The Cayenne Trust plc

Report and Accounts
Year ended 31 January 2007

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Directors and Advisers

Directors

Jonathan Agnew (Chairman)
Aged 65. Joined the Board in January 2006 when he was elected Chairman. He is Chairman of Nationwide Building Society, Beazley Group PLC and LMS Capital plc and, a non-executive Director of Rightmove plc.

Christopher Jones
Aged 66. Appointed in January 2006. He was head of investments at Merchant Investors Assurance Co Ltd until retiring in 2003. He is a non-executive director of Schroder UK Mid and Smaller Cap Fund plc, Atlantis Japan Growth Fund Ltd, Ecofin Water & Power Opportunities plc, Japan Accelerated Performance Fund plc, Jupiter Second Enhanced Income Trust plc, Montanaro European Smaller Companies plc, Montanaro UK Smaller Companies Investment Trust plc, Recovery Trust plc and Thompson Clive Investments plc.

Sir Laurence Magnus
Aged 51. Joined the Board in February 2006. He is Vice-Chairman of Lexicon Partners and non-executive Chairman of Xchanging in-sure Services Limited. He is a non-executive Director of J. P. Morgan Income & Capital Investment Trust plc, TT electronics plc and Climate Exchange plc. He is also Deputy Chairman of the National Trust and an elected member of its Council.

www.thecayennetrust.com

Advisers

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

Company Secretary and Registered Office
Phoenix Administration Services Limited
Springfield Lodge
Colchester Road
Chelmsford
Essex CM2 5PW
Tel: 01245 398950
Fax: 01245 398951
www.phoenixadmin.co.uk
info@phoenixadmin.co.uk

Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA
Tel: 0870 1623 100
www.capita.deal.com

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

Auditors (to 7 June 2007)
Deloitte & Touche LLP
Chartered Accountants
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

(from 7 June 2007)
BDO Stoy Hayward LLP
Chartered Accountants
8 Baker Street
London W1V 3LL

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 with a limited life (see page 9). Its investment policy can be summarised as follows:

- the Company invests principally in the securities of UK investment trust companies and other closed-end funds;
- up to 15% of the Company's assets, at the time of investment, may be invested in Apollo Fund plc (an open-ended fund with a similar investment policy managed by Cayenne Asset Management Ltd); and
- 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.

Share and Loan Capital

The Company's share capital consists of 42,475,143 Ordinary shares of 25p each and £10,000,000 in nominal amount of 3.25 per cent. Convertible Unsecured Loan Stock 2011.

As at 31 January 2007 the actual gearing was 117%.

Principal Data

	At 31 January 2007	*At 31 January 2006*	*% change*
Shareholders' funds (£'000)	**51,780**	14,017	269.4
Actual gearing†	**117%**	100%	
Asset gearing†	**110%**	53%	
Net asset value† per Ordinary share – basic (per AIC guidelines – see note 15)	**119.52p**	109.89p	8.8
Discount† per Ordinary share (per AIC guidelines)	**1.1%**	2.2%	
Net asset value per Ordinary share – basic	**121.91p**	109.89p	10.9
Discount† per Ordinary share	**3.0%**	2.2%	
Mid-market price per Ordinary share	**118.25p**	107.50p	10.0
FTSE 350 Equity Investment Instruments Index (Source: Bloomberg)	**5,725.10**	5,314.90	7.7

	Year to 31 January 2007	*Year to 31 January 2006*	*% change*
Net revenue after taxation (£'000)	**441**	340	29.7
Dividends per Ordinary share	**1.0p**	3.5p	(71.4)
Dividend yield	**0.8%**	3.3%	
Total expense ratio†	**1.5%**	1.5%	
FTSE 350 Equity Investment Instruments Index (total return) (Source: Bloomberg)	**9.9%**	37.7%	
Performance Fee high water mark*	**120.17p**	n/a	
Returns per Ordinary share – basic			
Revenue	**1.23p**	2.67p	
Capital	**3.25p**	21.03p	
Total return	**4.48p**	23.70p	

*The performance fee high water mark† for the year to 31 January 2008 is 126.18p.

Terms marked † are defined in the Glossary

Five Year Historical Record

Year	*Revenue*				*Capital*	
		Net revenue available for Ordinary shares	*Dividends on Ordinary shares*		*Basic net asset value per Ordinary share*	*Mid-market price per Ordinary share*
To 31 Jan	*Gross income £'000*	*£'000*	*Cost £'000*	*Rate p*	*p*	*p*
2003	1,020	365	446	3.5	45.7	35.0
2004	664	194	446	3.5	78.4*	65.5
2005	859	378	446	3.5	91.7*	81.5
2006	866	340	446	3.5	109.9	107.5
2007†	**908**	**441**	**425**	**1.0**	**121.9**	**118.3**

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

Chairman's Statement

The period under review was the first financial year since your Company appointed Cayenne Asset Management Limited as its investment manager and changed its investment policy and the composition of its Board. In April 2006 the Company raised £10 million in 3.25% Convertible Unsecured Loan Stock 2011 (CULS) and £35 million in "C" shares, more than quadrupling the size of the Company. Subsequently the Company's administration was transferred to Phoenix Administration Services Limited. In June 2006 the "C" shares converted into Ordinary shares at a conversion rate of 0.8491.

Although, for the reasons set out in my interim statement, the investment performance in the first six months of the financial year was mixed, I am pleased to report that in the full twelve months net asset value per share* for the original Ordinary shareholders increased by 8.8% and for the converted "C" Ordinary shareholders by 1.5%. The mid-market price of the Ordinary shares increased by 10.0%, while "C" shareholders experienced a price appreciation of 0.4%. At 31 January 2007 the Company's Ordinary shares stood at 118.25p, which represented a discount of 1.1% to the NAV of 119.52p per share.

Your Board is proposing a final dividend for the year to 31 January 2007 of 1.0p per Ordinary share which, if approved by shareholders at the forthcoming Annual General Meeting, would be payable on 21 June 2007 to shareholders on the register at 1 June 2007 (ex-dividend 30 May 2007).

Your Board has decided to propose a resolution to shareholders at the forthcoming Annual General Meeting to appoint BDO Stoy Hayward LLP as your Company's auditors for the financial year to 31 January 2008. The current auditors, Deloitte & Touche LLP, have agreed to step down at the close of the Meeting. Your Board considers it appropriate to recommend the appointment of a new firm of auditors in the light of the major changes at your Company during 2007 but wishes to place on record its appreciation for the services provided by Deloitte & Touche LLP in respect of the year ended 31 January 2007.

On behalf of the shareholders I should like to thank the investment manager, the administrator and my colleagues on the Board for the achievements of an increasingly successful first financial year.

Jonathan Agnew
Chairman
19 April 2007

* Net asset value for this purpose is calculated after deduction of the nominal amount of the company's 3.25% Convertible Unsecured Loan Stock 2011, the basis on which the investment manager's performance fee would be calculated, rather than as required by UKGAAP for the preparation of the balance sheet.

Investment Manager's Report

Despite a pronounced setback last spring, global equity markets experienced a solid year as demonstrated by the 14.2% rise in the MSCI World Index. In Sterling terms however, the measure most relevant for UK investors in global markets, this index only gained 3.8%. This highlights the incessant pressure that the US dollar has been under for the first year of your Company's life. Over the twelve month period the US dollar declined against the pound sterling from 1.78 to 1.97. In greater detail, the S&P 500 gained 12.4% in US dollar terms. On the same basis the DJ Euro Stoxx 50 gained 13.2% and the Nikkei 225 recovered from mid-year lows to close up 4.4% to the end of January 2007. UK stocks continued to be supported by a high level of M&A activity which forced the FTSE 250 (midcap) Index 21.0% higher. This market significantly outperformed the blue chip FTSE 100 Index which appreciated only 7.7%. Emerging Markets continued to lead the way, with the MSCI Emerging Market Index gaining 15.0%, headed in particular by the heavyweights, India, Russia and China. Apparently all appears well

Investment Manager's Report

continued

for equity markets in 2007 provided that: the US can engineer a soft landing or control inflation; Chinese demand for materials is maintained; there are no monumental geo-political shocks, terror attacks or natural disasters. In addition, European and Japanese equity markets will require continued growth in economic activity to attract investor attention. There are therefore a number of "known unknowns" and data watchers will be particularly active in the early part of the year. With many markets at five year highs, increased volatility can be expected until future economic direction becomes more apparent.

