement and Investment Manager's Report.

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



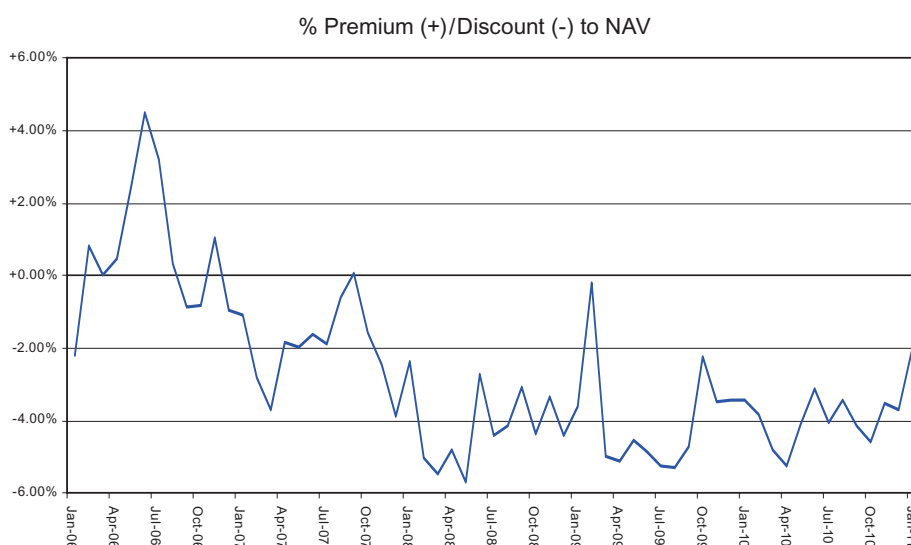
Total expense ratio ('TER')

The total expense ratio 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 31 January 2011 was 1.6% (2010: 1.7%). The Board reviews the TER of the Company regularly and, at least annually, compares 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 Ordinary 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 Ordinary 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 Ordinary shares will be determined by the interaction of supply and demand in the market as well as the NAV per Ordinary 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 Ordinary share.



Source: Winterflood Securities/Thompson Financial Datastream

The market value of the 3.25% Convertible Unsecured Loan Stock 2016 (CULS) is determined by a number of factors, including supply and demand for the CULS, the price, NAV and dividend yield of the Ordinary 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.

Forward currency contracts may from time to time be used to hedge against foreign exchange exposure.

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 which Cayenne Asset Management 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 Ordinary shares and CULS are traded on the London Stock Exchange's Main Market, but it is possible that there may not be a liquid market in them and investors may have difficulty selling such securities. The Company invests in other investment trusts which may suffer from similar liquidity issues at times of volatility and the NAV of the Company may be adversely affected.

Further information on how the Company manages and mitigates risk is given in note 20 on pages 43 to 51.

Taxation

Any change in the Company's tax status, including failure to satisfy the conditions of Sections 1158/1159 of the Corporation Tax Act 2010, 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 ("SORP") 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 now require the Directors to propose an ordinary resolution at the Annual General Meeting of the Company in 2016 and each Annual General Meeting thereafter that the Company should continue as an investment trust. If an ordinary resolution for continuation is not put forward or is not passed at an Annual General Meeting the Directors are obliged to convene, within three months thereafter a 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 28. The Directors are proposing a final dividend of 1.0p (2010: 2.2p) per Ordinary share for the year which, if approved by shareholders at the forthcoming Annual General Meeting, will be payable on 17 June 2011 to holders on the register at the close of business on 27 May 2011 (ex dividend 25 May 2011).

Use of Financial Instruments

The Company's use of financial instruments is disclosed in note 20 to the Financial Statements.

Share Capital, Loan Stock and Subscription shares

At Extraordinary General Meetings of Shareholders and Stockholders respectively held on 24 January 2011, Shareholders and Stockholders approved amendments to the Articles of Association and the Trust Deed constituting the 3.25% Convertible Unsecured Loan Stock 2011 such that the maturity of the CULS was extended to July 2016 ("CULS") and authority was granted for the allotment of up to £10m new CULS. On 28 January 2011 £5,832,900 of CULS were allotted. As a result of the above there is now £15,000,000 in CULS in issue. In addition, whereas the Company had previously been obliged to put a continuation vote to Shareholders at the Annual General Meeting in 2011 and each year thereafter, because of the extended life of the CULS the continuation votes have been deferred to 2016 and each year thereafter.

During the year the Company purchased 1,505,904 (2010: 554,550) Ordinary shares for an aggregate consideration of £1,745,054 (2010: £522,024) 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. It also issued 6,408,666 Ordinary shares for a net consideration of £6,793,186 from the redemption of 6,408,666 Subscription shares. The Company cancelled 265,980 (2010: 487,800) Ordinary shares from treasury and re-issued 3,280,822 (2010: 1,720,000) Ordinary shares held in treasury during the year for aggregate proceeds of £4,100,450, including 2,880 Ordinary shares issued from treasury in consideration of the conversion of £3,900 of CULS. The Ordinary share capital of the Company at the year end amounted to 43,602,910 (2010: 37,460,224) Ordinary shares in issue. At the year end the Company was holding 68,102 (2010: 2,109,000) Ordinary shares in treasury, representing 0.16% of the Ordinary share capital in issue, as a result of which the total voting rights attaching to the issued share capital was 43,534,808 (2010: 35,351,224) votes.

Subsequent to the year end, the Company bought back into treasury a further 922,112 Ordinary shares for an aggregate consideration of £1,176,437. The purchases were made in accordance with the Company's stated discount management policy. In addition, on 2 February 2011, 33,927 Ordinary shares were allotted following the conversion of £40,000 of CULS 2011 and £6,477 of CULS 2016. As a result of these transactions at the date of this report the number of Ordinary shares in issue is 43,602,910, the number of Ordinary shares held in treasury is 956,287 representing 2.19% of the Ordinary shares in issue and the total voting rights attaching to shares in issue is 42,646,623.

At 31 January 2011 the Company still had authority to buy back 3,221,096 Ordinary shares in the market from the authority granted by shareholders at the Annual General Meeting on 10 June 2010 to buy back up to 5,728,675 Ordinary shares. A resolution to renew the authority to buy back shares will be proposed at the forthcoming Annual General Meeting.

On 5 June 2009 the Company issued 6,726,690 Subscription shares as a bonus issue to the Ordinary shareholders on the basis of one Subscription share for every five Ordinary shares held. Each Subscription share conferred the right (but not the obligation) to subscribe for one Ordinary share at a subscription price of 106p per Ordinary share. During the year all of the remaining Subscription shares in issue of 6,408,666 were exercised for a net consideration of £6,793,186, equivalent to 106p per Ordinary share and accordingly the Ordinary capital of the Company increased from 37,460,224 Ordinary shares to 43,602,910 Ordinary shares in issue at the year end.

Details of the Ordinary shares, 3.25% Convertible Unsecured Loan Stock 2016 and Subscription shares are given on pages 3 and 4, and in notes 14 and 15 on pages 39 to 41.

Report of the Directors

continued

At 31 January 2011, the mid-market price and the net asset value per Ordinary share were 130.50p (2010: 114.25p) and 135.34p (2010: 121.46p) respectively. At 31 January 2011, the mid-market price of the CULS was 101.50p (2010: 99.00p).

Substantial Holdings in the Company

At the year end and at 31 March 2011 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:

	<i>Holding</i> 31 January 2011	<i>Ordinary</i> <i>share %</i>	<i>Holding</i> 31 March 2011	<i>Ordinary</i> <i>share %</i>
East Riding of Yorkshire Pension Fund	4,800,000	11.01	4,800,000	11.01
Henderson Global Investors	4,354,998	9.99	4,354,998	9.99
Premier Asset Management	3,494,000	8.01	3,244,000	7.44
Investec Asset Management	2,844,866	6.52	2,844,866	6.52
JPMorgan Asset Management U.K.	2,808,000	6.44	2,808,000	6.44
Reliance Mutual Insurance Society	2,413,372	5.53	2,413,372	5.53
WH Ireland*	2,393,500	5.49	2,393,500	5.49
Philip J Milton & Company	2,081,533	4.77	2,044,399	4.69
Scottish Widows Investment Partnership	2,000,000	4.59	2,000,000	4.59
Brewin Dolphin	1,947,495	4.47	1,756,910	4.03
Jupiter Asset Management	1,848,891	4.24	1,848,891	4.24
South Yorkshire Pensions Authority	1,469,828	3.37	1,469,828	3.37

**Includes 1,880,000 Ordinary shares held for Mr L J Gayler and connected persons.*

Directors

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

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

Directors' Interests

At 31 January 2011 the beneficial interests of the Directors in the share capital of the Company were:

	<i>Ordinary</i> <i>shares</i>		<i>Subscription</i> <i>shares</i>		<i>Convertible</i> <i>Loan Stock</i>	
	2011	2010	2011	2010	2011	2010
Jonathan Agnew	180,000	150,000	n/a	30,000	–	–
Christopher Jones	24,000	20,000	n/a	4,000	–	–
Sir Laurence Magnus	130,378	116,982	n/a	13,396	60,000	35,000

No changes in the above interests occurred between 31 January 2011 and 31 March 2011.

