

THE CAYENNE TRUST PLC

Results for the full year to 31 January 2010

A soft copy (PDF) of the audited Report & Accounts of the Company for the year to 31 January 2010 can be downloaded from the Company's website at: www.thecayennetrust.com

CHAIRMAN'S STATEMENT

During the financial year under review the Company's diluted Net Asset Value per share (NAV), calculated in accordance with AIC guidelines, increased by 31.66p (36.55%) and a dividend of 1.4p was paid on 12 June 2009. This equates to a total return for the year of 38.16%. 31 January 2010 marks the end of the fourth year since Cayenne Asset Management became Investment Manager of your Company and during this period the diluted NAV (total return) per share has increased by 10.74% (compared with gains in the FTSE 350 Equity Investment Instruments Index and FTSE All Share of 1.48% and 6.17% respectively).

As a result of an increase in income received by the Company in the last financial year, your Board is recommending a final dividend of 2.2p per Ordinary share (2009: 1.4p). If approved by shareholders, this will be paid on 18 June 2010. This further increase on last year's dividend is a direct result of the defensive nature of the portfolio, especially during the early part of the year when investments in fixed income securities provided some protection from equity market fluctuations. Shareholders should not assume that the Company will attempt to maintain this level of dividend in future years.

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 554,550 shares were repurchased during the year and placed in treasury. 487,800 of these shares were cancelled but the Company was able to re-issue 1,720,000 shares from treasury at prices which represented discounts of less than 4% to NAV. Your Board sees this ability to repurchase and re-issue shares as a key component of enhancing liquidity for shareholders. That such liquidity exists for both buyers and sellers of the Company's shares should be seen as a direct result of its steadfast adherence to the discount control policy despite extreme market volatility.

As a result of the exercise of 318,024 of the Company's Subscription Shares on 31 December a corresponding number of new Ordinary Shares were issued. A further 3,130,233 Ordinary shares were issued on 1 April 2010 as a result of the exercise of a corresponding number of Subscription Shares. Subscription Share holders are reminded that the final opportunity to exercise their right to subscribe for Ordinary Shares at 106p is 30 June 2010.

Jonathan Agnew

Chairman

13 April 2010

INVESTMENT MANAGER'S REPORT

At the interim stage it was reported that the Company had performed strongly in both absolute and relative terms despite a tumultuous start to the financial year. As markets pushed inexorably higher during the second period, absolute NAV returns continued to be in positive territory. However, relative performance was less notable, as hedge positions were increased and a significant allocation to fixed interest securities and low beta sectors was maintained. Despite this caution the Company's performance for the year as a whole makes for satisfactory reading with the diluted NAV appreciating 38.16% (total return). Over the same period the S&P500, the FTSE 100 and the DJ Euro Stoxx gained 30.0%, 25.0% and 25.0% respectively. The FTSE 350 Equity Investment Instruments Index appreciated by 30.6%. Most gratifyingly, over the three year period which encompasses the build up to and recovery from the credit crisis, the Company's portfolio has produced positive returns for investors while most equity investments are still deeply in negative territory. The value of Apollo Fund, the largest single position in the portfolio, enjoyed a strong recovery of 81% in the current financial year.

As stated at the half year the speed and scale of the rebound in equities has taken many (including your Managers) by surprise. Although the Company has clearly benefitted from strong equity markets, caution remains that the current optimism for a 'V' shaped recovery may be misplaced. One likely outcome of the unprecedented bail-out package is that sooner or later we are likely to see the re-emergence of inflation. It may be difficult to predict the precise timing of an inflationary spike but it is not hard to be confident that one is due. Indeed politicians and central bankers may wish for a little inflationary assistance to avoid having to make difficult budgetary decisions. The real problem will be how to control its effect using the available monetary policy levers. Tighten too soon and a double-dip into recession is the likely outcome, too late and a return to 1970's style inflation may be possible.

The Company's portfolio is well balanced and focused on cautious exposure to the key themes of value, growth and recovery.

The Company made significant gains in its private equity investments during the year. Of particular note was the timely purchase of Electra Private Equity. This position, acquired at an average price well below £7, was realised just before the year ended at close to £13. Electra is considered to be one of the private equity sectors better quality names and it is therefore unsurprising to see it lead the recovery. Much value remains in this sector and a further recovery in share prices is long overdue for some funds. The Company currently holds two such positions; F&C Private Equity and Pantheon International Participations. These funds have suffered a savage deterioration in rating due to their high level of potential commitments and the market appears too draconian in its low valuation of them. Logically, it is difficult to envisage an environment where all existing commitments are called without the funds being able to realise investments or draw down bank lines to meet these cash calls. In short, if the private equity market is open for business on one side of the transaction it follows that it should be healthy enough to allow for realisations on the other.