In this environment, it is not a surprise to see the FTSE 350 Equity Investment Instruments Index struggle to keep pace with global equities due, in the main, to its overweight exposure to UK blue chips and the drag created by US dollar exposure. The gain for the twelve month period under review equated to 7.7%. This index was renamed during 2006 to better represent a broadening of the universe. This greater diversity is the result of an unparalleled year for corporate financiers and primary sales teams who have been raising new money for increasingly obscure products. Simultaneously, existing old fashioned trusts continue to be targeted by arbitrageurs which then require their advisors' attention. The result of all this activity equates to a continual re-shaping and re-rating of the sector with broader secondary market activity slowing. Closed-end fund boards are now more proactive, tend to watch their share register more closely and, if necessary, take steps to limit permanently the discount at which their shares trade. Discounts across the sector remained fairly static during 2006, especially when new issues and private equity trusts were removed from the equation. The weighted average discount for equity trusts is 7.0%; this compares to a five year average of 10.0% and a ten year average of 10.9%. A combination of corporate actions and favourable markets can justify this re-rating, with the former acting to limit downside discount risk should equity markets turn. Many opportunities however continue to present themselves. Some of these are current and some are to be re-examined at a later date when an extreme event occurs. Rising interest rates and falling commodity prices might help accelerate this process. Your Company continues to focus on high quality assets which are out of favour and low beta portfolios managed by high conviction managers with superior track records.

The portfolio was substantially invested at the half year stage, details of transactions were reported in your Company's Interim Report. This report, along with other information, is available on the internet at www.thecayennetrust.com. In the second half of the year, some selected positions were realised. Most notable was one of your Company's largest holdings; Edinburgh Investment Trust. Despite buying back stock, the board of that trust failed to fully address its inherent structural problems by leaving all the expensive debt outstanding, thus raising leverage and ongoing costs. Given this higher risk strategy, your Company sold its entire position during the second half of the financial year. Positions in Electra Private Equity, Finsbury Emerging Biotechnology and HG Capital were sold in order to reduce exposure to these sectors. Murray Income was sold as the discount narrowed and both RIT Capital and British Empire were sold on what appeared to be unsustainable premiums. Your Company took part in three placings: Manchester & London, Henderson Opportunities and Ecofin Water & Power Opportunities. New purchases were completed in Strategic Equity, Scottish American, Hansa Trust, Majedie and Prelude Trust. Positions in Perpetual Income & Growth, Fidelity Special Values and Electric & General were increased at attractive valuations. Electric & General is managed by Taube Hodson Stonex Partnership, a highly respected management company and the Electric & General Trust is the only way that smaller investors can gain access to their investment style. It is believed that not only will this trust perform well, relative to global indices, but will also be re-rated as improved performance entices new investors. In addition to the portfolio of investment trusts, Your Company has a mature and diverse hedge position which should limit downside risk and protect investors from substantial negative market movements. This part of the portfolio consists of listed Put Warrants on the FTSE, S&P and Euro Stoxx indices of varying maturities to provide a broad scope of protection.

Cayenne Asset Management Limited

19 April 2007

Investments in Order of Valuation

at 31 January 2007

(Ordinary shares unless otherwise indicated)	*At Valuation £'000*	*% of Portfolio*
Listed investments		
Apollo Fund (Participating Shares)	8,690	14.30
Scottish Mortgage Investment Trust	5,275	8.68
Electric & General Investment Trust	4,050	6.66
Perpetual Income & Growth Investment Trust	3,727	6.13
The Monks Investment Trust	3,316	5.46
Real Estate Opportunities (Zero Dividend Preference Shares 31/05/2011)	2,512	4.13
Fidelity Special Values Investment Trust	2,224	3.66
TR European Growth Trust	1,748	2.88
Herald Investment Trust	1,666	2.74
Ecofin Water & Power Opportunities	1,420	2.34
Majedie Investments	1,391	2.29
Aberforth Smaller Companies	1,337	2.20
Utilico Emerging Markets Utilities	1,275	2.10
Scottish American Investment Company	1,261	2.08
JPMorgan Fleming Mercantile Investment Trust	1,254	2.06
Utilico Investment Trust	1,214	2.00
The World Trust Fund	1,139	1.87
Ruffer Investment Company (Redeemable Participating Preference Shares)	1,130	1.86
Advance UK Trust	1,100	1.81
Henderson Opportunities Trust	1,051	1.73
Strategic Equity Capital	970	1.60
Gartmore Irish Growth Fund	930	1.53
The Alliance Trust	913	1.50
Hansa Trust 'A'	908	1.50
Manchester & London Investment Trust	888	1.46
Prelude Trust	840	1.38
Utilico Emerging Markets Utilities (warrants)	780	1.28
Jupiter Green Investment Trust	712	1.17
Real Estate Opportunities 7.5% CULS 31/05/2011	486	0.80
B.P. Marsh & Partners	455	0.75
Aberforth Geared Capital & Income Trust (Capital shares)	432	0.71
Melchior Japan Investment Trust	352	0.58
City Natural Resources High Yield Trust	341	0.56
JPMorgan Indian Investment Trust	309	0.51
Utilico 3.75% CULS 31/10/2009	233	0.38
Impax Environmental Markets (warrants)	208	0.34
Finsbury Worldwide Pharmaceutical (warrants)	158	0.26
Utilico Investment Trust (warrants)	145	0.24
Perpetual Income & Growth Investment Trust (Subscription shares)	127	0.21
India Capital Growth Fund Limited (warrants)	115	0.19
Henderson Opportunities Trust (Subscription shares)	61	0.10
The Equity Partnership Investment Company (warrants)	8	0.01
	57,151	**94.04**
Listed put warrants		
ML-FTSE 100 15-Jun-07 Put Spread (P@6025 & P@5525)	438	0.72
ML-FTSE 100 16-Mar-07 Put @ 6075	292	0.48
ML-FTSE 100 15-Jun-07 Put @ 5525	237	0.39
ML-DJ Euro Stoxx 50 21-Sep-07 Put Spread (P@4000 & P@3600)	228	0.38
ML-S&P 500 Index 22-Sep-07 Put @ 1375	161	0.26
	1,356	**2.23**
Other net assets	**2,261**	**3.73**
Total assets less current liabilities	**60,768**	**100.00**

Report of the Directors

for the year ended 31 January 2007

Introduction

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 January 2007.

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

Company's Business

The Company is an investment company under Section 266 of the Companies Act 1985 and has been approved as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31 January 2006. It is a member of the Association of Investment Companies. The Directors are of the opinion, under advice, that the Company has conducted its affairs for the year ended 31 January 2007 so as to be able to obtain approval as an investment trust under Section 842 for that year. The Company is a qualifying trust for the purposes of Personal Equity Plans and Individual Savings Accounts.

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

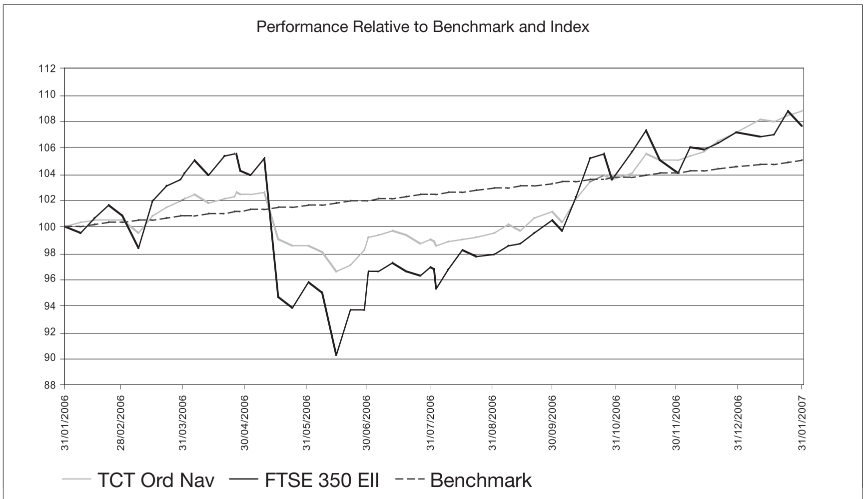
The Chairman's Statement appears on page 4 and the Manager's Reports on page 4 and on page 5.