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 Jones is a director of Ecofin Water & Power Opportunities plc ("EWPO"), in which the Company has investments. Accordingly he refrains from participating in discussions relating to the Company's investments in this company. In the circumstances the Board is satisfied that his position as a director of this company does not impair his impartiality or independence in relation to the affairs of the Company, nor does it generate a direct conflict of interest as decisions on individual investments are delegated to the Investment Manager. The Board has accordingly authorised the potential conflict of interest which this directorship 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 on 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).

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. During the year the Subscription shares, issued by the Company in June 2009, were exercised in full and this resulted in a dilution to the NAV per share. In order not to disadvantage the Manager, the high water mark has been adjusted to account for the dilution of the Subscription shares. The revised high water mark for the year to 31 January 2010 has been amended from 139.12p to 134.16p and for the year to 31 January 2011 has been amended from 146.07p to 140.87p. This transaction constituted a related party transaction under the Listing Rules. For the year to 31 January 2012 the high water mark is 147.91p.

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 is of the opinion 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 Company Secretary and 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 on six months' notice by either side.

Revisions of the services provided by these third parties are also undertaken at least annually. The Board is currently satisfied with the level of service it receives.

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 (2009: nil).

Employees, Social and Environmental matters

The Company has no employees or premises. Since the business of the Company is to invest in a broad range of equities, as set out in the Investment Policy on page 56, it has no direct social or environmental impact from its operations.

Corporate Governance

The Company's statement on corporate governance, which forms part of this Report, can be found on pages 20 to 24.

Report of the Directors

continued

Articles of Association

At a General Meeting of the Company, held on 24 January 2011, shareholders approved amendments to the Articles of Association in relation to the extension of the life of the Company to 2016 and the amendments to the terms of the CULS. A copy of the new Articles of Association has been filed with the Registrar of companies.

Going concern

The Directors have assessed the Company's current sources of finance, the majority of its assets being readily realisable securities traded on recognised stock exchanges, and the projected expenses of the Company for the next twelve months. As a result of this assessment, the Directors are satisfied that the Company's resources are adequate to enable it to meet its liabilities and continue in business for the foreseeable future, and accordingly it is appropriate to prepare the Company's financial statements on a going concern basis.

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.

The Audit Committee recommended approval by the Board of an audit fee of £19,800, inclusive 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 £4,200, inclusive of VAT, has been agreed. The Audit Committee has reviewed the objectivity and independence of the external auditor, BDO 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 LLP as auditors for the year to 31 January 2012, be put to the forthcoming Annual General Meeting.

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 2006) 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 418 of the Companies Act 2006.

Auditors

A resolution to re-appoint BDO LLP as the Company's auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting to be held on 7 June 2011.

Directors' Responsibility Statements

The Statement of Directors' Responsibilities, and Directors' Confirmation Statement as required under the UKLA's Disclosure and Transparency Rule DTR4.1.12R can be found on page 25.

Special business at the Annual General Meeting

At the forthcoming Annual General Meeting, the following Special Resolutions will be proposed.

Resolution 6 – this resolution empowers the Directors to issue equity securities of the Company pursuant to the authorisation conferred by ordinary resolution of the Company passed on 7 May 2008 without the statutory pre-emption rights set out in Section 561 of the Companies Act 2006 (the “Act”) applying. The authority granted by this resolution is limited to the issue of Ordinary shares up to an aggregate nominal amount of £545,030 being approximately 5% of the Ordinary share capital currently in issue. This authority will expire at the earlier of the date 15 months from the date the resolution is passed, or the conclusion of the Annual General Meeting in 2012. New Ordinary shares would not be issued at a price that is less than the prevailing net asset value.

Resolution 7 – this resolution empowers the Directors to sell or allot Ordinary shares held by the Company in treasury without the statutory pre-emption rights set out in Section 561 of the Act applying, for cash at prices not exceeding 5% below the net asset value per Ordinary share for the business day immediately preceding the sale or allotment by the Company.

Resolution 8 – the Directors propose to seek approval for the Company to purchase its own Ordinary shares in the market as permitted by the Act. The authority granted by this resolution is limited to a maximum of 6,536,076 Ordinary shares, being approximately 14.99% of the Ordinary share capital currently in issue, and the resolution sets the maximum and minimum prices that may be paid by the Company. The authority, if granted, will only be exercised in accordance with the Company’s stated buy back policy and where the Board considers it to be in the interests of Shareholders generally. Any shares purchased pursuant to this authority will be cancelled or held in treasury by the Company at the discretion of the Directors. The authority will expire at the earlier of the date 15 months from the date the resolution is passed, or the conclusion of the Annual General Meeting in 2012.

Resolution 9 – section 307A of the Act permits traded companies to call meetings other than annual general meetings on 14 days’ notice provided certain conditions are met, including that Shareholders have approved the calling of meetings on 14 days’ notice at the immediately preceding Annual General Meeting. Resolution 9, if passed, provides the Company with such approval.

Resolution 10 – this resolution relates to the adoption of new Articles of Association. Although sections of the Company’s existing Articles have been revised previously, a number of the provisions require amendment in order to reflect current law and practice introduced through full implementation of the Act. New Articles accommodating the provisions of the Act will accordingly be tabled at the meeting for adoption by Shareholders as the new Articles of Association of the Company in substitution for the existing Articles. A summary of the principal changes to the Articles can be found in the Appendix on pages 58 and 59. The proposed new Articles showing all of the changes proposed will be available for inspection from the date of this Annual Report until the close of the Annual General Meeting at the offices of Maclay Murray & Spens LLP, One London Wall, London EC2Y 5AB and at the place of the Annual General Meeting for at least 15 minutes before and during the meeting.

The Board does not have any immediate plans to allot shares or call a meeting on short notice, and would only exercise the powers granted above 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.

Recommendation

The Directors consider the Resolutions to be put to the Annual General Meeting to be in the best interests of the Company and its members as a whole and recommend that shareholders vote in favour of them, as they themselves intend to do in respect of their own beneficial shareholdings amounting to 334,378 Ordinary shares. Any shareholder who is in doubt of the action they should take should consult their own independent financial advisor.

By order of the Board

Phoenix Administration Services Limited

Company Secretary

4 April 2011

The Cayenne Trust plc, registered in England and Wales, No: 2774914

Directors' Remuneration Report

for the year ended 31 January 2011

The Company has prepared this Remuneration Report in accordance with the requirements of Section 421 of the Companies Act 2006. 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 26 and 27.

The Company has no employees other than the non-executive Directors listed below. As the Company has no executive Directors it is exempt from the provisions relating to executive Directors remuneration under the Combined Code of Corporate Governance.

Remuneration Responsibilities

The Board has 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.

During the financial year the annual fees payable to the Directors have been at a rate of £23,000 (Chairman of the Board), £17,500 (Audit Committee Chairman) and £15,000 (Other Directors). With effect from 1 February 2011 the annual fees payable to the Directors were increased to a rate of £25,000, £19,000 and £16,500 respectively.

Policy on Directors' Remuneration

The Board's policy is that the remuneration of non-executive Directors should be fair and reasonable in relation to the responsibilities involved, and the commitment required when compared with other investment trusts. It is intended that this policy will continue for the year ending 31 January 2012.

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).

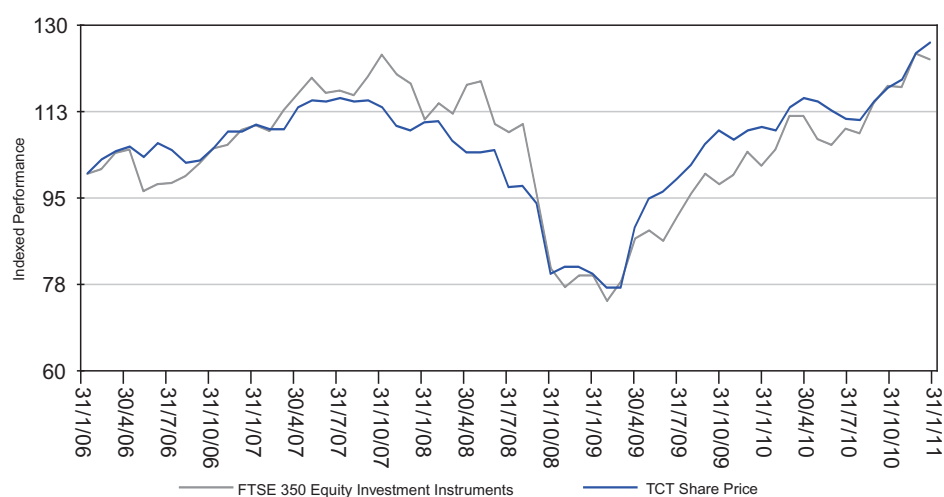
Directors' Service Contracts

It is the Board's policy that none of the Directors has 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.

Your Company's Performance

Regulations 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 comparator, for the period since inception as The Cayenne Trust plc.



Source: Winterflood Securities, Thomson Reuters

Directors' Emoluments (audited)

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

	2011	2010
	£'000	£'000
Jonathan Agnew	23.0	23.0
Christopher Jones	15.0	15.0
Sir Laurence Magnus	17.5	17.5
Total	55.5	55.5

Of the Directors' emoluments detailed above nil was paid to third parties (2010: nil).

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 4 April 2011.

By order of the Board

Phoenix Administration Services Limited

Company Secretary

4 April 2011

Corporate Governance Statement

Directors' Statement of Compliance with the Combined Code on Corporate Governance published by the Financial Reporting Council in 2008 ("the Code") and the AIC Corporate Governance Code published by the Association of Investment Companies (AIC) in 2010 ("the AIC Code")

The Principles

The Directors believe that, during the period under review, they have complied with the provisions of section 1 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 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 companies. There is some overlap in the principles laid down by the two Codes and areas where the AIC Code is more tailored 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 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 report on proxy voting 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 considered to be 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 a potential conflict of Mr Jones is given on page 14.