In the property sector, the Company sold ING UK Real Estate as the discount narrowed significantly and further upside appeared limited on valuation grounds. The position in China Real Estate Opportunities (CREO) was increased early in the year as price weakness created an exceptional opportunity to take further advantage of this well resourced and conservatively managed company. Subsequently, CREO repurchased a number of shares at a significant discount to their net asset value and has recently announced the sale of its development site in Tangdao Bay at a premium to book value. Proceeds from this sale will finance further purchases of ordinary shares from related parties who require an exit. Despite the price performing well over the last twelve months, this investment is still deeply discounted and the price could easily double before it could be considered to be approaching fair value. With a weighting of approximately 3% this position is large enough to make a significant contribution to performance while not loading undue risk into the portfolio.

A further investment into Asian property was acquired during the year as hedge funds needed to raise cash to meet redemptions. This enabled the Company to purchase Aseana Properties at an average price of 13.5 cents which equated to an estimated discount to net asset value of 80%. After several meetings with the management, there is confidence that this conservatively managed Malaysian property development company will continue to recover from the credit crisis. Action taken by its board has boosted the net asset value, refocused development efforts on core strategies and helped improve the rating. Also in the property sector, the takeover of Spazio by Terra Catalyst was reported at the interim stage. The Company sold its investment in Spazio but maintained its exposure to this exciting opportunity by subsequently purchasing Terra Catalyst shares. This holding ensures that the Company will continue to participate in upward revaluations as Spazio's portfolio is realised.

The Company maintains exposure to the convertible bond market as a result of investments in two distressed private equity issues and two new issues. Both the private equity bonds, 3i and SVG, can now be considered to be out of imminent danger of default and trade much closer to par value than they did at this stage last year. Meanwhile the new issues, Ecofin and BlackRock Latin America, both made spectacular debuts and trade well in excess of their issue price. Given the spectre of inflation and its potential impact on interest rates, the Company is keeping these positions under careful review. In the meantime they provide an excellent home for cash and are an economically efficient way of utilising the structural leverage of the Company's own loan stock whilst maintaining some equity upside potential.

A new development for 2009 was the large number of warrants (increasingly known as subscription shares) being issued by investment companies. These instruments are often sold by large investors and index tracking funds soon after issue and are frequently mispriced. The Company took advantage of several such opportunities to gain leveraged exposure to Asia and some other emerging markets. The benefit of such exposure is that the Company will participate in any further equity market recovery while not putting excessive capital at risk.

Throughout the year, the Company maintained selective positions in a small number of equity funds which offer exposure to particular management styles or sectors. Of these, Law Debenture Corporation represents the Company's largest such investment. This fund has been undervalued for some time due to a lack of retail investor understanding of the corporate structure. Poor historical performance had not helped the rating but James Henderson's recent exceptional returns also appear to have gone unrewarded. The fund languishes on a discount to net asset value such that the trustee business is effectively being valued at nothing. It is difficult to know what will turn this around but some leadership from the board in repurchasing their own shares at the current discount might be a good start.

Since the appointment of Jeroen Huysinga as manager, JP Morgan Overseas (JMO) has made great progress and is consistently a top performer within the Global Growth Sector. His management style is to seek good value companies with growth potential and its overseas portfolio allows exposure to non-Sterling assets. It is thought that this could be of significant benefit to the Company as fears over the state of the UK economy return to the fore. The Board of JMO has rigorously stuck to its commitment to maintain a narrow discount to net asset value and this

gives the investor much comfort that an exit at a reasonable price will be available as and when sought. An investment of similar style, although with a less impressive track record, is Electric & General Trust. Performance has been acceptable, if a little pedestrian, and no discount control is operated by the Board. Therefore, this fund is less likely to be a core holding in future but, on a discount in excess of 15%, no early exit is sought.