Business Review

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

Key Performance Indicators ("KPI")

The Board uses KPIs to assess and monitor the performance of the Company. Reviews of the Company's net asset value ("NAV") performance in comparison to the Company's benchmark (the Company's KPI) during the year are contained in the Chairman's Statement on page 4.



Source: Bloomberg LLP/Phoenix Administration Services Ltd

Report of the Directors

continued

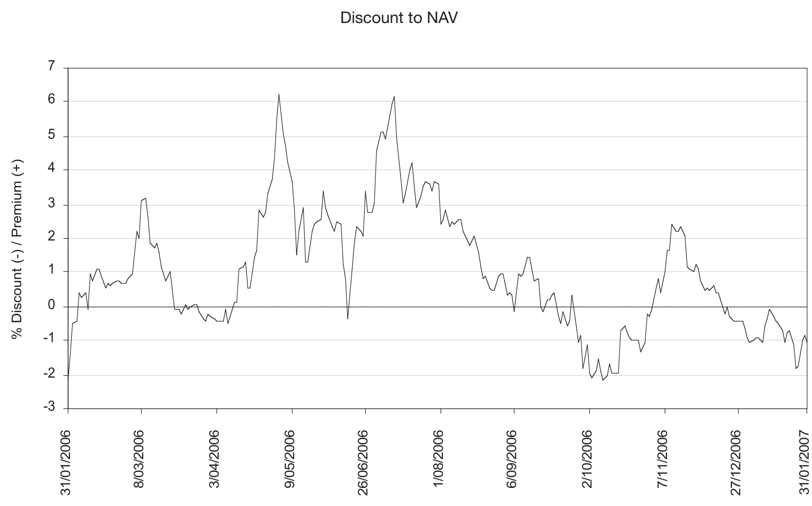
Total expense ratio ('TER')

The total expense ratio ('TER') is an expression of the Company's management fees and other operating expenses (including tax relief, where allowable) as a percentage of average net assets over the year. The TER for the year ended 31st January 2007 was 1.5%. The Board reviews the TER of the Company regularly and, at least annually, the Company's TER against other companies having similar investment objectives and policies.

Principal Risks

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

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



Source: Winterflood Securities/Thompson Financial Datastream

The market value of the 3.25% Convertible Unsecured Loan Stock 2011 (CULS) will be determined by a number of factors, including the supply and demand for the CULS, the price, NAV and dividend yield of the shares into which the CULS is 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.

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

• The investment approach utilised by the Company seeks to generate returns by investing in securities Cayenne Asset Management Ltd believes to be undervalued. There can be no guarantee that the perceived value in the Company's portfolio will however be released, in any expected timeframe or at all.

• In respect of trades in derivative and similar instruments, the Company will be exposed to credit risk on the counterparties with which it trades. The Company will seek to transact only with major established counterparties. The Company will also bear the risk of settlement default by clearing houses and exchanges. Any default by a counterparty or on settlement could have a material adverse effect on the Company.

• The Company's portfolio is constructed without reference to any stock market index. It is therefore likely that there will be periods when its performance will be quite unlike that of any index and there can be no assurance that such divergence will be wholly or even primarily to the Company's advantage.

• Market liquidity in the shares of investment trusts is frequently inferior to the market liquidity of shares issued by larger companies traded on the London Stock Exchange. The CULS and the Ordinary shares are traded on the London Stock Exchange's Main Market, but it is possible that there may not be a liquid market in the CULS or Ordinary shares and investors may have difficulty in selling such securities. The Company invests in other investment trusts which may suffer from similar liquidity issues at times of extreme volatility and the NAV of the Company may be adversely affected.

Taxation

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

Economic Conditions

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

Accounts

The Company prepares its accounts and calculation of NAV in accordance with UK generally accepted accounting practice ("UK GAAP") and the AIC Guidelines, which are subject to change. The Company currently has a policy of charging 80 per cent. of the periodic management fee and interest on the CULS, and the entirety of any performance fee earned under the terms of the Investment Management Agreement, to capital. Charges will reduce the NAV per share.

Duration of the Company

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

Report of the Directors

continued

Financial Results and Dividends

The results for the year are shown in the Income Statement on page 23. The Directors are proposing a dividend of 1.0p for the year which, if approved by shareholders at the forthcoming Annual General Meeting, will be payable on 21 June 2007 to holders on the register at the close of business on 1 June 2007 (ex dividend 30 May 2007).

Use of Financial Instruments

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

Share Valuations

At 31 January 2007, the mid-market price and the net asset value per ordinary share were 118.25p (2006: 107.50p) and 121.91p (2006: 109.89p) respectively.

Substantial Holdings in the Company

At 30 March 2007 the Company had been notified and/or was aware of the following holdings of 3% and over of the Company's capital carrying unrestricted voting rights:

	Holding	*Ordinary shares %*
Investec Asset Management	4,454,352	10.49
East Riding of Yorkshire Council	3,500,000	8.24
Philip J Milton & Company	2,191,189	5.15
Rathbone Bros	2,110,489	4.97
Rensberg Sheppards	1,522,548	3.58
Reliance Mutual	1,511,144	3.56
J M Finn & Co	1,510,631	3.55
Brewin Dolphin	1,417,127	3.34
L Gayler	1,390,000	3.27
Collins Stewart	1,346,345	3.17
NCL Smith & Williamson	1,330,408	3.13

Directors

The present members of the Board are listed on page 1. Mr Jonathan Agnew and Mr Christopher Jones were appointed Directors on 30 January 2006 and Sir Laurence Magnus was appointed a Director on 13 February 2006.

Mr Agnew 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

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

	At 31 January 2007 Ordinary shares	*At 31 January 2006 Ordinary shares*
Jonathan Agnew	**150,000**	150,000
Christopher Jones	**20,000**	20,000
Sir Laurence Magnus	**16,982**	–

Sir Laurence Magnus's shares arose from conversion of C shares in June 2006.

No changes in the above interests occurred between 31 January 2007 and 19 April 2007.

Disclosable Interest

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

Administrator and Company Secretary

INVESCO Asset Management Limited was appointed Administrator to the Company under an agreement dated 30 January 2006 but subsequently resigned and ceased to hold office as at 20 June 2006.

From 21 June 2006 Administration and Company Secretarial services have been provided by Phoenix Administration Services Limited (Phoenix) under an agreement dated 20 June 2006. Phoenix provides full company secretarial services, including the servicing of Board and shareholders' meetings and ensuring that the Company complies with all legal and regulatory requirements. Phoenix, as administrator, maintains records of the Company's investment transactions, portfolio and of all monetary transactions, from which they prepare interim and annual financial statements on behalf of the Company.

Investment Manager

Cayenne Asset Management Limited was appointed Investment Manager under an agreement dated 30 January 2006. This agreement is terminable by either party at six months notice not to expire before 30 July 2007, or by the Company immediately on the occurrence of certain specified events. The fee for these services is calculated at 1% (of which 25% is paid directly to Teenage Cancer Trust at the request of Cayenne Asset Management Limited) per annum (plus VAT) 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. For the year ended 31 January 2007 the high water mark was 120.17p and for the year to 31 January 2008 the high water mark is 126.18p.

Statement of Investment Manager's Responsibilities

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

Assessment of the Investment Manager and Administrator

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

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

Report of the Audit Committee

The Audit Committee is responsible for reviewing each aspect of the financial reporting process, internal control and the management of financial risks, the audit process and compliance with laws and regulations.

The external audit findings are considered by the Audit Committee and discussed with the Auditors, the Investment Manager and the Administrator prior to approving and signing the Financial Statements.