Chairman

The Chairman is Mr Jonathan Agnew. He is non-executive, independent of the Investment Manager, and has no conflicting relationships.

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 or Deputy Chairman as recommended by the AIC Code. All Directors are available to shareholders should they have any 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 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.

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 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, which are publicly available at Companies House. They comprise the right to exercise all the powers of the Company including inter-alia: to issue shares, purchase shares, hold shares in treasury and re-issue and sell shares from treasury; to borrow; to provide awards, annuities and other benefits for Directors and employees; to purchase and maintain policies of insurance; and to provide indemnities to Directors and Officers of the Company. There are no specific rules relating to the exercise of the powers of the Directors.

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 liaises with major shareholders on behalf of the Board.

Company Secretary

All Directors have 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. These 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, and Directors' letters of appointment, provide that the Directors may, by notice in writing, remove any Director from the Board without compensation.

This year Mr Christopher Jones retires by rotation and offers himself for re-election at the 2011 AGM. The Board, having reviewed his performance, considers that Mr Jones provides valuable contributions to its deliberations and accordingly recommends that Shareholders vote in favour of his re-election.

Corporate Governance Statement

continued

Directors' Remuneration

Details of the Company's policy on remuneration and of payments to Directors are given in the Directors' Remuneration Report on pages 18 and 19.

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 Directors 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. Because the Board is small, appraisals are only carried out bi-annually shortly after year ends.

Accountability and Audit

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 25. The Auditors' Report appears on pages 26 and 27.

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 obtained from 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. The Audit Committee satisfies itself as to the external auditor's independence by requiring the auditor to confirm that any partners and staff providing non-audit work are not also engaged in providing services in relation to the statutory audit of the Company's financial affairs.

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

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.

As the Company outsources all of its operational and accounting functions to independent third parties, its own system of internal control and risk management revolves principally around ensuring that those service providers maintain adequate and effective controls at all times. The Audit Committee has identified various risks which could materially impact on the affairs of the Company, and the effectiveness of the controls over these are reviewed by the Committee twice annually. The Company's independent

external auditor, BDO LLP, will bring any significant control weaknesses they identify during their audit to the attention of the Board so that such action as may be necessary, if any, can be taken.

The Secretary and Administrator, Phoenix Administration Service Limited, ensures that the Company is compliant with all applicable financial reporting and regulatory requirements. Representatives of BDO LLP and Phoenix attend the meeting of the Audit Committee at which the Annual Report & Accounts are tabled for review prior to release to shareholders.

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.

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 35. 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 statutory audit function.

The Management Engagement Responsibilities

As the Board only comprises three Directors, 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:

	<i>Board</i>	<i>Audit Committee</i>	<i>Management Engagement Committee</i>
<i>Number of meetings held</i>	6	3	1
Jonathan Agnew	6	3	1
Christopher Jones	5	2	–
Sir Laurence Magnus	6	3	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, financial statements 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 as appropriate.

Corporate Governance Statement

continued

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, Subscription shares, and 3.25% Convertible Unsecured Loan Stock 2016 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, nor produces any carbon footprint in its own right. The Board, through the Investment Manager, uses its voting rights and contact with senior executives of investee companies to make its views known where it has any concerns on social or environmental matters.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each year. Under that law the Directors are required to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Company and of the profit or loss for that period. 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- b) the annual report, and 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 2011 which comprise of the Income Statement, the Reconciliation of Movement in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2011 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out in the directors' report, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Neil Fung-On (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

London

United Kingdom

4 April 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

for the year ended 31 January

	Notes	Revenue £'000	2011 Capital £'000	Total £'000	Revenue £'000	2010 Capital £'000	Total £'000
Gains on investments held at fair value	10	-	11,361	11,361	-	14,906	14,906
Current assets held at fair value:							
Losses on futures contracts		-	(2,498)	(2,498)	-	(2,910)	(2,910)
Losses on listed put options		-	(1,362)	(1,362)	-	(348)	(348)
Gains on forward currency contracts		-	8	8	-	107	107
Exchange differences		-	(5)	(5)	-	8	8
Investment and other income	2	1,014	-	1,014	1,328	-	1,328
Investment management fee	3	(114)	(459)	(573)	(89)	(357)	(446)
VAT refund on management fees		-	-	-	73	73	146
Other expenses	4	(343)	(24)	(367)	(326)	(8)	(334)
Net return before finance costs and taxation		557	7,021	7,578	986	11,471	12,457
Interest payable and similar charges	5	(106)	(423)	(529)	(102)	(405)	(507)
Return on ordinary activities before taxation		451	6,598	7,049	884	11,066	11,950
Tax on ordinary activities	7	-	-	-	-	-	-
Return on ordinary activities after taxation		451	6,598	7,049	884	11,066	11,950
Return per Ordinary share:							
Basic	9a	1.14p	16.69p	17.83p	2.61p	32.61p	35.22p
Diluted	9b	1.14p	15.33p	16.54p	2.42p	28.18p	30.60p

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	Ordinary	Sub-	Share	Special	Redemption	Equity		Capital	Revenue	Total
	Share	scription				Capital	Component			
	Capital	Share	Premium	Reserve	Reserve	CULS	Reserve	Reserve		
	£'000	£'000	£'000	£'000	£'000	2011/2016	£'000	£'000	£'000	£'000
At 31 January 2010	9,365	64	9,684	18,983	1,336	1,065	1,138	1,303	42,938	
Redemption of Subscription shares	15	-	(64)	-	(64)	64	-	-	-	(64)
Issue of new Ordinary shares from redemption of Subscription shares	15	1,602	-	5,255	-	-	-	-	-	6,857
Issue of new Ordinary shares from conversion of CULS 2011	15	-	-	1	3	-	(1)	-	-	3
Issue of CULS 2016	15	-	-	-	-	-	617	-	-	617
Ordinary shares bought back and held in treasury		-	-	-	(1,745)	-	-	-	-	(1,745)
Ordinary shares cancelled out of treasury	15	(67)	-	-	-	67	-	-	-	-
Ordinary shares re-issued out of treasury		-	-	613	3,485	-	-	-	-	4,098
Net return from ordinary activities		-	-	-	-	-	-	6,598	451	7,049
Final dividend paid year ended 31 January 2010	8	-	-	-	-	-	-	-	(835)	(835)
At 31 January 2011	10,900	-	15,553	20,662	1,467	1,681	7,736	919	58,918	

Notes	Ordinary	Sub-	Share	Special	Redemption	Equity		Capital	Revenue	Total
	Share	scription				Capital	Component			
	Capital	Share	Premium	Reserve	Reserve	CULS	Reserve	Reserve		
	£'000	£'000	£'000	£'000	£'000	2011	£'000	£'000	£'000	£'000
At 31 January 2009	9,407	-	9,192	18,045	1,212	1,065	(9,928)	890	29,883	
Issue of Subscription shares		-	67	-	(67)	-	-	-	-	-
Expenses relating to the issue of Subscription shares		-	-	-	(185)	-	-	-	-	(185)
Redemption of Subscription shares		-	(3)	-	(3)	3	-	-	-	(3)
Issue of new Ordinary shares from redemption of Subscription shares		79	-	261	-	-	-	-	-	340
Ordinary shares bought back and held in treasury		-	-	-	(522)	-	-	-	-	(522)
Ordinary shares cancelled out of treasury		(121)	-	-	-	121	-	-	-	-
Ordinary shares re-issued out of treasury		-	-	231	1,715	-	-	-	-	1,946
Net return from ordinary activities		-	-	-	-	-	-	11,066	884	11,950
Final dividend paid year ended 31 January 2009	8	-	-	-	-	-	-	-	(471)	(471)
At 31 January 2010	9,365	64	9,684	18,983	1,336	1,065	1,138	1,303	42,938	

The accompanying notes are an integral part of this statement

Balance Sheet

as at 31 January

	Notes	2011 £'000	2010 £'000
Fixed Assets			
Investments held at fair value through profit or loss	10	<u>63,683</u>	<u>47,221</u>
Current Assets			
Listed put options held at fair value through profit or loss		1,085	1,057
Futures contracts held at fair value through profit or loss		–	235
Forward currency contracts held at fair value through profit or loss		7,000	–
Debtors	12	64	761
Cash at bank		<u>8,627</u>	<u>3,068</u>
		<u>16,776</u>	<u>5,121</u>
Creditors: amounts falling due within one year			
Futures contracts held at fair value through profit or loss		(32)	–
Forward currency contracts held at fair value through profit or loss		(6,992)	–
Other creditors	13	<u>(494)</u>	<u>(568)</u>
		<u>(7,518)</u>	<u>(568)</u>
Net current assets		<u>9,258</u>	<u>4,553</u>
Total assets less current liabilities		<u>72,941</u>	<u>51,774</u>
Creditors: amounts falling due after more than one year			
3.25% Convertible Unsecured Loan Stock 2016/2011	14	<u>(14,023)</u>	<u>(8,836)</u>
Net assets		<u>58,918</u>	<u>42,938</u>
Capital and reserves			
Ordinary share capital	15	10,900	9,365
Subscription share capital	15	–	64
Share premium account		15,553	9,684
Other reserves:			
Special reserve		20,662	18,983
Capital redemption reserve		1,467	1,336
Equity component 3.25% Convertible Unsecured Loan Stock 2016/2011		1,681	1,065
Capital reserve	11	7,736	1,138
Revenue reserve		<u>919</u>	<u>1,303</u>
Equity Shareholders' funds		<u>58,918</u>	<u>42,938</u>
Net asset value per Ordinary share:			
Basic	16	135.34p	121.46p
Diluted	16	135.34p	119.09p

These financial statements for The Cayenne Trust plc (registered in England and Wales No: 2774914) were approved by the Board of Directors on 4 April 2011.