Investors may remember when the Company was launched four years ago that some blue chip funds, such as British Empire and RIT Capital, were trading at a significant premium to NAV. At the time, critics suggested that such premia may be unjustified and bad for shareholders who would suffer as the rating subsided. These trusts have both traded at close to a 10% discount this year and the opportunity was taken to buy a position in these shares while they were out of favour. Another former industry favourite is SVM Global which, until the onset of the credit crunch, produced consistently commendable returns. The managers have struggled to generate positive performance in these turbulent times and as a result the fund is somewhat unloved and trading at a 20% discount to NAV. As there is little doubt over the manager's investment ability over the longer term, this appears to be a deep value investment which should produce exceptional returns once portfolio performance is turned around.

Two of the Company's most disappointing investments, Majedie and New Star, continue to languish at excessive discounts. Neither trust has exhibited any reasonable level of performance recently but both have undergone significant change this year. Both trusts are controlled by majority shareholders and time will tell whether the new managers are given free rein to enable a turn around in performance. Early signs are encouraging as portfolio rebalancing appears sensible, but consistent performance will be required if the current discounts of 20% and 30% are to be significantly reduced. Failure to produce results this time must surely try the patience of even the most loyal of investors.

Although the Company's portfolio composition is almost never compared with that of an index, exposure to certain sectors is sometimes desired. At present utilities, pharmaceuticals and technology appear to exhibit positive fundamentals. Ecofin is at the forefront of investing in water, power (and alternative power) generation. The team have a proven track record of being involved in sensible deals and, after a relatively quiet twelve months, could be in the right place for renewed portfolio activity this year now that their corporate restructuring is behind them. Finsbury Worldwide Pharmaceutical and Polar Capital Technology both provide access to globally diverse portfolios in these interesting sectors.

Investors will note that the Company has a holding in BlackRock World Mining Trust. This investment has performed extremely well since early last year when the position was first purchased. Despite this outstanding performance the trust trades at close to a 20% discount to net asset value. A discount of this magnitude is normally reserved for fourth quartile not first quartile performance. Maybe their board should consider whether, with a market capitalisation of nearly £1 billion, there is now too much stock in issue and act accordingly.

The issue of an over supply of stock is not limited to BlackRock World Mining. Many trusts are now of such a size that the marginal retail buyer is having less impact on valuations. Many institutions have vacated the sector, most arbitrageurs are impotent and proprietary market-making is virtually non-existent. While this has caused a decline in liquidity it has also created an opportunity for your Company. It may take more patience to acquire a position and greater care to exit it but the potential rewards for investors are increased as competition in the sector declines. Despite being a positive environment for your Company, this is a situation that the industry needs to address. Fund managers and boards need to show leadership to help minimise share price volatility. While some, such as Edinburgh Partners, Troy and JP Morgan, are always on hand to be the buyer of last resort, others seem happy to let investors fend for themselves in difficult times, only to be more than willing to issue new stock if their particular style is ever back in favour. There is no reason, other than self interest, why trusts with liquid portfolios should trade at a significant discount to net asset value. The sooner managers and boards realise this, the better life will be for investment companies industry and their shareholders.

Over the year the Company's hedge position was significantly increased and at the year-end covered approximately 40% of the portfolio. This hedge is comprised of short positions in FTSE 100 futures, puts on the FTSE 100 and puts on the MSCI Emerging Market iShares. Cash and short dated gilts held in the portfolio will provide further downside protection should current optimism subside. These liquid assets, together with any new capital received as a result of the re-issue of Ordinary shares from treasury or the exercise of Subscription shares, will ensure that the Company is in a position to make opportune investments in a timely manner.

Cayenne Asset Management Limited
Investment Manager

13 April 2010

Income Statement

	Year ended 31 January 2010			Year ended 31 January 2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value	-	14,906	14,906	-	(16,355)	(16,355)
Current assets held at fair value:						
(Losses)/gains on futures contracts	-	(2,910)	(2,910)	-	497	497
(Losses)/gains on listed put options	-	(348)	(348)	-	5,357	5,357
Gains/(losses) on forward currency contracts	-	107	107	-	(1,480)	(1,480)
Gains on cancellation of 3.25% Convertible Unsecured Loan Stock 2011	-	-	-	-	90	90
Exchange differences	-	8	8	-	(33)	(33)
Investment and other income (note 2)	1,328	-	1,328	1,149	-	1,149
Investment management fee	(89)	(357)	(446)	(78)	(313)	(391)
VAT refund on management fees	73	73	146	-	-	-
Other expenses	(326)	(8)	(334)	(342)	(21)	(363)
Net return/(loss) before finance costs and taxation	986	11,471	12,457	729	(12,258)	(11,529)
Interest payable and similar charges	(102)	(405)	(507)	(100)	(400)	(500)
Return/(loss) on ordinary activities before taxation	884	11,066	11,950	629	(12,658)	(12,029)
Tax on ordinary activities	-	-	-	-	-	-
Transfer to / (from) reserves	884	11,066	11,950	629	(12,658)	(12,029)
Return / (loss) per Ordinary share: (note 3)						
Basic	2.61p	32.61p	35.22p	1.76p	(35.42)p	(33.66)p
Diluted	2.42p	28.18p	30.60p	1.72p	(35.42)p	(33.66)p

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.