The Audit Committee recommended approval by the Board of an audit fee of £19,000, inclusive of VAT, for the year. Non-audit work undertaken on behalf of the Company by the Auditors included a review of

Report of the Directors

continued

the Company's interim report, general advice and the Company's taxation affairs, for which a fee of £13,000 inclusive of VAT has been agreed. The Audit Committee has considered the independence of the Auditors and the objectivity of the audit process and is satisfied that Deloitte & Touche LLP has fulfilled its obligations to shareholders.

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 (2006: nil).

Disclosure of information to auditors

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

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

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

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

Special business at the Annual General Meeting

Subject as below at the forthcoming Annual General Meeting resolutions will be proposed to authorise the Company to allot shares and to allot a limited number of shares without applying pre-emption rights, to buy shares back for cancellation or (at the discretion of the Directors) to hold in treasury, and to re-sell and/or transfer shares held in treasury. The Board does not have any immediate plans to exercise all of these authorities but recommends that shareholders vote in favour of the resolutions to ensure that the Directors have the maximum number of options available for them to use in the interests of shareholders.

However, in the event that the resolutions to be put to the Extraordinary General Meeting of the Company being held on 25 April 2007 are passed, resolution 8 will not be put to the Annual General Meeting.

Auditors

The Board has decided to appoint BDO Stoy Hayward LLP as auditors to the Company for the year to 31 December 2008 and Deloitte & Touche LLP have agreed to step down as auditors with effect from the close of the Annual General Meeting on 7 June 2007. A resolution to appoint BDO Stoy Hayward LLP as the Company's auditor, Special Notice to propose the Resolution having been received by the Company, and authorise the Directors to determine their remuneration will accordingly be proposed at the Annual General Meeting.

By order of the Board
Phoenix Administration Services Limited
Company Secretary

19 April 2007

Directors' Remuneration Report

for the year ended 31 January 2007

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

Your Company's auditors are required to audit certain of the disclosures provided in this Report. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their Report on pages 21 and 22.

Remuneration Responsibilities

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

The Board reviewed Directors' remuneration during the year and determined that, because of the increased obligation on them as a result of the additional capital raised during the year, the annual fees would be increased with effect from 1 April 2006 to rates of £20,000 (Chairman of the Board), £15,000 (Chairman of the Audit Committee) and £13,000 (Other Directors).

Policy on Directors' Remuneration

The Board's policy is that the remuneration of non-executive Directors should be fair and reasonable in relation to that of other investment trusts. It is intended that this policy will continue for the year ending 31 January 2008.

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

Directors' Service Contracts

It is the Board's policy that none of the Directors 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 be removed from office without notice and that no compensation will be due on leaving office.

Directors' Remuneration Report

continued

Your Company's Performance

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

Directors' Emoluments (audited)

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

	2007 £'000	*2006 £'000*
I. Peter Sedgwick (Chairman of the Board; resigned 30 January 2006)	**–**	10
Philip J. C. Ashfield (resigned 30 January 2006)	**–**	8
Tristan P. A. Hillgarth (resigned 30 January 2006)	**–**	8
Simon C. G. Stevens (resigned 30 January 2006)	**–**	8
Jonathan Agnew (appointed as Chairman on 30 January 2006)	**18**	–
Christopher Jones (appointed 30 January 2006)	**12**	–
Sir Laurence Magnus (appointed 13 February 2006)	**14**	–
Total	**44**	34

Of the Directors' emoluments detailed above none was paid to third parties (2006: none).

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 19 April 2007.

By order of the Board
Phoenix Administration Services Limited
Company Secretary

19 April 2007

Corporate Governance Statement

Directors' Statement of Compliance with the Combined Code on Corporate Governance issued by the Financial Reporting Council ("FRC") in July 2006 ("the Code") and the Code of Corporate Governance published by the Association of Investment Companies (AIC) ("the AIC Code")

The Principles

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

The Directors believe that, during the period under review, they have complied with the provisions of the Code, insofar as they are relevant to the Company's business, and with the provisions of the AIC Code except as explained under the relevant sections.

Directors

Independence

The Board consists of three Directors, all of whom are non-executive and all of whom are considered independent. The Directors have a range of business, financial and asset management skills and experience relevant to the direction and control of the Company. Brief biographical details of the current members of the Board are given on page 1.

Senior Independent Director

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

Chairman

The Chairman is Mr Jonathan Agnew, a non-executive and independent Director who has no conflicting relationships.

Supply of Information

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

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

Corporate Governance Statement

continued

Board Responsibilities

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

The Investment Manager's Responsibilities

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

Company Secretary

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

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

Appointment and Re-election

As the Board comprises only three Directors, all responsibilities relating to nominations are the responsibility of the Board as a whole. The main nominations responsibilities are to review the size and structure of the Board and agree any changes considered necessary or new appointments. No Director has a contract of employment with the Company. Directors' terms and conditions of appointment are set out in letters of appointment, copies of which are available for inspection at the Registered Office of the Company and will be available at the Annual General Meeting ("AGM"). The Articles of Association require that each Director shall retire at an AGM at least every three years after appointment or (as the case may be) last reappointment, and may offer themselves for re-election.

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

Mr Agnew will offer himself for re-election at the 2007 AGM. The Board reviewed Mr Agnew's performance and considers he is effective, provides good leadership and demonstrates commitment to the role. The Board recommends shareholders vote in favour of the re-election of Mr Agnew.

Directors' Remuneration

Details of the Company's policy on remuneration and of payments to Directors are given in the Directors' Remuneration Report on pages 13 and 14.

Board and Directors' Performance Appraisal

The Board recognises the importance of the Code in terms of evaluating the performance of both the Board as a whole and individual Directors. Because the Board only comprises three Directors who also undertake the responsibilities of the Audit, Remuneration and Nomination Committees, the Director's have determined that the use of a tailored questionnaire encompassing all functions is the most appropriate method of appraising the performance of the Board and individual Directors. An appraisal was not conducted during the year but was carried out shortly after the year end.

Accountability and Audit

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 20. The Auditors' Report appears on pages 21 and 22.

Audit Committee

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

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

Internal Financial and Non-Financial Controls

The Directors acknowledge that they are responsible for ensuring that the Company's third party service providers have adequate systems of internal financial and non-financial controls in place throughout the year and up to the date of this report. The effectiveness of the Company's operations via its third party service providers has been reviewed by the Committee. The Directors consider that these procedures enable the Company to comply with the Turnbull Guidance.

As stated above, the Board meets regularly, at least four times a year, and reviews financial reports and performance against 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 annually by the Board.

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

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

Corporate Governance Statement

continued

Internal Audit Function

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

Auditors' Non-audit Services

The Company's auditors also 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 29. In the opinion of the Audit Committee, the Auditors' provision of non-audit services to the Company does not compromise their objectivity and independence in carrying out their audit function.

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

The Management Engagement Responsibilities

As the Board is small all responsibilities relating to management engagement are the responsibility of the Board as a whole. The Board meets annually to review the investment management and administration agreements with the Company's Investment Manager and Administrator and to review the services provided by the Investment Manager and Administrator.

Board and Committee Meeting Attendance

The following table sets out the number of meetings held during the year and the number of meetings attended by each Director or member of each Committee.

	Board meetings		*Audit Committee meetings*		*Management Engagement Committee meetings*	
	Held	*Attended*	*Held*	*Attended*	*Held*	*Attended*
Jonathan Agnew	4	4	2	2	1	1
Christopher Jones	4	4	2	2	1	1
Sir Laurence Magnus	4	4	2	2	1	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 Interim and Annual Reports and Accounts, which aim to provide shareholders with a full understanding of the Company's activities and their 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 Stock Exchange. At each AGM shareholders have the opportunity to address questions to the Chairman of the Board 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 Reports and Accounts and Notice of the AGM be issued to shareholders so as to provide at least twenty working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so, either on the reverse of the proxy card or otherwise in writing to the Company Secretary at the address given on page 1. At other times, the Company responds to letters from shareholders on a range of issues.