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	2011 £'000	2010 £'000
Net cash outflow from operating activities	17(a)	(2,783)	(3,659)
Servicing of finance	17(b)	(308)	(298)
Financial investment	17(b)	(5,242)	4,943
Equity dividends paid		(835)	(471)
Net cash (outflow)/inflow before financing		(9,168)	515
Financing			
Shares bought back and held in treasury		(1,745)	(522)
Re-issue of Ordinary shares from treasury		4,098	1,946
Redemption of Subscription shares and issue of Ordinary shares		6,793	337
Expenses relating to the issue, and conversions, of Subscription shares		–	(185)
Issue of 3.25% Convertible Unsecured Loan Stock 2016		5,586	–
Increase in cash during the year		5,564	2,091
Reconciliation of net cash flow to movement in net debt			
Increase in cash during the year		5,564	2,091
Exchange movements		(5)	8
Issue of 3.25% Convertible Unsecured Loan Stock 2016		(5,586)	–
Non-cash flow movements:			
Equity Element of 3.25% Convertible Unsecured Loan Stock 2016		617	–
Redemption of Convertible Unsecured Loan Stock 2011		3	–
Notional interest charge on 3.25% Convertible Unsecured Loan Stock 2011 – income		(44)	(42)
Notional interest charge on 3.25% Convertible Unsecured Loan Stock 2011 – capital		(175)	(167)
Notional interest charge on 3.25% Convertible Unsecured Loan Stock 2016 – income		–	–
Notional interest charge on 3.25% Convertible Unsecured Loan Stock 2016 – capital		(2)	–
Change in net debt		372	1,890
Opening net debt		(5,768)	(7,658)
Closing net debt	17(c)	(5,396)	(5,768)

The accompanying notes are an integral part of this statement

Notes to the Financial Statements

for the year ended 31 January 2011

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 2010.

a) Basis of accounting

The financial statements have been prepared under the historical cost convention under the Companies Act 2006 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 at 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 options and futures contracts

Listed put options and futures contracts are classified at fair value through profit or loss and fall within the classification of held for trading under FRS 26. The fair value is the applicable closing 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

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. The costs relating to the modification and placing of the 3.25% Convertible Unsecured Loan Stock will be amortised and recognised within interest charges on a straight line basis over the remaining life of the CULS.

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 gain 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 as capital items in the income statement. Gains/losses assigned to the conversion option are recognised directly in equity.

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 recognised 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.

Notes to the Financial Statements

*continued***l) Capital Reserve**

The following are taken to this reserve:

Other

- Gains and losses on the disposal of investments
- Exchange differences of a capital nature
- Expenses, together with the related taxation effect, allocated to this reserve in accordance with the above policies

Investment holding gains

- Increase and decrease in the valuation of investments held at the year end.

2. Investment and other income

	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
Income from investments		
UK dividends	651	762
Unfranked investment income	182	198
UK fixed interest	171	308
Short term investment fund income	10	10
	1,014	1,278
Other income		
Interest received re VAT refund on management fees	–	50
Total income	1,014	1,328
Total income comprises:		
Dividends	833	960
Interest	181	368
	1,014	1,328

There were no special dividends treated as capital received during the year (2010: nil).

3. Investment management fee

	<i>2011</i>			<i>2010</i>		
	<i>Revenue</i>	<i>Capital</i>	<i>Total</i>	<i>Revenue</i>	<i>Capital</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Investment management fee	114	459	573	89	357	446

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 2011 the Company held 155.02 shares in the Apollo Fund at a total cost of £2,886,209 and a market value of £3,742,216.

As at 31 January 2011 £160,119 (2010: £122,287) was due for payment in respect of management fees. There was no liability for performance fees (2010: nil).

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

4. Other expenses

	2011	2010
	£'000	£'000
Administration fee	105	99
Directors' emoluments	56	56
Auditors' remuneration for:		
– annual audit	20	19
– taxation	4	3
Custodian fees	7	7
Printing fees	18	14
Directors' liability insurance	12	16
London Stock Exchange/FSA fees	25	17
Brokerage fees	30	28
Registrar's fees	20	18
Employer's national insurance contributions	6	6
Other support services	40	43
	343	326

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

Of the Directors' fees disclosed above, nil was payable to third parties in respect of making available the services of Directors (2010: nil).

In addition to the above, a further £24,000 of capital related expenses were charged to capital reserves (2010: £8,000).

5. Interest payable and similar charges

	Revenue	2011	Total	Revenue	2010	Total
	£'000	Capital	£'000	£'000	Capital	£'000
Interest on 3.25% Convertible Unsecured Loan Stock 2011	103	414	518	102	405	507
Interest on 3.25% Convertible Unsecured Loan Stock 2016	2	5	6	–	–	–
Overdraft interest	1	4	5	–	–	–
	106	423	529	102	405	507

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 total assets (excluding any investment in Apollo) payable quarterly in arrears, and an annual performance fee equivalent to 10% of the outperformance of a hurdle rate of 5% per annum on a total return basis, subject to a high water mark.

Notes to the Financial Statements

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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 and company secretarial services to the Company, for which Phoenix receives an annual fee of £90,000 plus VAT.

7. Tax on ordinary activities

Factors effecting tax charge for the year

	<i>2011</i>	<i>2010</i>
	£'000	£'000
Return on ordinary activities before taxation	7,049	11,950
Reconciliation of current tax charge		
Theoretical tax at UK Corporation Tax rate of 28%	1,974	3,346
Effects of:		
– Capital gains which are not taxable	(2,045)	(3,099)
– UK dividends which are not taxable	(182)	(213)
– Overseas dividends which are not taxable	(51)	(45)
– Expenses not deductible for tax purposes	12	12
– Current year losses not utilised	292	(1)
Actual current tax amount	–	–

As allowable and utilised excess expenses exceeded taxable income for the year, no corporation tax is payable for the year (2010: nil).

Factors that may affect future tax charges

The Company has excess management expenses and non-trading loan relationship deficits of £14,200,200 (2010: £13,157,000) 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

	<i>2011</i>	<i>2010</i>
	£'000	£'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 January 2010 of 2.2p per share (2009: 1.4p per share)	835	471

For the year ended 31 January 2011 the directors recommend a final dividend of 1.0p per share.

9. Return per Ordinary share**(a) Basic earnings**

	<i>2011</i>	<i>2010</i>
Total earnings per Ordinary share		
Total earnings	£7,049,000	£11,950,000
Weighted average number of Ordinary shares in issue during the year	39,542,203	33,928,514
Total earnings per Ordinary share	<u>17.83p</u>	<u>35.22p</u>

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

Revenue earnings per Ordinary share

Revenue earnings	£451,000	£884,000
Weighted average number of Ordinary shares in issue during the year	39,542,203	33,928,514
Revenue earnings per Ordinary share	<u>1.14p</u>	<u>2.61p</u>

Capital earnings per Ordinary share

Capital earnings	£6,598,000	£11,066,000
Weighted average number of Ordinary shares in issue during the year	39,542,203	33,928,514
Capital earnings per Ordinary share	<u>16.69p</u>	<u>32.61p</u>

(b) Diluted earnings*Year ended 31 January 2011*

The capital and total earnings (but not the revenue) for the year ended 31 January 2011 are diluted. The diluted capital and total earnings per Ordinary share have been calculated on the assumption that the 3.25% Convertible Unsecured Loan Stock 2016 was fully converted on the first day of the financial period. This would have resulted in a weighted average of 45,785,812 Ordinary shares in issue and capital earnings on ordinary activities after taxation of £7,018,000 and total earnings on ordinary activities after taxation of £7,573,000 after adding back finance costs of £419,000 and £524,000 respectively. The diluted capital earnings per Ordinary share of 15.33p and the diluted total earnings per Ordinary share of 16.54p reflect the savings in finance costs of the loan stock. The diluted revenue earnings per Ordinary share are therefore equal to the basic returns per Ordinary share.

Year ended 31 January 2010

The diluted earnings per Ordinary share have 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. This would have resulted in a weighted average of 40,701,298 Ordinary shares in issue and revenue earnings on ordinary activities after taxation of £986,000, capital earnings on ordinary activities after taxation of £11,471,000 and total earnings on ordinary activities after taxation of £12,457,000 after adding back finance costs of £102,000, £405,000 and £507,000 respectively. The diluted earnings per Ordinary share of 2.42p, 28.18p and 30.60p respectively reflect the savings in finance costs of the loan stock. The unexercised Subscription shares had no dilutive effect on the earnings per Ordinary share.