Reconciliation of Movements in Shareholders' Funds

	Share Ordinary £'000	Capital Sub - scription £'000	Share Premium £'000	Special Reserve £'000	Capital Redemption Reserve £'000	Equity Component CULS 2011 £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
At 31 January 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 for the year ended 31 January 2009	-	-	-	-	-	-	-	(471)	(471)
At 31 January 2010	9,365	64	9,684	18,983	1,336	1,065	1,138	1,303	42,938

Reconciliation of Movements in Shareholders' Funds (cont)

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

Balance Sheet

	31 January 2010	31 January 2009
Fixed Assets		
Investments held at fair value through profit or loss	47,221	37,212
Current Assets		
Listed put options held at fair value through profit or loss	1,057	-
Futures contracts held at fair value through profit or loss	235	488
Debtors	761	157
Cash at bank	3,068	969
	<u>5,121</u>	<u>1,614</u>
Creditors: amounts falling due within one year		
Other creditors	(568)	(316)
	<u>(568)</u>	<u>(316)</u>
Net current assets	4,553	1,298
Total assets less current liabilities	51,774	38,510
Creditors: amounts falling due after more than one year		
3.25% Convertible Unsecured Loan Stock 2011	(8,836)	(8,627)
Net assets	42,938	29,883
Capital and reserves		
Ordinary share capital	9,365	9,407
Subscription share capital	64	-
Share premium account	9,684	9,192
Other reserves:		
Special reserve	18,983	18,045
Capital redemption reserve	1,336	1,212
Equity component 3.25% Convertible Unsecured Loan Stock 2011	1,065	1,065
Capital reserve	1,138	(9,928)
Revenue Reserve	1,303	890
Equity Shareholders' Funds (note 4)	42,938	29,883
Net asset value per ordinary share		
Basic	121.46p	88.23p
Diluted	119.09p	88.23p

Cash Flow Statement

	Year ended 31 January 2010 £'000	Year ended 31 January 2009 £'000
Net cash (outflow)/inflow from operating activities	(3,659)	6,576
Servicing of finance	(298)	(303)
Financial investment	4,943	(2,218)
Equity dividends paid	(471)	(373)
Net cash inflow before financing	515	3,682
Financing		
Cancellation of 3.25% Convertible Unsecured Loan Stock 2011	-	(760)
Shares bought back and held in treasury	(522)	(4,881)
Re-issue of Ordinary shares from treasury	1,946	-
Redemption of Subscription shares and issue of Ordinary shares	337	-
Expenses relating to the issue, and conversions, of Subscription shares	(185)	-
Increase/(decrease) in cash during the year	2,091	(1,959)
Reconciliation of net cash flow to movement in net debt		
Increase/(decrease) in cash during the year	2,091	(1,959)
Exchange movements	8	(33)
Non-cash flow movements:		
Notional interest charge on 3.25% Convertible Unsecured Loan Stock 2011 - income	(42)	(40)
Notional interest charge on 3.25% Convertible Unsecured Loan Stock 2011 - capital	(167)	(158)
Cancellation of 3.25% Convertible Unsecured Loan Stock 2011 - Cancellation of debt element	-	762
Change in net debt	1,890	(1,428)
Opening net debt	(7,658)	(6,230)
Closing net debt	(5,768)	(7,658)

Notes to the Financial Statements

1. Accounting policies

The financial statements have been prepared under the historical cost convention under the Companies Act 2006 except that certain assets and liabilities 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.

The accounting policies are consistent with the policies set out in the annual report for the year ended 31 January 2009.

2. Investment and other income

	Year ended 31 January 2010 £'000	Year ended 31 January 2009 £'000
Income from investments		
UK dividends	762	787
Unfranked investment income	198	74
UK fixed interest	308	189
Short term investment fund income	10	86
	1,278	1,136
Other income		
Deposit interest	-	13
Interest received re VAT refund on management fees	50	-
Total income	1,328	1,149
Total income comprises:		
Dividends	960	861
Interest	368	288
	1,328	1,149

There were no special dividends treated as capital received during the year (2009: nil).