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

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 on an informed and independent basis and not simply passed back to the Company concerned for discretionary voting by its chairman.

Social Responsibility Investing

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

Statement of Directors’ Responsibilities

in respect of the preparation of financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company at the end of the financial year and its total return for that year. In preparing these financial statements, the Directors are required to:

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

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

Financial statements will be published on www.thecayennetrust.com. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Directors’ Responsibility Statement

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

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

b) the Management Report (which comprises the Chairman’s Statement, Business Review and Investment Manager’s Review) 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 Members of The Cayenne Trust plc

We have audited the financial statements of The Cayenne Trust plc ("the Company") for the year ended 31 January 2007, which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of Directors and Auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

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

Independent Auditors' Report

continued

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 January 2007 and of its total return for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

19 April 2007

Income Statement

for the year ended 31 January

	Notes	**Revenue £'000** (2007)	**Capital £'000** (2007)	**Total £'000** (2007)	*Revenue £'000* (2006)	*Capital £'000* (2006)	*Total £'000* (2006)
Gains on Investments held at fair value	*10*	**–**	**3,949**	**3,949**	–	3,227	3,227
Current assets held at fair value:							
Losses on listed put warrants		**–**	**(1,805)**	**(1,805)**	–	–	–
Gains on forward currency contracts		**–**	**650**	**650**	–	–	–
Exchange differences		**–**	**(132)**	**(132)**	–	–	–
Income	*2*	**908**	**–**	**908**	866	59	925
Investment management fee	*3*	**(94)**	**(379)**	**(473)**	(65)	(65)	(130)
Other expenses	*4*	**(293)**	**(801)**	**(1,094)**	(192)	–	(192)
Net return before finance costs and taxation		**521**	**1,482**	**2,003**	609	3,221	3,830
Increase in value of RPI 5.06% Debenture Stock		**–**	**–**	**–**	–	(308)	(308)
Increase in value of hedge on £5 million RPI 5.06% Debenture Stock		**–**	**–**	**–**	4	157	161
Interest payable and similar charges	*5*	**(80)**	**(321)**	**(401)**	(273)	(388)	(661)
Return on ordinary activities before taxation		**441**	**1,161**	**1,602**	340	2,682	3,022
Tax on ordinary activities	*7*	**–**	**–**	**–**	–	–	–
Transfer to reserves		**441**	**1,161**	**1,602**	340	2,682	3,022
Return per Ordinary share:							
Basic	*9a*	**1.23p**	**3.25p**	**4.48p**	2.67p	21.03p	23.70p
Diluted	*9b*	**1.23p**	**3.25p**	**4.48p**	n/a	n/a	n/a

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

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

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

The accompanying notes are an integral part of this statement

Reconciliation of Movements in Shareholders' Funds

	Notes	Share Capital £'000	Share Premium £'000	'C' Share Capital £'000	Deferred Share Capital £'000	Capital Redemption Reserve £'000	Equity Component CULS 2011 £'000	Capital Reserve – Realised £'000	Capital Reserve – Unrealised £'000	Revenue Reserve £'000	Total £'000
At 31 January 2006		**3,189**	**9,192**	**–**	**–**	**–**	**–**	**1,126**	**371**	**139**	**14,017**
Issue of 'C' shares 25 April 2006	14	**–**	**–**	**35,000**	**–**	**–**	**–**	**–**	**–**	**–**	**35,000**
Issue of 3.25% Convertible Unsecured Loan Stock 2011 25 April 2006	13	**–**	**–**	**–**	**–**	**–**	**1,161**	**–**	**–**	**–**	**1,161**
Conversion of 'C' shares 22 June 2006	14	**7,430**	**–**	**(35,000)**	**27,570**	**–**	**–**	**–**	**–**	**–**	**–**
Redemption of Deferred Shares 22 June 2006	14	**–**	**–**	**–**	**(27,570)**	**27,570**	**–**	**–**	**–**	**–**	**–**
Net (loss)/return from ordinary activities		**–**	**–**	**–**	**–**	**–**	**–**	**(1,492)**	**2,653**	**441**	**1,602**
At 31 January 2007		**10,619**	**9,192**	**–**	**–**	**27,570**	**1,161**	**(366)**	**3,024**	**580**	**51,780**

	Share Capital £'000	*Share Premium £'000*	*Warrant Redemption Reserve £'000*	*Capital Reserve – Realised £'000*	*Capital Reserve – Unrealised £'000*	*Revenue Reserve £'000*	*Total £'000*
At 31 January 2005	3,189	9,119	73	510	(1,695)	500	11,696
Final dividend for 2005	–	–	–	–	–	(255)	(255)
Expiry of warrants	–	73	(73)	–	–	–	–
Net return from ordinary activities	–	–	–	616	2,066	340	3,022
Interim dividend for 2006 declared and paid in year	–	–	–	–	–	(191)	(191)
Second interim dividend for 2006 declared and paid in year	–	–	–	–	–	(255)	(255)
At 31 January 2006	3,189	9,192	–	1,126	371	139	14,017

The accompanying notes are an integral part of this statement

Balance Sheet

as at 31 January

	Notes	2007 £'000	2006 £'000
Fixed Assets			
Investments held at fair value through profit or loss	10	**57,151**	7,396
Current Assets			
Listed put warrants held at fair value through profit or loss		**1,356**	–
Forward currency contracts held at fair value through profit or loss		**5,878**	–
Debtors	11	**818**	3,078
Cash at bank		**1,432**	3,688
		9,484	6,766
Creditors: amounts falling due within one year			
Forward currency contracts held at fair value through profit or loss		**(5,229)**	–
Other creditors	12	**(638)**	(145)
		(5,867)	(145)
Net current assets		**3,617**	6,621
Total assets less current liabilities		**60,768**	14,017
Creditors: amounts falling due after more than one year			
3.25% Convertible Unsecured Loan Stock 2011	13	**(8,988)**	–
Net assets		**51,780**	14,017
Capital and reserves			
Called-up share capital	14	**10,619**	3,189
Share premium account		**9,192**	9,192
Other reserves			
Capital redemption reserve		**27,570**	–
Equity component 3.25% Convertible Unsecured Loan Stock 2011	13	**1,161**	–
Capital reserve – realised		**(366)**	1,126
Capital reserve – unrealised		**3,024**	371
Revenue reserve		**580**	139
Equity Shareholders' funds		**51,780**	14,017
Net asset value per Ordinary share:			
Basic	15	**121.91p**	109.89p
Diluted	15	**121.91p**	n/a

These financial statements were approved by the Board of Directors on 19 April 2007.

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	**2007 £'000**	2006 £'000
Cash (outflow)/inflow from operating activities	*16(a)*	**(3,699)**	607
Servicing of finance	*16(b)*	**(252)**	(38)
Financial investment	*16(b)*	**(43,173)**	8,452
Equity dividends paid		**–**	(701)
Net cash (outflow)/inflow before financing		**(47,124)**	8,320
Financing			
Repayment of RPI Debenture Stock	*16(b)*	**–**	(10,740)
Issue of 'C' shares	*16(b)*	**35,000**	–
Issue of 3.25% Convertible Unsecured Loan Stock 2011	*16(b)*	**10,000**	–
Decrease in cash during the year		**(2,124)**	(2,420)

Reconciliation of net cash flow to movement in net debt/funds

	Notes	**2007 £'000**	2006 £'000
Decrease in cash during the year		**(2,124)**	(2,420)
Debenture Stock non-cash movement		**–**	(307)
Repayment of Debenture Stock		**–**	10,740
Issue of 3.25% Convertible Unsecured Loan Stock 2011		**(10,000)**	–
Exchange movements		**(132)**	–
Non-cash flow movements:			
Equity element of 3.25% Convertible Unsecured Loan Stock 2011		**1,161**	–
Notional interest charge on 3.25% Convertible Unsecured Loan Stock 2011 – income		**(30)**	–
Notional interest charge on 3.25% Convertible Unsecured Loan Stock 2011 – capital		**(119)**	–
Change in net (debt)/funds		**(11,244)**	8,013
Opening net funds/(debt)		**3,688**	(4,325)
Closing net (debt)/funds	*16(c)*	**(7,556)**	3,688

The accompanying notes are an integral part of this statement

Notes to the Financial Statements

for the year ended 31 January 2007

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 2006, except as noted below:

a) Basis of accounting

The financial statements have been prepared under the historical cost convention modified to include the revaluation of fixed assets and in accordance with United Kingdom law and Accounting Standards and with the Statement of Recommended Practice ("SORP") "Financial Statements of Investment Trust Companies", issued by the Association of Investment Companies (dated January 2003, revised December 2005).