Notes to the Financial Statements

*continued***10. Investments**

	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
(a) Analysis of investments by listing status		
Investments listed on a recognised stock exchange		
– Equities	54,518	37,494
– Fixed Interest bearing securities	6,240	7,336
– Subscription shares	2,561	1,962
– Warrants	364	429
	<u>63,683</u>	<u>47,221</u>
(b) Analysis of investment gains		
Opening book cost	48,314	53,795
Opening investment holding losses	(1,093)	(16,583)
	<u>47,221</u>	<u>37,212</u>
Opening valuation		
Movements in the year:		
Purchases at cost	31,308	32,182
Sales – proceeds	(26,207)	(37,079)
– gains/(losses) on sales	3,219	(584)
Investment holding increase in fair value	8,142	15,490
	<u>63,683</u>	<u>47,221</u>
Closing valuation		
Closing book cost	56,634	48,314
Closing investment holding gains/(losses)	7,049	(1,093)
	<u>63,683</u>	<u>47,221</u>
Sales proceeds	26,207	37,079
Investments at cost	(22,988)	(37,663)
	<u>3,219</u>	<u>(584)</u>
Gains/(losses) on sales based on historical cost	(798)	7,169
Investment holding (losses)/gains recognised in previous year		
	<u>3,219</u>	<u>(584)</u>
Gains on sales based on carrying value at previous years balance sheet date	2,421	6,585
Investment holding gains for the year	8,940	8,321
	<u>11,361</u>	<u>14,906</u>
Net gains on investments		

(c) Transaction costs

Investment transaction costs on purchases and sales of investments during the year to 31 January 2011, amount to £183,000 and £56,000 respectively (2010: £172,000 and £58,000 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.

11. Capital reserve

The capital reserve includes investment holding gains of £7,049,000 (2010: losses £1,093,000).

The institute of Chartered Accountants in England and Wales has issued guidance stating that profits arising out of a change in fair value of assets, recognised in accordance with Accounting Standards, may be distributed provided the relevant assets can be readily convertible into cash. In accordance with the Company's status as a UK investment company under section 833 of the Companies Act 2006, the capital reserve may not be distributed by way of dividend, but may be utilised for the purposes of share buy backs. Securities listed on a recognised stock exchange are generally regarded as being readily convertible into cash. In order to maintain investment trust status, the company may only distribute by way of dividend accumulated revenue profits.

12. Debtors

	<i>2011</i> £'000	<i>2010</i> £'000
Amounts due from brokers	–	200
Prepayments and accrued income	64	561
	64	761

13. Creditors: amounts falling due within one year

	<i>2011</i> £'000	<i>2010</i> £'000
Amounts due to brokers	53	394
Accruals and deferred income	441	174
	494	568

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

	<i>2011</i>		<i>2010</i>	
	<i>No. of units</i> <i>000's</i>	<i>£'000</i>	<i>No. of units</i> <i>000's</i>	<i>£'000</i>
Balance at beginning of year	9,171	8,836	9,171	8,627
Conversion of 3.25% Convertible Unsecured Loan Stock 2011 into Ordinary shares	(4)	(3)	–	–
Finance charge to the Income Statement (see note 1f)	–	219	–	209
Modification of 3.25% Convertible Unsecured Loan Stock 2011 into 3.25% Convertible Unsecured Loan Stock 2016	(9,167)	(9,052)		
Balance at end of year	–	–	9,171	8,836

Notes to the Financial Statements

*continued***3.25% Convertible Unsecured Loan Stock 2016**

	2011		2010	
	No. of units 000's	£'000	No. of units 000's	£'000
Balance at beginning of year	–	–	–	–
Modification of 3.25% Convertible Unsecured Loan Stock 2011 into 3.25% Convertible Unsecured Loan Stock 2016	9,167	9,052	–	–
Issue of 3.25% Convertible Unsecured Loan Stock 2016	5,833	5,216	–	–
Expenses for issue of 3.25% Convertible Unsecured Loan Stock 2016		(247)	–	–
Finance charge to the Income Statement (see note 1f)	–	2	–	–
Balance at end of year	15,000	14,023	–	–

On 25 April 2006 the Company issued a 3.25% Convertible Unsecured Loan Stock 2011 (“CULS”) for a nominal value of £10,000,000 which could have been converted twice a year into Ordinary shares during the months of January and July commencing January 2008, the final conversion date being 31 July 2011. The CULS were convertible at a rate of 70.77 Ordinary shares for every £100 nominal of CULS. As a result of the issue of Subscription shares on 5 June 2009, the conversion ratio of the CULS was adjusted from 70.77 Ordinary shares for every £100 nominal of CULS to 73.85 Ordinary shares for every £100 nominal of CULS. Interest was paid on the CULS on 31 January and 31 July each year. The interest was 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 redeemed 3,900 units of the CULS and issued 2,880 Ordinary shares from treasury for a net notional consideration of £3,022.

On 24 January 2011 Shareholders and Stockholders approved the modification of the existing CULS to 3.25% Convertible Unsecured Loan Stock 2016 (“CULS 2016”). The Company has accounted for the extension of the liability as a modification, in accordance with the provisions of FRS 26. For accounting purposes a new effective interest rate calculated over the remaining term of the new CULS is applied to the carrying value of the debt of £9,052,000.

On 24 January 2011 Shareholders and Stockholders also approved the issue of an additional 5,832,900 units of CULS 2016 bringing the total number of CULS 2016 in issue at 31 January 2011 to 15,000,000 units. These can be converted into Ordinary shares four times a year during the months of January, April, July and October commencing April 2011, the final conversion date being 31 July 2016. The CULS are convertible at a rate of 67.74 Ordinary shares for every £100 nominal of CULS. Interest is paid on the CULS on 31 January, 30 April, 31 July and 31 October each year. The interest 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.

The costs relating to the modification and placing of the CULS will be amortised and recognised within interest charges on a straight line basis over the remaining term of the CULS.

15. Called-up share capital

	2011	<i>2010</i>
	£'000	<i>£'000</i>
Authorised:		
220,000,000 Ordinary shares of 25p each (2010: 220,000,000)	55,000	55,000
Nil Subscription shares of 1p each (2010: 15,000,000)	–	150
Called-up and fully paid:		
43,602,910 Ordinary shares of 25p each (2010: 37,460,224)	10,900	9,365
Nil Subscription shares of 1p each (2010: 6,408,666)	–	64

	<i>Number of Ordinary shares</i>	<i>Ordinary share capital £'000</i>	<i>Number of Subscription shares</i>	<i>Subscription share capital £'000</i>
Balance at beginning of year	37,460,224	9,365	6,408,666	64
Shares bought back and cancelled during the year	(265,980)	(67)	–	–
Issue of new Ordinary shares from redemption of Subscription shares	6,408,666	1,602	(6,408,666)	(64)
Balance at end of year	<u>43,602,910</u>	<u>10,900</u>	<u>–</u>	<u>–</u>

During the year 1,505,904 (2010: 554,550) Ordinary shares were bought back and placed in treasury for an aggregate consideration of £1,745,054 (2010: 522,024) and 3,280,822 (2010: 1,720,000) Ordinary shares held in treasury were re-issued into the market with aggregate proceeds of £4,100,450 (2010: £1,946,275). 265,980 (2010: 487,800) Ordinary shares have been cancelled out of treasury. On 5 June 2009 the Company issued 6,726,690 Subscription shares as a bonus issue to the Ordinary shareholders on the basis of one Subscription share for every five Ordinary shares held. Each Subscription share conferred the right (but not the obligation) to subscribe for one Ordinary share at a subscription price of 106p per Ordinary share. During the year the Company redeemed 6,408,666 Subscription shares and issued 6,408,666 Ordinary shares for a net consideration of £6,793,186.

The Ordinary shares in issue at the year end includes 68,102 Ordinary shares held in treasury (2010: 2,109,000). See note 21 for details of transactions in the Company's own shares since the year end.

16. Net asset value per Ordinary share

	2011	<i>2010</i>
Net asset values attributable	£58,918,000	£42,938,000
Ordinary shares in issue at the year end	43,534,808	35,351,224
Basic net asset value per Ordinary share	<u>135.34p</u>	<u>121.46p</u>

The basic net asset value per Ordinary share is based on net assets of £58,918,000 which includes the deduction of the liability component of the 3.25% Convertible Unsecured Loan Stock 2016 and on 43,534,808 Ordinary shares being the number of Ordinary shares in issue at the year end, excluding 68,102 Ordinary shares held in treasury.

The 3.25% Convertible Unsecured Loan Stock 2016 has no 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.

Notes to the Financial Statements

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

	<i>2011</i>	<i>2010</i>
Total assets less current liabilities (per the balance sheet)	£72,941,000	£51,774,000
Redemption value of 3.25% Convertible Unsecured Loan Stock 2016/2011	<u>£(14,754,000)</u>	<u>£(9,171,000)</u>
Net assets (CULS at par value)	£58,187,000	£42,603,000
Ordinary shares in issue at the year end	<u>43,534,808</u>	<u>35,351,224</u>
Basic net asset value per Ordinary share	<u>133.66p</u>	<u>120.51p</u>

The 3.25% Convertible Unsecured Loan Stock 2016 has no 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.