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

3. Return per Ordinary share

a) Basic earnings

	Year ended 31 January 2010	Year ended 31 January 2009
Total earnings per Ordinary share		
Total earnings	£11,950,000	£(12,029,000)
Weighted average number of Ordinary shares in issue during the year	33,928,514	35,732,298
Total earnings per Ordinary share	35.22p	(33.66)p

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

Revenue earnings per Ordinary share

Revenue earnings	£884,000	£629,000
Weighted average number of Ordinary shares in issue during the year	33,928,514	35,732,298
Revenue earnings per Ordinary share	2.61p	1.76p

Capital earnings per Ordinary share

Capital earnings	£11,066,000	£(12,658,000)
Weighted average number of Ordinary shares in issue during the year	33,928,514	35,732,298
Capital earnings per Ordinary share	32.61p	(35.42)p

Diluted earnings

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

Year ended 31 January 2009

The revenue earnings (but not the capital and total earnings) for the year ended 31 January 2009 are diluted. The diluted revenue earnings per Ordinary share have been calculated on an assumption that the 3.25% Convertible Unsecured Loan Stock 20100 was fully converted on the first day of the financial period, giving a weighted average of 42,401,138 Ordinary shares in issue and revenue earnings on ordinary activities after taxation of £729,000. The diluted revenue earnings per Ordinary share of 1.72p reflect the savings in finance costs of the loan stock. The diluted capital and total earnings per Ordinary share are therefore equal to the basic returns per Ordinary share.

4. Net asset value per Ordinary share

	31 January 2010	31 January 2009
Net asset values attributable	£42,938,000	£29,883,000
Ordinary shares in issue at the year end	35,351,224	33,867,750
Basic net asset value per Ordinary share	121.46p	88.23p

The basic net asset value per Ordinary share is based on the net assets of £42,938,000 which includes the deduction of the liability component of the 3.25% Convertible Unsecured Loan Stock 2011 and on 35,351,224 Ordinary shares being the number of Ordinary shares in issue at the year end, excluding 2,109,000 Ordinary shares held in treasury.

The diluted net asset value per Ordinary share is based on the assumption that the Subscription shares are fully redeemed into 6,408,666 Ordinary shares at a subscription price of 106p per Ordinary share resulting in net assets of £49,732,000 which includes the deduction of the liability component of the 3.25% Convertible Unsecured Loan Stock 2011 and on 41,759,890 Ordinary shares in issue at the end of the period, excluding the 2,109,000 Ordinary shares held in treasury.

The 3.25% Convertible Unsecured Loan Stock 2011 has no anti-dilutive effect on the net asset value per Ordinary share.

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

	31 January 2010	31 January 2009
Total Assets less current liabilities (per the balance sheet)	£51,774,000	£38,510,000
Redemption value of 3.25% Convertible Unsecured Loan Stock 2011	£(9,171,000)	£(9,171,000)
Net assets (CULS at par value)	£42,603,000	£29,339,000
Ordinary shares in issue at the year end	35,351,224	33,867,750
Basic net asset value per Ordinary share	120.51p	86.63p

The diluted net asset value per Ordinary share is based on the assumption that the Subscription shares are fully redeemed into 6,408,666 Ordinary shares at a subscription price of 106p per Ordinary share resulting in net assets of £49,397,000 which includes the redemption value of the 3.25% Convertible Unsecured Loan Stock 2011 and on 41,759,890 Ordinary shares in issue at the end of the period, excluding the 2,109,000 Ordinary shares held in treasury.

5. Share Capital

	2010 £'000	2009 £'000
Authorised:		
220,000,000 Ordinary shares of 25p each (2009: 220,000,000)	55,000	55,000
15,000,000 Subscription shares of 1p each (2009: nil)	150	-
Called-up and fully paid:		
37,460,224 Ordinary shares of 25p each (2009: 37,630,000)	9,365	9,407
6,408,224 Subscription shares of 1p each (2009: nil)	64	-

During the year 554,550 Ordinary shares were bought back and placed in treasury for an aggregate consideration of £522,024 and 1,720,000 Ordinary shares held in treasury were re-issued into the market with aggregate proceeds of £1,946,275. 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 confers the right (but not the obligation) to subscribe for one Ordinary share at a subscription price of 106p per Ordinary share on 31 December 2009, 31 March 2010 and 30 June 2010 whereupon the rights under the Subscription shares will lapse. During the year the Company redeemed 318,024 Subscription shares and issued 318,024 Ordinary shares for a net consideration of £337,105.