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. 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) 3.25% Convertible Unsecured Loan Stock 2011

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

The interest expense on the liability component is calculated by applying the prevailing market interest rate 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.

d) Income

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

e) Expenses

With effect from 1 February 2006, 80 per cent. of the investment management fee and finance costs are charged to capital reserves – realised in line with the Board's expected long-term split of returns from the investment portfolio of the Company. Prior to 1 February 2006, 50 per cent. of the investment management fee and finance costs were charged to capital reserves – realised. Performance fees are charged entirely to capital reserves – realised. All other expenses are charged to the revenue account.

Notes to the Financial Statements

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f) 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.

g) Foreign currency

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

2. Income

	2007 £'000	*2006 £'000*
Investment Income		
UK dividends	**671**	437
Unfranked investment income	**9**	227
UK fixed interest	**24**	–
Short term investment fund income	**151**	–
	855	664
Other income		
Deposit interest	**53**	202
Total income	**908**	866
Total income comprises:		
Investment income	**855**	664
Interest	**53**	202
	908	866

There were no special dividends treated as capital received during the year (2006: £59,000).

3. Investment management fee

	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000	2006 Revenue £'000	2006 Capital £'000	2006 Total £'000
Investment management fee (including irrecoverable VAT)	**94**	**379**	**473**	65	65	130
	94	**379**	**473**	65	65	130

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 2007 the company held 477.116 shares in the Apollo Fund at a total cost of £8,882,859 and a market value of £8,689,512.

As at 31 January 2007 £148,923 (2006: £446) was due for payment in respect of management fees. There was no liability for performance fees (2006: nil).

At the request of Cayenne Asset Management Limited 25% of their management fee amounting to £105,000 was paid directly to Teenage Cancer Trust.

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

4. Other expenses

	2007 £'000	2006 £'000
Administration fee	**92**	–
Administration fee – other	**29**	–
Directors' emoluments	**44**	34
Auditors' remuneration for:		
– annual audit	**19**	17
– interim review	**9**	–
– taxation	**2**	3
– other advisory services to the company	**2**	5
Custodian fees	**4**	1
Printing fees	**5**	29
Directors' liability insurance	**18**	14
London Stock Exchange/FSA fees	**14**	10
Employer's national insurance contributions	**3**	1
Liquidation fees	**–**	32
Other	**52**	46
	293	192

Issue expenses of £800,000 relating to the issue of "C" shares have been charged to capital reserve – realised. These issue expenses were indirectly borne by the new investors through a deduction from the Gross Issue Proceeds. A further £1,000 of capital related expenses were charged to capital reserves – realised.

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

Of the Directors' fees disclosed above, none was payable to third parties in respect of making available the services of Directors (2006: nil).

Notes to the Financial Statements

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5. Interest payable and similar charges

		2007			2006	
	Revenue £'000	**Capital £'000**	**Total £'000**	*Revenue £'000*	*Capital £'000*	*Total £'000*
Interest on 3.25% Convertible Unsecured Loan Stock 2011	**80**	**320**	**400**	–	–	–
Overdraft interest	**–**	**1**	**1**	–	–	–
Interest on RPI 5.06% Debenture Stock	**–**	**–**	**–**	270	270	540
Net cost of RPI 5.06% Debenture Swap	**–**	**–**	**–**	3	118	121
	80	**321**	**401**	273	388	661

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 per cent. (of which 25 per cent. is paid directly to Teenage Cancer Trust at the request of Cayenne) of total assets (excluding any investment in Apollo) payable quarterly in arrears, and an annual performance fee equivalent to 10 per cent. of the outperformance of a hurdle rate of 5 per cent. per annum on a total return basis, subject to a high water mark.

Cayenne's appointment as Investment Manager is subject to termination by either party on 6 months' notice, not to expire before 30 July 2007.

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

7. Tax on ordinary activities

Factors effecting tax charge for the year

	2007	*2006*
	£'000	*£'000*
Return on ordinary activities before taxation	**1,602**	3,022
Reconciliation of current tax charge		
Theoretical tax at UK Corporation Tax rate of 30% (2006: 30%)	**481**	907
Effects of:		
– Capital gains which are not taxable	**(348)**	(968)
– UK dividends which are not taxable	**(201)**	(149)
– Expenses not deductable for tax purposes	**12**	1
– Movement in excess expenses	**56**	209
Actual current tax amount	**–**	–

As expenses exceeded taxable income in the year, no corporation tax is payable for the year (2006: nil).

Factors that may affect future tax charges

The Company has excess management expenses and non-trading loan relationship deficits of £10,324,000 (2006: £10,134,000) 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.

Notes to the Financial Statements

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8. Dividends

	2007 £'000	*2006 £'000*
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 January 2005 of 2.0p per share	**–**	255
Interim dividend for the year ended 31 January 2006 of 1.5p per share	**–**	191
Second interim dividend for the year ended 31 January 2006 of 2.0p per share	**–**	255
	–	701

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

	2007 £'000	*2006 £'000*
Interim dividend for the year ended 31 January 2006 of 1.5p per share	**–**	191
Second interim dividend for the year ended 31 January 2006 of 2.0p per share	**–**	255
Proposed final dividend for the year ended 31 January 2007 of 1.0p per share	**425**	–
	425	446

9. Return per ordinary share

(a) Basic earnings

The basic return per Ordinary share is based on the net gain on ordinary activities after taxation for the year ended 31 January 2007 of £1,602,000 (2006: £3,022,000) and on 35,716,883 (2006: 12,755,082) Ordinary shares, being the weighted average number of Ordinary shares in issue during the period.

The basic earnings per Ordinary share figures detailed above can be further analysed between revenue and capital, as below:

The revenue return is based on the net return on ordinary activities after taxation for the year ended 31 January 2007 of £441,000 (2006: £340,000) and on 35,716,883 (2006:12,755,082) Ordinary shares, being the weighted average number of Ordinary shares in issue during the period.

The capital return is based on the net gain on ordinary activities for the year ended 31 January 2007 of £1,161,000 (2006: £2,682,000) and on 35,716,883 (2006: 12,755,082) Ordinary shares, being the weighted average number of Ordinary shares in issue during the period.

(b) Diluted earnings

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

10. Investments

	2007 £'000	*2006 £'000*
(a) Analysis of investments by listing status		
Investments listed on a recognised stock exchange	**57,151**	7,396
(b) Analysis of investment gains		
Opening book cost	**7,025**	17,719
Opening unrealised appreciation/(depreciation)	**371**	(2,146)
Opening valuation	**7,396**	15,573
Movements in the year:		
Purchases at cost	**68,583**	562
Sales – proceeds	**(22,777)**	(11,966)
– realised gains on sales	**1,535**	710
Increase in unrealised appreciation	**2,414**	2,517
Closing valuation	**57,151**	7,396
Closing book cost	**54,366**	7,025
Closing unrealised appreciation	**2,785**	371
	57,151	7,396
Sales proceeds	**22,777**	11,966
Investments at cost	**(21,242)**	(11,256)
Realised gains on sales based on historical cost	**1,535**	710
Less gains recognised as unrealised in previous year	**(524)**	1,296
Realised gains on sales based on carrying value at previous years balance sheet date	**1,011**	2,006
Unrealised appreciation for the year	**2,938**	1,221
Net gains on investments	**3,949**	3,227

(c) Transaction costs

The transaction costs included in gains on investments amount to £347,000 on purchases and £42,000 for sales (2006: £3,400 and £24,200 respectively).