17. Notes to the cash flow statement**(a) Reconciliation of net return on ordinary activities before tax to net cash outflow from operating activities**

	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
Net return before finance costs and taxation	7,578	12,457
Gains on investments	(11,361)	(14,906)
Movement in Derivative contracts held	231	(804)
Exchange differences	5	(8)
Decrease/(increase) in debtors	432	(433)
Decrease in accrued income	65	29
Increase in creditors	267	6
Net cash outflow from operating activities	<u>(2,783)</u>	<u>(3,659)</u>

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

	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
Servicing of finance		
Interest paid allocated to income	(62)	(60)
Interest paid allocated to capital	(246)	(238)
Net cash outflow from servicing of finance	<u>(308)</u>	<u>(298)</u>
Financial investment		
Purchase of investments	(31,649)	(31,936)
Sale of investments	26,407	36,879
Net cash (outflow)/inflow from financial investments	<u>(5,242)</u>	<u>4,943</u>

(c) Analysis of changes in net debt

	1 February 2010 £'000	Cash flow £'000	Redemp- tion of 3.25% CULS 2011 £'000	Modi- fication of 3.25% CULS 2011 £'000	Issue of 3.25% CULS 2016 £'000	Non cash flow £'000	Ex- change Move- ments £'000	31 January 2011 £'000
Net cash:								
Cash at bank	3,068	5,564	-	-	-	-	(5)	8,627
3.25% Consolidated Unsecured Loan Stock 2011	(8,836)	-	3	9,052	-	(219)	-	-
3.25% Consolidated Unsecured Loan Stock 2016	-	-	-	(9,052)	(4,969)	(2)	-	(14,023)
Net debt	<u>(5,768)</u>	<u>5,564</u>	<u>3</u>	<u>-</u>	<u>(4,969)</u>	<u>(221)</u>	<u>(5)</u>	<u>(5,396)</u>

18. Contingencies, guarantees or financial commitments

There were no contingencies, guarantees or financial commitments of the Company at the year end (2010: none).

19. 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 and a director of Apollo Fund plc. At 31 January 2011 he controlled by virtue of his direct holdings 1,960,000 (2010: 1,745,000) Ordinary shares, and 800,000 (2010: 750,000) 3.25% Convertible Unsecured Loan Stock 2016 in The Cayenne Trust plc.

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.

Mr Agnew was chairman of LMS Capital plc in which the Company had an investment for part of the financial year to 31 January 2010.

20. 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

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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 options 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.

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 transacts futures contracts and put options on equity indices which alters its exposure to equity price risk.

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 2011 (2010: 10%), the impact would be a gain/loss of £6,268,000 (2010: gain/loss £4,566,000).

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 2011 would have had a positive impact on the Company's portfolio of £2,800,000 for a 10% fall in the FTSE 100, Euro Stoxx 50 and S&P 500 Indices (2010: positive impact on the Company's portfolio of £2,388,000 for a 10% fall in the FTSE 100 and MSCI Emerging Markets Indices).

Currency risk

The following table shows the foreign exchange risk analysis:

<i>Currency of Assets</i>	<i>Investments held at fair value through profit or loss</i>	<i>Listed put options and futures</i>	<i>Forward Currency Contracts Debtor</i>	<i>Forward Currency Contracts Creditor</i>
<i>At 31 January 2011</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Sterling	60,200	538	7,000	–
US Dollars	1,349	252	–	–
Euro	–	263	–	(5,033)
Japanese Yen	–	–	–	(1,959)
Singapore Dollars	2,134	–	–	–
	63,683	1,053	7,000	(6,992)
<i>At 31 January 2010</i>				
Sterling	45,943	1,052	–	–
US Dollars	1,278	240	–	–
Euro	–	–	–	–
	47,221	1,292	–	–

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 may use 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. This hedging is for economic purposes and hedge accounting has not been applied. At the year-end the Company had partially hedged its exposure in the underlying portfolio of investments to Japanese Yen by selling JPY 257.0m (2010: nil) against Sterling and its exposure in the underlying portfolio of investments to Euro by selling EUR 5.9m (2010: nil) against Sterling.

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 of Shareholders' funds in regard to the Company's significant monetary financial assets and financial liabilities and the exchange rates for £/US Dollar, £/Euro, £/Japanese Yen and £/Singapore Dollar.

It assumes the £/Euro exchange rate strengthens or weakens by 2.29% (2010: 2.09%), the £/Japanese Yen exchange rate strengthens or weakens by 2.72% (2010: 3.74%), the £/Singapore Dollar exchange rate strengthens or weakens by 1.77% (2010: 2.81%) and the £/US Dollar exchange rate strengthens or weakens by 2.29% (2010: 4.69%). 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.

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

	2011			
	US\$ £'000	Euro £'000	JPY £'000	SGD £'000
<i>Sterling strengthens against</i>				
Profit after taxation for the year	(38)	107	52	(37)
<i>Sterling weakens against</i>				
Profit after taxation for the year	39	(112)	(55)	38
	2010			
	US\$ £'000	Euro £'000	JPY £'000	SGD £'000
<i>Sterling strengthens against</i>				
Profit after taxation for the year	(71)	–	–	–
<i>Sterling weakens against</i>				
Profit after taxation for the year	78	–	–	–

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 2016.

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.

	2011 £'000	2010 £'000
Investments held at fair value through profit or loss – bonds – fixed rate assets	6,240	7,336
Cash at bank – floating rate assets	8,627	3,068
3.25% Convertible Unsecured Loan Stock 2016/2011	(14,023)	(8,836)

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 2.98% (2010: 3.52%).

The Company's fixed income portfolio at the year end was valued at £6,240,000 (2010: £7,336,000) and it had a modified duration (interest rate sensitivity) of approximately 2.72 years (2010: 5.71 years).

A 1% increase/decrease in relevant market interest rates would be expected to decrease/increase the portfolio's value by approximately £761,000 (2010: £419,000), 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% (2010: 1%) in interest rates on cash balances, the only floating rate asset held.

Effects of 1% increase/decrease in interest rate:

	2011		2010	
	Increase £'000	Decrease £'000	Increase £'000	Decrease £'000
Profit before taxation for the year	85	(85)	31	(31)

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 options 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 options and futures contracts on indices was as follows:

	2011 £'000	2010 £'000
Fixed asset investments held at fair value through profit or loss (note 10)	63,683	47,221
Listed futures contracts held at fair value through profit or loss	(32)	235
Listed put options held at fair value through profit or loss	1,085	1,057
	64,736	48,513

Liquidity risk

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

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.

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:

Notes to the Financial Statements

continued

	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	More than 5 years £'000	Total £'000
<i>At 31 January 2011</i>					
Creditors: amounts falling due after more than one year					
– 3.25% Convertible Unsecured Loan Stock 2016	–	–	–	(15,000)	(15,000)
– Interest on 3.25% Convertible Unsecured Loan Stock 2016	(122)	(366)	(1,950)	(244)	(2,682)
– Short-term creditors	(494)	–	–	–	(494)
Creditors: amounts falling due within one year					
– Forward currency contracts at fair value through profit or loss	(6,992)	–	–	–	(6,992)
Total financial liabilities	(7,608)	(366)	(1,950)	(15,244)	(25,168)
<i>At 31 January 2010</i>					
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)	(149)	–	(447)
– Short-term creditors	(568)	–	–	–	(568)
Total financial liabilities	(568)	(298)	(9,320)	–	(10,186)

The amounts shown for the 3.25% Convertible Unsecured Loan Stock 2016 are the undiscounted contractual amounts that are to be paid, and as such differ from the amounts shown in the balance sheet.

Credit risk

The Company is exposed to credit risk as a result of holding cash balances, foreign exchange forward currency contracts and futures contracts and listed put options (2010: futures contracts and listed put options). 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:

	2011	2010
	£'000	£'000
Forward currency contracts at fair value through profit or loss	7,000	–
Futures contracts	–	235
Listed put options	1,085	1,057
Cash	8,627	3,068
Debtors	64	761
	16,776	5,121

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+ (2010: A+). The Company also takes positions in listed put options and futures contracts on the London International Financial Futures and Options Exchange (LIFFE) via Merrill Lynch (Bank of America) which is an international financial institution with a credit rating of A (2010: A). Cash balances are also held with JP Morgan, Merrill Lynch and the JP Morgan Money Market Fund.

No financial assets, other than Real Estate Opportunities plc which passed a loan stock interest payment in 2010, 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).

	2011		2010	
	<i>Book Value</i> £'000	<i>Fair Value</i> £'000	<i>Book Value</i> £'000	<i>Fair Value</i> £'000
3.25% Convertible Unsecured Loan Stock 2016/2011	(14,023)	(15,225)	(8,836)	(8,896)

The fair value of the 3.25% Convertible Unsecured Loan Stock 2016 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 2011, financial assets held at fair value through profit or loss which fall within the FRS26 definition of held for trading relate to futures contracts and listed put options and forward currency contracts totalled £8,085,000 (2010: £1,292,000). At 31 January 2011, financial liabilities held at fair value through profit or loss classified as held for trading relate to futures contracts and forward currency contracts totalled £7,024,000 (2010: none).

Valuation of financial instruments

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

- Level 1 – valued using quoted prices unadjusted in active markets for identical assets or liabilities.
- Level 2 – valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included within Level 1.
- Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability.

The tables below set out fair value measurements of financial instruments as at the year end, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Notes to the Financial Statements

*continued***Financial assets at fair value through profit or loss.***At 31 January 2011*

	<i>Level 1</i> £'000	<i>Level 2</i> £'000	<i>Level 3</i> £'000	<i>Total</i> £'000
Equity investments	53,702	3,742	–	57,444
Fixed interest bearing securities	6,239	–	–	6,239
Forward Currency Contracts	–	7,000	–	7,000
Derivatives	1,085	–	–	1,085
	<u>61,026</u>	<u>10,742</u>	<u>–</u>	<u>71,768</u>

Financial liabilities at fair value through profit or loss.*At 31 January 2011*

	<i>Level 1</i> £'000	<i>Level 2</i> £'000	<i>Level 3</i> £'000	<i>Total</i> £'000
Forward Currency Contracts	–	(6,992)	–	(6,992)
Derivatives	(32)	–	–	(32)
	<u>(32)</u>	<u>(6,992)</u>	<u>–</u>	<u>(7,024)</u>

The valuation techniques used by the company are explained in the accounting policies note on page 32.