The Ordinary shares in issue at the year end includes 2,109,000 Ordinary shares held in treasury (2009: 3,792,250).

Subsequent to the year end the Company bought back into treasury a further 299,310 Ordinary shares for an aggregate consideration of £264,806. In addition, on 1 April 2010 3,130,233 Ordinary shares were allotted following the exercise of a corresponding number of Subscription shares. At the date of this announcement the number of Ordinary shares in issue is 40,590,457, the number of Ordinary shares held in treasury is 2,373,806 representing 5.85% of the Ordinary shares in issue (6.21% of the Ordinary shares excluding treasury shares) and the total voting rights attaching to shares in issue is 38,216,651.

6. Investment Objective & Policy

The Cayenne Trust plc is a UK investment trust listed on The London Stock Exchange. 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 section 842 of the Income and Corporation Taxes Act 1988. Accordingly, the Company will not invest more than 15% of its gross assets, at the time of investment, in any company which is not, itself, an investment trust.

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

No more than 10% in aggregate of the value of the Company's assets will be invested in other listed closed-ended 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 listed closed-ended investment companies or investment trusts.

7. 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 price of the Company's shares is subject to a number of factors, including the interaction of supply and demand, NAV per share and dividend yield, and is likely to fluctuate. The market value of the Company's CULS is also subject to the interaction of supply and demand, and the price, NAV per share and dividend yield of the Ordinary shares they are convertible into.

Investors should be aware that:

- the Company's policy is to use derivatives and similar instruments to hedge against volatility in the NAV per share and the NAV is unlikely in rising markets to be as high as would be the case if market risk was not hedged, but conversely the NAV per share in falling markets is likely to be higher than would be the case if market risk was not hedged;
- 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;
- the company's investment approach seeks to generate returns by investing in securities the Manager 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 derivatives and similar instruments, the Company will be exposed to credit risk on the counterparties with which it trades, and although it will seek to transact only with major established counterparties it will bear the risk of settlement default by clearing houses, exchanges and counterparties which could have a material adverse effect on the Company;
- the Company's portfolio is constructed without reference to any stock market index and it is likely that there will be periods when its performance will be quite unlike that of any index. 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 that of shares issued by larger companies and investors may have difficulty in selling such securities. The Company also invests in other investment trusts which may suffer from similar liquidity issues at times of extreme volatility which could adversely affect the NAV per share.

8. Duration of the Company

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

9. Annual General Meeting

The Annual General Meeting of the Company will be held at The Crowne Plaza Hotel, Buckingham Gate, London SW1E 6AF on 10 June 2010 at 3.00 pm. The Directors have proposed a final dividend for the year to 31 January 2010 of 2.2p per Ordinary share which, if approved by Shareholders at the Annual General Meeting, will be payable on 18 June 2010 to holders on the register at the close of business on 28 May 2010 (ex-dividend 26 May 2010).

10. Availability of report and Comparative information

The financial information contained in this report does not constitute statutory accounts for the year ended 31 January 2010 nor 31 January 2009 as defined in the Companies Act 1985 but is derived from those accounts. The statutory accounts for the year ended 31 January 2009 have been delivered to the Registrar of Companies and those for the year ended 31 January 2010 will be delivered following the Company's annual general meeting; they can also be downloaded from the Company's website: www.thecayennetrust.com Hard copies will be posted to Shareholders shortly and copies can be obtained from the Registered Office of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company (*Jonathan Agnew (Chairman), Christopher Jones, Sir Laurence Magnus*) confirm that to the best of their knowledge:

- a) that the financial statements for the year to 31 January 2010 have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- b) the Management Report (which comprises the Chairman's Statement, Investment Manager's Report and Notes 6, 7 and 8 above) includes a fair review of the development and performance of the business and of the position of the Company, together with the principal risks and uncertainties that the Company faces.

By order of the Board

Phoenix Administration Services Limited - Company Secretary

13 April 2010

The Cayenne Trust plc
Registered Office:
Springfield Lodge
Colchester Road
Chelmsford
Essex
CM2 5PW
Registered in England & Wales No: 2774914