(d) Registration of investments

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

Notes to the Financial Statements

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11. Debtors

	2007 £'000	*2006 £'000*
Amounts due from brokers	**752**	3,028
Prepayments and accrued income	**66**	50
	818	3,078

12. Creditors: amounts falling due within one year

	2007 £'000	*2006 £'000*
Amounts due to brokers	**433**	76
Accruals and deferred income	**205**	69
	638	145

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

	2007	
	No. of units 000's	***£'000***
Balance at beginning of year	**–**	**–**
Net proceeds from issue of 3.25% Convertible Unsecured Loan Stock 2011	**10,000**	**10,000**
Equity Component	**–**	**(1,161)**
Balance of liability component	**10,000**	**8,839**
Units converted during the year	**–**	**–**
Additional finance charge to the Income Statement (see note 1c)	**–**	**149**
Balance at end of year	**10,000**	**8,988**

On 25 April 2006 the Company issued 3.25% Convertible Unsecured Loan Stock 2011 for a nominal value of £10,000,000. The loan stock can be converted twice a year into Ordinary shares during the months of January and July commencing January 2007. Post the "C" share conversion the 3.25% Convertible Unsecured Loan Stock 2011 will convert at a rate of 70.77 Ordinary shares for every £100 nominal of 3.25% Convertible Unsecured Loan Stock 2011. Interest is paid on the 3.25% Convertible Unsecured Loan Stock 2011 on 31 January and 31 July each year. The interest on the 3.25% Convertible Unsecured Loan Stock 2011 is charged 20% to revenue and 80% to capital in line with the Board's expected long-term split of returns from the investment portfolio of the Company.

14. Called-up share capital

	2007	*2006*
	£'000	*£'000*
Authorised:		
220,000,000 Ordinary shares of 25p each (2006: 40,000,000)	**55,000**	10,000
Called-up and fully paid:		
42,475,143 Ordinary shares of 25p each (2006: 12,755,082)	**10,619**	3,189

On 25 April 2006 the Company issued 35,000,000 "C" shares of £1 each at par for cash. On 22 June 2006 the "C" shares were sub-divided into 140,000,000 "C" shares of 25p each of which 29,720,061 were simultaneously converted into new Ordinary shares of 25p each using the conversion factor of 0.8491 new Ordinary shares for each "C" share. The remaining 110,279,939 "C" shares of 25p each were simultaneously converted into deferred shares which were redeemed by the Company for an aggregate consideration of 1p for every 100,000 deferred shares (or part thereof) held by each holder. Post conversion of the "C" shares there are 42,475,143 Ordinary shares in issue.

	Number of Ordinary shares	***Share capital £'000***
Opening balance at 31 January 2006	12,755,082	3,189
New Ordinary shares (converted from "C" shares)	29,720,061	7,430
Closing balance at 31 January 2007	42,475,143	10,619

15. Net asset value

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

	Net asset value per share		***Net assets attributable***	
	2007	*2006*	***2007***	*2006*
	pence	*pence*	***£'000***	*£'000*
Ordinary shares				
– Basic	**121.91**	109.89	**51,780**	14,017

The basic net asset value per Ordinary share is based on net assets of £51,780,000 (including the deduction of the liability component of the 3.25% Convertible Unsecured Loan Stock 2011) (2006: £14,017,000) and on 42,475,143 (2006: 12,755,082) Ordinary shares, being the number of Ordinary shares in issue at the year end.

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

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

	2007
	£'000
Total assets less current liabilities (per the balance sheet)	**60,768**
Redemption value of 3.25% Unsecured Loan Stock 2011	**(10,000)**
Net assets per AIC guidelines	**50,768**
Number of Ordinary shares	**42,475,143**
NAV per share (p)	**119.52**

Notes to the Financial Statements

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16. Notes to the cash flow statement

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

	2007 £'000	*2006 £'000*
Net return before finance costs and taxation	**2,003**	3,830
Gains on investments	**(3,949)**	(3,227)
Exchange differences	**132**	–
(Increase)/decrease in debtors	**(7,250)**	3
Increase in accrued income	**(1)**	–
Increase in creditors	**5,366**	1
Net cash (outflow)/inflow from operating activities	**(3,699)**	607

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

	2007 £'000	*2006 £'000*
Servicing of finance		
Interest paid on RPI 5.06% Debenture Stock	**–**	(540)
Interest paid on RPI 5.06% Debenture Swap	**–**	(121)
Final repayment on RPI 5.06% Debenture Swap	**–**	623
Interest paid allocated to income	**(50)**	–
Interest paid allocated to capital	**(202)**	–
Net cash outflow from servicing of finance	**(252)**	(38)
Financial investment		
Purchase of investments	**(68,226)**	(486)
Sale of investments	**25,053**	8,938
Net cash (outflow)/inflow from financial investments	**(43,173)**	8,452

	2007 £'000	*2006 £'000*
Financing		
Repayment of RPI Debenture Stock	**–**	(10,740)
Issue of 'C' shares	**35,000**	–
Issue of 3.25% Convertible Unsecured Loan Stock 2011	**10,000**	–
Net cash inflow/(outflow) from financing	**45,000**	(10,740)

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

	1 February 2006 £'000	*Cash flow £'000*	*Non cash flow £'000*	*Exchange Movements £'000*	*31 January 2007 £'000*
Net cash:					
Cash at bank	3,688	(2,124)	–	(132)	**1,432**
3.25% Convertible Unsecured Loan Stock 2011	–	(10,000)	1,012	–	**(8,988)**
Net funds/(debt)	3,688	(12,124)	1,012	(132)	**(7,556)**

17. Contingencies, guarantees or financial commitments

There were no contingencies, guarantees or financial commitments of the Company at the year end (2006: none).

18. Related-party transactions

Cayenne Asset Management Limited also acts as Investment Manager for the Apollo Fund plc. During the financial year The Cayenne Trust plc purchased 477.116 shares in the Apollo Fund plc.

19. Financial instruments and fund risk profile

Risk management

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

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

In addition, the Company holds cash and liquid resources and various items such as debtors/creditors that arise directly from its operations.

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

The Company, as stated in the Report of the Directors on page 8, 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.

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

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

The main risks arising from the Company's financial instruments which include investments is market price risk, currency risk and interest rate risk. The Board reviews and agrees policies for managing these risks and these are summarised below.

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

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

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

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

The Company is exposed to foreign exchange risk as certain assets and liabilities can be affected by exchange rate movements. The Company has hedged foreign exchange movements in the US Dollar by the use of forward currency contracts. At the year end, there were two forward currency contracts open.

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Currency exposure

Financial assets

The Company's financial assets comprise equity investments, convertible securities, listed put warrants, forward currency contracts, cash balances, and short term debtors.

As at 31 January 2007, the Company's currency cash-flow profile of those financial assets were as follows:

	Sterling £'000	*USD £'000*	*Euro £'000*	*Total £'000*
Investments held at fair value through profit or loss	**47,322**	**9,829**	**–**	**57,151**
Listed put warrants held at fair value through profit or loss	**967**	**161**	**228**	**1,356**
Forward currency contracts held at fair value through profit or loss	**5,878**	**–**	**–**	**5,878**
Cash at bank	**1,432**	**–**	**–**	**1,432**
Short-term debtors	**802**	**–**	**–**	**802**
	56,401	**9,990**	**228**	**66,619**

As at 31 January 2006, the Company's currency cash-flow profile of those financial assets were as follows:

	Sterling £'000	*USD £'000*	*Euro £'000*	*Total £'000*
Investments held at fair value through profit or loss	7,396	–	–	7,396
Cash at bank	3,688	–	–	3,688
Short-term debtors	3,076	–	–	3,076
	14,160	–	–	14,160

Financial liabilities

The Companies financial liabilities comprise of its 3.25% Convertible Unsecured Loan Stock 2011, forward currency contracts, and short term creditors.