There have been no transfers during the year between Levels 1 and 2. A reconciliation of fair value measurements in Level 3 is not required as the Company has no assets or liabilities that fall within this category.

Financial assets at fair value through profit or loss.*At 31 January 2010*

	<i>Level 1</i> £'000	<i>Level 2</i> £'000	<i>Level 3</i> £'000	<i>Total</i> £'000
Equity investments	36,515	3,370	–	39,885
Fixed interest bearing securities	7,336	–	–	7,336
Derivatives	1,292	–	–	1,292
	<u>45,143</u>	<u>3,370</u>	<u>–</u>	<u>48,513</u>

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 1158 approval.

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

The Company's capital at 31 January comprises:

	<i>2011</i> £'000	<i>2010</i> £'000
Debt		
– 3.25% Convertible Unsecured Loan Stock 2016	14,023	8,836
Equity		
– Equity share capital	48,582	39,617
– Retained earnings and other reserves	10,336	3,321
Net assets	58,918	42,938
Total Capital	72,941	51,774
Debt as a percentage of net assets	23.80%	20.58%

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) the amount of its assets is at least equal to one and a half times the aggregate of its liabilities to creditors, and
- (b) the distribution does not reduce that amount to less than one and a half times the aggregate in (a) above.

21. 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:

<i>Date</i>	<i>Number of Ordinary shares</i>	<i>Cost £'000</i>
04/02/2011	55,000	71
18/02/2011	272,738	350
25/02/2011	50,791	65
11/03/2011	116,211	149
18/03/2011	59,885	76
25/03/2011	137,487	173
31/03/2011	230,000	292
	922,112	1,176

In addition to the above, on 2 February 2011 the Company allotted 29,540 Ordinary shares to holders of CULS whose elections to convert £40,000 of CULS 2011 at 31 January 2011 were received prior to the Stockholders' meeting on 24 January 2011; and 4,387 Ordinary shares to holders of CULS 2016 whose elections to convert £6,477 of CULS were submitted subsequent to the close of the Stockholders' meeting on 24 January 2011.

Notice of Annual General Meeting

NOTICE IS GIVEN that the Annual General Meeting of The Cayenne Trust plc (the "Company") will be held at the MWB Victoria, 10 Greycoat Place, Victoria, London SW1P 1SB on 7 June 2011 at 3.00 pm for the following purposes:

Ordinary Business

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

1. To receive the Directors' Report and Accounts for the year ended 31 January 2011 together with the auditor's report thereon.
2. To approve the Directors' Remuneration Report for the year ended 31 January 2011.
3. To approve the proposed final dividend of 1.0p per Ordinary share.
4. To re-elect Mr Christopher Jones as a Director of the Company.
5. To re-appoint BDO LLP as Auditors and authorise the Directors to determine their remuneration.

Special Business

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

6. THAT the Directors (being generally and unconditionally authorised to allot equity securities by virtue of an Ordinary Resolution of the Company passed on 7 May 2008 (the "Resolution") be and are hereby generally and unconditionally authorised and empowered pursuant to Section 570 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in Section 560 of the Act) pursuant to the Resolution as if Section 561 of the Act did not apply to such allotment, provided that the authority hereby granted shall expire at the earlier of the date fifteen months after the passing of this Resolution 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 equity securities up to an aggregate nominal value of £545,030, being approximately 5% of the Ordinary share capital currently in issue; and
 - ii) the allotment of equity securities at a price (excluding expenses) not less than the net asset value per share as determined by the Directors of the Company for the business day immediately preceding allotment (or if earlier agreement to allot);

save that the Company shall be hereby permitted to make offers or enter into agreements for the allotment of equity securities before expiry of the authority hereby granted which would or might require equity securities to be allotted after such expiry and the Directors of the Company may allot equity securities pursuant to such offers or agreements as if the authority hereby granted had not expired.

7. THAT in accordance with Section 573 of the Companies Act 2006 (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 8 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) as if Section 561 of the Act did not apply to such sale, transfer or allotment, provided that the authority hereby granted shall expire at the earlier of the date fifteen months after the passing of this Resolution 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 in substitution for all existing powers, the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 ("Act") to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares of 25p each in the capital of the Company ("Ordinary Shares") provided that:
- i) the maximum aggregate number of Ordinary Shares to be purchased shall be 6,536,076 (being approximately 14.99% of the Ordinary Shares currently in issue, 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 an amount equal to the higher of (i) 5% above the average market value of the Ordinary Shares for the 5 business days immediately preceding the day of purchase and (ii) the higher of the price of the last independent trade and the current highest independent bid on the trading venue where the purchase is carried out;
 - iv) unless otherwise varied or renewed prior to such time by the Company in general meeting, the authority hereby granted shall expire at the earlier of the date fifteen months after the passing of this Resolution 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 under the authority hereby granted 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.
9. THAT general meetings of the Company, other than an annual general meeting, may be called on not less than 14 days' notice.
10. THAT the Articles of Association laid before the meeting and initialled by the Chairman for the purposes of identification be, and are hereby, adopted as the Articles of Association of the Company in substitution for the existing Articles of Association.

Dated this 4 April 2011

By order of the Board

Phoenix Administration Services Limited
Company Secretary

The Cayenne Trust plc
 Springfield Lodge
 Colchester Road
 Chelmsford
 Essex CM2 5PW
 Registered No: 2774914

Notes:

1. This Report & Accounts is circulated to holders of Ordinary shares, all of whom are entitled to attend, speak and vote at the above Annual General Meeting ("AGM"). It is also sent to holders of the Company's 3.25% Convertible Unsecured Loan Stock 2016 who are not entitled to attend, speak or vote at the AGM by virtue of those holdings for information purposes only.
2. Any member entitled to attend and vote at the AGM is also entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the AGM on their behalf, provided that if multiple proxies are appointed they must be appointed to exercise rights in respect of different Ordinary shares. A member may not appoint more than one proxy to exercise the rights attached to any one share.

Notice of Annual General Meeting

continued

3. Proxies need not be members of the Company. A form of proxy is sent to members with the Report & Accounts. To be valid, the form of proxy and any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority should be sent to the Company's Registrar, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive no later than 3:00 pm on 5 June 2011. If multiple proxies are being appointed the form of proxy should be copied and a separate form of proxy completed, identifying the different Ordinary shares each represents and stating that it is in respect of a multiple proxy appointment, for each proxy. Completion and return of form(s) of proxy will not preclude a member from attending, speaking and voting in person at the AGM.
4. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
5. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent Capita Registrars (ID: RA10) by 3:00 pm on 5 June 2011. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
6. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
7. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
8. A person who is not a member of the Company and receives this notice of meeting as a person nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 ("Act") does not have a right to appoint proxies. However, if a nominated person has an agreement with the member who nominated them, the nominated person may have a right to be appointed as a proxy or a right to instruct the member as to the exercise of voting rights at the AGM.
9. Shareholders entered on the Register of Members of the Company at 6:00 pm on 5 June 2011, or if the meeting is adjourned, shareholders entered on the register at 6:00 pm on the day two days prior to the adjourned meeting, are entitled to attend and vote at the AGM. Any changes to the Register of Members after such time and date shall be disregarded in determining the rights of any shareholders to attend and vote at the AGM.
10. Under Section 319(A) of the Act, the Company must cause to be answered any question relating to the business being dealt with at the AGM put by a member attending the AGM unless answering the question would interfere unduly with the preparation for the meeting, would involve the disclosure of confidential information, an answer has already been given on a website, or is undesirable in the interests of the Company or the good order of the AGM.
11. Members may not use any electronic address provided in this notice or any related document(s) to communicate with the Company for any purpose other than as specifically stated.
12. As at 4 April 2011, the latest practicable date prior to the publication of this notice, the Company's issued share capital comprised 43,602,910 Ordinary shares of 25p each, of which 956,287 were held in treasury. Each Ordinary share carries the right to one vote at a general meeting of the Company and accordingly the total number of voting rights in the Company as at 4 April 2011 is 42,646,623.
13. Information regarding the AGM, including the information required by Section 311A of the Act, can be found on the Company's website at www.thecayennetrust.com.
14. No Director has a service agreement with the Company. Directors' letters of appointment will be available for inspection at the AGM venue from 15 minutes before the time for the meeting until conclusion of the meeting.
15. Under Section 338 of the Act, members may require the Company to give to members of the Company entitled to receive this notice of meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting. Under Section 338A of the Act, members may request the Company to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may properly be included in the business.
16. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Act, the Company may be required to publish on a website a statement setting out any matter relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under Section 527 of the Act to publish on a website.

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 New 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.

Apportionment of costs

For the purposes of UK taxation the Bonus Issue of Subscription shares constituted a reorganisation of the share capital of the Company and, as a result, the acquisition costs of the qualifying Ordinary shares has to be apportioned relative to the prices of the Ordinary shares and Subscription shares for the day the Subscription shares were admitted to trading. The Subscription shares were admitted to trading on 5 June 2009 and the mid-market prices on that day were:

Ordinary shares: 99p Subscription shares: 6p

Accordingly, for each five Ordinary shares held on 5 June 2009, for which one Subscription share was allotted, the acquisition cost would need to be apportioned 98.80% to the Ordinary shares and 1.20% to the Subscription shares.