As at 31 January 2007, the Company's currency cash-flow profile of those financial liabilities were as follows:

	Sterling £'000	*USD £'000*	*Euro £'000*	*Total £'000*
3.25% Convertible Unsecured Loan Stock 2011	**(8,988)**	**–**	**–**	**(8,988)**
Forward currency contracts held at fair value through profit or loss	**–**	**(5,229)**	**–**	**(5,229)**
Short-term creditors	**(638)**	**–**	**–**	**(638)**
	(9,626)	**(5,229)**	**–**	**(14,855)**

As at 31 January 2006, the Company's currency cash-flow profile of those financial liabilities were as follows:

	Sterling £'000	*USD £'000*	*Euro £'000*	*Total £'000*
Short-term creditors	(145)	–	–	(145)

Interest rate risk profile of financial assets and financial liabilities

As at 31 January 2007, the carrying amount of the Company's financial instruments, by the earlier of contractual re-pricing or maturity date, was as follows:

	In 1 year or less £'000	*In more than 1 year but not more than 3 years £'000*	*In more than 3 years but not more than 4 years £'000*	*In more than 4 years but not more than 5 years £'000*	*Total £'000*
Fair value interest rate risk					
Financial assets held at fair value through profit or loss					
– Non-current assets	–	233	–	486	719

The effective interest rate of financial assets at fair value in the 1 to 3 years is 5.74%, and in 4 to 5 years is 6.03%.

Cash flow interest rate risk					
Loans and receivables					
– Cash at bank	1,432	–	–	–	1,432
Financial liabilities					
– 3.25% Convertible Unsecured Loan Stock 2011	–	–	(8,988)	–	(8,988)

The effective interest rate on the cash at bank in 1 year or less is 5.04%.

The effective interest rate on the financial liability in 3 to 4 years is 5.84%.

	In 1 year or less £'000	*In more than 1 year but not more than 3 years £'000*	*In more than 3 years but not more than 4 years £'000*	*In more than 4 years but not more than 5 years £'000*	*Total £'000*
No interest rate risk					
Financial assets held at fair value through profit or loss					
– Non-current assets	56,432	–	–	–	56,432
– Listed put warrants held at fair value through profit or loss	1,356	–	–	–	1,356
Loans and receivables					
– Short-term debtors	802	–	–	–	802
– Forward currency contracts at fair value through profit or loss	5,878	–	–	–	5,878
Other financial liabilities					
– Short-term creditors	(638)	–	–	–	(638)
– Forward currency contracts at fair value through profit or loss	(5,229)	–	–	–	(5,229)

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Interest rate risk profile of financial assets and financial liabilities continued

As at 31 January 2006, the carrying amount of the Company's financial instruments, by the earlier of contractual re-pricing or maturity date, was as follows:

	In 1 year or less £'000	*In more than 1 year but not more than 3 years £'000*	*In more than 3 years but not more than 4 years £'000*	*In more than 4 years but not more than 5 years £'000*	*Total £'000*
Cash flow interest rate risk					
Loans and receivables					
– Cash at bank	3,688	–	–	–	3,688

The effective interest rate on the cash at bank in 1 year or less was 4.40%.

	In 1 year or less £'000	*In more than 1 year but not more than 3 years £'000*	*In more than 3 years but not more than 4 years £'000*	*In more than 4 years but not more than 5 years £'000*	*Total £'000*
No interest rate risk					
Financial assets held at fair value through profit or loss					
– Non-current assets	7,396	–	–	–	7,396
Loans and receivables					
– Short-term debtors	3,076	–	–	–	3,076
Other financial liabilities					
– Short-term creditors	(145)	–	–	–	(145)

Fair values of financial assets and financial liabilities

Set out below is a comparison by book values and fair values of all the Company's financial assets and financial liabilities as at 31 January:

	2007		*2006*	
	Book Value £'000	***Fair Value £'000***	*Book Value £'000*	*Fair Value £'000*
Primary financial instruments				
Equity investments	**56,432**	**56,432**	7,396	7,396
Non-equity investments	**719**	**719**	–	–
Listed put warrants	**1,356**	**1,356**	–	–
3.25% Convertible Unsecured Loan Stock 2011	**(8,988)**	**(10,550)**	–	–
Cash	**1,432**	**1,432**	3,688	3,688

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

Notice of Annual General Meeting

NOTICE IS GIVEN that the Annual General Meeting of The Cayenne Trust plc will be held at The Crowne Plaza, Buckingham Gate, London SW1E 6AF on 7 June 2007 at 3.00 pm for the following purposes:

Ordinary Business

1. To receive the Directors' Report and Accounts for the year ended 31 January 2007.
2. To approve the Directors' Remuneration Report for the year ended 31 January 2007.
3. To approve the proposed final dividend of 1.0p per Ordinary share
4. To re-elect Jonathan Agnew a Director of the Company.
5. To appoint BDO Stoy Hayward LLP as Auditors to the Company and authorise the Directors to determine their remuneration.

Special Business

To consider and if thought fit to pass resolutions 6, 7 and 8 below SAVE THAT in the event that the resolutions to be put to the Extraordinary General Meeting of the Company being held on 25 April 2007 are passed, resolution 8 will not be put to the Annual General Meeting.

Ordinary Resolution:

6. THAT the Directors be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 ("Act") to allot relevant securities ("Relevant Securities") as defined under the said Section 80 of the Act up to an aggregate nominal amount of £5,000,000 provided that the authority hereby granted shall expire at the conclusion of the Annual General Meeting of the Company in 2011

Special Resolutions:

7. THAT the Directors be and are hereby generally and unconditionally authorised and empowered to allot Relevant Securities in accordance with Section 95 of the Act without Section 89(1) of the Act applying to such allotment, provided that the authority hereby granted shall expire at the earlier of 6 September 2008 and the conclusion of the Annual General Meeting of the Company to be held in 2008 and shall be limited to:

   i) the allotment of Relevant Securities up to a nominal value of £531,000, being approximately 5% of the capital currently in issue, at a price (excluding expenses) of not less than the net asset value per share for the business day immediately preceding the day of allotment (or, if earlier, agreement to allot); and

   ii) the transfer or sale of shares held by the Company as treasury shares at a price (excluding expenses) of not less than the net asset value per share for the business day immediately preceding the day of transfer or sale (or, if earlier, agreement to transfer or sell);

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

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

Notice of Annual General Meeting
continued

i) the maximum number of Ordinary shares to be purchased shall be 6,370,000;

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

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

iv) unless otherwise varied or renewed the authority hereby granted shall expire at the earlier of 6 September 2008 or the conclusion of the Annual General Meeting of the Company to be held in 2008, save that before such expiry the Company may enter into agreement(s) to purchase Ordinary shares which may be completed wholly or partly after such expiry and the Company may purchase such Ordinary pursuant to such agreement(s) as if the authority hereby granted had not so expired.

Dated this 19 April 2007

By order of the Board
Phoenix Administration Services Limited
Company Secretary

Registered office:
Springfield Lodge
Colchester Road
Chelmsford
Essex CM2 5PW

Notes:

1. The Report and Accounts are circulated to the holder of Ordinary shares all of whom are entitled to attend and vote at the above AGM.
2. Any member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead; a proxy need not be a member of the Company. A form of proxy for the use of members is enclosed. The form of proxy must be lodged with the Company's registrar not later than 48 hours before the commencement of the meeting.
3. A shareholder entered on the Register of Members at the close of business on 5 June 2007 is entitled to attend and vote at the Meeting pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001. Any changes to the Register of Members after such time and date shall be disregarded in determining the rights of any Shareholder to attend and/or vote at the Meeting.
4. There are no service contracts between the Directors and the Company.
5. The register of Directors' interests will be available for inspection at the AGM.

Shareholder Information

Capital Gains Tax

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

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

Financial Calendar

The Company publishes information according to the following calendar:

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

Location of Annual General Meeting

To be held at 3.00 pm on Thursday 7 June 2007 at The Crowne Plaza, Buckingham Gate, London SW1E 6AF.

Share Price Listings

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

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

The current share price can also be obtained by calling FT Cityline on 0906 8431473 and keying in the code 1473.

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

Glossary of Terms

Discount

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

Gearing

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

Actual Gearing

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

Asset Gearing

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

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.

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

Winding-up Date

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

Dividend Yield

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