Financial Calendar

The Company publishes information according to the following calendar:

Announcements

Unaudited Interim results	September
Final results	April

Ordinary Share Dividends

Final payment	17 June
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Annual General Meeting

7 June

Year End

31 January

Location of Annual General Meeting

To be held at 3.00 pm on Tuesday 7 June 2011 at MWB Victoria, 10 Greycoat Place, Victoria, London SW1P 1SB

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 2016 TCTL.L
Bloomberg	Ordinary shares TCTLN 3.25% CULS 2016 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

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 in any security issued by any exchange traded fund, investment fund, investment company, holding company or similar collective investment scheme. In order to seek to achieve consistent positive absolute returns, the Company may occasionally hold positions in other equities, bonds or money-market instruments.

Up to 15% 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 sections 1158/1159 of the Corporation Tax Act 2010. 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 2011: £72,941,000) excluding the Convertible Unsecured Loan Stock, by Ordinary Shareholders' funds of £58,187,000 at 31 January 2011.

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 2016 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.

Appendix to Annual Report and Accounts 2011

Explanatory Note of Principal Changes to the Company's Articles of Association

1. The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's Memorandum of Association (the "**Memorandum**") and in the existing articles of association of the Company (the "**Existing Articles**"). The Memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake.

The Companies Act 2006 ("**2006 Act**") significantly reduces the constitutional significance of a company's memorandum. The 2006 Act provides that a memorandum will only record the names of the subscribers and the number of shares each subscriber has agreed to take in a company. Under the 2006 Act the objects clause and all other provisions which are contained in a company's memorandum for existing companies at 1 October 2009, are deemed to be contained in a company's articles of association, although a company can remove these provisions by special resolution. Further, the 2006 Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the 2006 Act, would be treated as forming part of the New Articles.

As the effect of this resolution will be to remove the statement currently in the Memorandum regarding limited liability, the new articles of association ("**New Articles**") also contain an express statement regarding the limited liability of the Shareholders of the Company.

2. Articles which duplicate statutory provisions

Provisions in the Existing Articles which replicate provisions contained in the 2006 Act are, in the main, removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

3. Change of name

Under the Companies Act 1985 (the "**1985 Act**") a company could only change its name by special resolution. Under the 2006 Act a company can change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the Company to change its name by ordinary resolution.

4. Authorised share capital and unissued shares

The 2006 Act abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can allot at any time because allotment authority continues to be required under the 2006 Act, save in respect of employee share schemes.

5. Redeemable shares

Under the 1985 Act, if a company wished to issue redeemable shares it had to include in its articles the terms and manner of redemption. The 2006 Act enables directors to determine such matters instead provided they are so authorised by the articles of a company. The New Articles contain such an authorisation.

6. Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the 1985 Act, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Existing Articles include these enabling provisions. Under the 2006 Act a company will only

require shareholder authority to do any of these things and it will no longer be necessary for a company's articles to contain enabling provisions. Only the relevant enabling provisions in respect of consolidation and sub-division have been carried over into the New Articles in order to set out provisions relating to fractional entitlements which are not otherwise provided for under the 2006 Act.

7. Transfers of shares

The 2006 Act provides that if the directors of a company refuse to register a transfer of shares then, in addition to sending the purported transferee notice of refusal, the directors must also give reasons for the refusal and any further information about such reasons that the purported transferee may reasonably request. The New Articles have therefore been amended in this regard.

The Existing Articles permit the directors of the Company to suspend the registration of transfers. Under the 2006 Act share transfers must be registered as soon as practicable. The power in the Existing Articles to suspend the registration of transfers is inconsistent with this requirement and this power has accordingly been removed in the New Articles.

8. Variation of class rights

The Existing Articles contain provisions regarding the proceedings and specific quorum requirements for a meeting convened to vary class rights. These provisions have been carried over into the New Articles but have been updated to the extent necessary to reflect the provisions of the 2006 Act.

9. Shareholder meetings

The New Articles reflect the fact that the 2006 Act does not contain any references to extraordinary general meetings of Shareholders. Under the 2006 Act, any meeting other than an annual general meeting is simply classified as a general meeting.

The New Articles clarify that at least two people must be present before business can be transacted at a general meeting. It is not possible for one person who is a shareholder in his own right and has also been appointed a proxy or corporate representative for another shareholder to constitute a quorum.

In addition, the ability of shareholders to consent to short notice of a general meeting (but not a class meeting) has been removed as this is no longer permitted by the 2006 Act. Provisions permitting the place or time of a general meeting to be changed without giving new notice of the meeting have been removed for the same reason.

An enabling provision has been included in the New Articles so that arrangements may be made for shareholders to participate in general meetings electronically.

The casting vote of the chairman of a general meeting in the event of an equality of votes has been removed in the New Articles as this is no longer permitted by the 2006 Act.

10. Notice of meetings

The Regulations require the Company to give 21 clear days' notice of general meetings unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than 14 days has been passed by Shareholders at the immediately preceding annual general meeting. Annual general meetings must be held on 21 clear days' notice. The New Articles amend the provisions of the existing Articles to be consistent with the new requirements.

11. Resolutions

References in the Existing Articles to "extraordinary resolutions" have either been deleted or replaced by references to "special resolutions" in the New Articles. The distinction between special and extraordinary resolutions under the old law, that 21 days' notice was required for a special resolution and only 14 days' notice for an extraordinary resolution, has been removed. The concept of extraordinary resolutions has not been retained under the 2006 Act.

The provisions in the Existing Articles in relation to the passing of written resolutions have been deleted on the basis that a public company is not permitted to pass written resolutions.

12. Proxies and corporate representatives

The 2006 Act now provides that Shareholders can appoint multiple proxies. Proxies can also now speak at general meetings. The New Articles therefore contain amendments to reflect these provisions.

The 2006 Act provides that proxies have the right to vote on a show of hands whereas under the Existing Articles proxies were only entitled to vote on a poll. Each proxy present will have one vote on a show of hands, unless he has been appointed by more than one shareholder and has received instructions to vote both in favour of and against the same resolution. In this case he will have one vote for the resolution and one vote against. If a proxy has been given a discretion as to how to vote, he is treated for this purpose as if he had been instructed to vote in the way in which he decides to exercise his discretion. Further, the Shareholders' Rights Regulations (the "**Regulations**") have amended the 2006 Act in order to enable multiple representatives appointed by the same corporate shareholder to vote in different ways on a show of hands and on a poll. The New Articles have been drafted to reflect these provisions. The New Articles also permit the Company to exclude non-working days when calculating the requisite number of days for deposit of a form of proxy.

The New Articles also reinforce the legal position that a company has no obligation to check that proxies and corporate representatives have voted in accordance with shareholder instructions and that the validity of a resolution will not be affected if there is any failure to do so.

13. Provision for employees on cessation of business

The 2006 Act provides that the powers of the directors of a company to make provision for a person employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary, may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting. The New Articles duly provide that the directors of the Company may exercise this power.

14. Use of seals

A company previously required authority in its articles to have an official seal for use abroad but since 1 October 2009 such authority is no longer required. Accordingly, the relevant authorisation has been removed in the New Articles.

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by any person authorised by the directors of the Company for that purpose whereas previously the requirement was for signature by either one director and the Company secretary or by two directors.

15. Communications with Shareholders

New provisions have been included in the New Articles that give the Directors the authority to determine that notices and other information must not be sent to Shareholders outside the United Kingdom if to do so would risk breaching foreign securities laws. Shareholders may continue to give a postal address within the United Kingdom as their address for service of notices and other documents and information.

16. Notice of Board Meetings

In certain circumstances it is not necessary under the Existing Articles for a director of the Company to receive notice of Board meetings if he is absent from the United Kingdom. This provision has been removed as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad.

17. Voting Record Date

Under the 2006 Act, as amended by the Regulations, the Company must determine the right of shareholders to vote at a general meeting by reference to the register not more than 48 hours before the time for the holding of the meeting, not taking account of days which are not working days. The New Articles have been drafted to reflect this requirement.

18. Adjournment for lack of quorum

Under the 2006 Act, as amended by the Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The New Articles have been drafted to reflect this requirement.

19. Directors' Indemnities

Under the Existing Articles, the directors of the Company are indemnified to the fullest extent permissible under the 2006 Act. It is proposed that the indemnity provisions in the Existing Articles are simplified so that whilst the Company continues to indemnify its directors to the extent permitted by the 2006 Act the indemnity is extended to directors of other companies in the group and to former directors or secretaries of the Company. Further, the indemnity provisions in the Existing Articles extend to "every director or other officer of the Company". It is now recommended best practice for listed companies to exclude auditors from the indemnity provisions in their articles. Accordingly, in addition to extending the indemnity provisions, the New Articles clarify that it is only directors, alternate directors or secretaries who fall within the scope of the indemnity provisions.

20. Winding-up

The Existing Articles contain provisions dealing with winding-up. These provisions have been removed in the New Articles on the grounds that these matters are adequately covered by insolvency law.

21. C Shares

The Existing Articles contain provisions regarding the rights, and conversion rights relating to the C Shares which are no longer in issue. The provisions of the Existing Articles relating to the C Shares have therefore been removed from the New Articles.

22. General

Generally the opportunity has been taken to bring clearer language into the New Articles and therefore non-material changes and stylistic amendments have also been made to the Existing Articles.