

Queen's Walk Investment Limited
Financial Results Announcement for the
Fourth Quarter and Year Ended 31 March 2009

Queen's Walk Investment Limited records stronger than expected cash flows in fourth quarter

Queen's Walk Investment Limited (the "Company"), the Guernsey-incorporated investment company, has reported a net loss of €2.3 million, or €0.08 per ordinary share¹, for the quarter ended 31 March 2009, compared to a net loss of €20.6 million or €0.77 per ordinary share¹ in the quarter ended 31 December 2008.

The investment portfolio continues to generate more cash than forecast. Total cash proceeds for the quarter ended 31 March 2009 amounted to €12.4 million versus an expectation of €6.8 million. The Company's cash position remains solid with €18.7 million of cash on its balance sheet as at 31 March 2009, compared with €17.3 million as at 31 December 2008.

Fair value write-downs of the Company's portfolio for the quarter were €5.2 million, down from €24.1 million for the quarter ended 31 December 2008. The Company's net asset value ("NAV") at quarter end was €3.96 per share² compared to €4.12 per share² in the previous quarter.

The Board of Directors of the Company has declared a dividend of €0.08 per share for the quarter, unchanged from the previous quarter.

Debt reduction ahead of schedule

Queen's Walk has made significant progress in its stated goal to improve financial stability, most notably in executing its debt repayment plan. The Company is ahead of schedule on its debt reduction programme, having reduced its gross debt from €35 million as at 31 December to €23.5 million as at 17 June 2009. The Company had agreed with its lenders a target outstanding loan amount of €28.5 million for 30 September 2009.

The Company has continued its efforts to improve asset quality with further purchases of investment grade asset-backed securities (ABS). Dislocation in the market means that assets are still available at attractive prices. As at 31 March 2009, Queen's Walk had invested €7.4 million in investment grade bonds, with a further €1.4 million invested to 31 May 2009. The investment grade bond portfolio recorded a cash-on-cash yield of approximately 17% in the quarter ended 31 March 2009.

Tom Chandos, Chairman of Queen's Walk Investment Limited, said: "Our overriding priority is to retain and increase the Company's financial robustness amid market uncertainty. We have made important progress and Queen's Walk retains confidence in the portfolio's ability to generate strong cash flows." Lifetime expected gross cash flows for the Company are more than €185 million. The Company's market capitalisation is approximately €47 million.

Highlights

- European mortgage portfolio cash flow rose to €6.4 million.
- Cash flows from European and UK mortgage portfolios benefitted from one-off gains.
- Default rates broadly in line with, or better than, expectations.
- UK mortgage originators persuaded to repurchase some poor quality mortgage loans.

¹ These calculations per share are based on the weighted average number of Ordinary Shares as shown in Note 9 of the financials.

² These calculations per share are based on the number of Ordinary Shares outstanding at the end of each respective period.

Conference Call & Further Information

A conference call to review the Company's financial results for the quarter ended 31 March 2009 will take place at 10:30 AM London time on 17 June 2009. The conference call can be accessed by dialing +44 (0) 20 7138 0819 ten minutes prior to the scheduled start of the call. Please reference Queen's Walk Investment Limited Financial Results, confirmation code 2273431. A results presentation will be available on the Queen's Walk website (www.queenswalkinv.com).

A webcast of the conference call will also be available on a listen-only basis at www.queenswalkinv.com. Please allow extra time prior to the call to visit the site and download the necessary software required to listen to the internet broadcast. A replay of the webcast will be available for three months following the call.

For further information please contact:

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About the Company

Queen's Walk Investment Limited (the "Company") is a Guernsey-incorporated investment company listed on the London Stock Exchange. The Company invests primarily in a diversified portfolio of subordinated tranches of asset-backed securities, including the unrated "equity" or "first loss" residual income positions typically retained by the banks or other financial institutions which have originated the loan assets that collateralise a securitisation transaction. The Company makes such investments where its investment manager, Cheyne Capital Management (UK) LLP ("Cheyne Capital"), considers the coupon or cash flows from the investment to be attractive relative to the credit exposure of the underlying asset collateral.

The content of this announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "forecasts", "estimates", "anticipates", "expects", "intends", "considers", "may", "will" or "should". By their nature, forward-looking statements involve risks and uncertainties and readers are cautioned that any such forward-looking statements are not guarantees of future performance. The Company's actual results and performance may differ materially from the impression created by the forward-looking statements and should not be relied upon. The Company undertakes no obligation to publicly update or revise forward-looking statements, except as may be required by applicable law and regulation (including the Listing Rules).

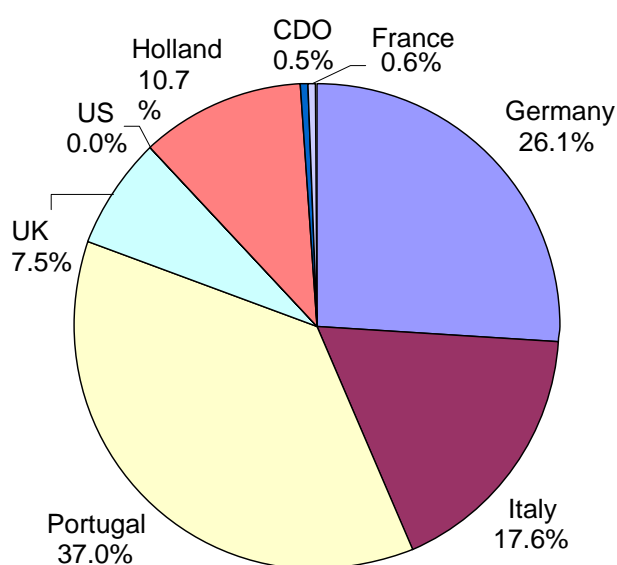
Financial Highlights

	Revenue	Fair value gains and losses	Total Quarter ended 31 March 2009	Revenue	Fair value gains and losses	Total Quarter ended 31 December 2008
Operating Income	3,792,021		3,792,021	5,206,236		5,206,236
Gains and losses on fair value through profit or loss financial instruments		(5,154,020)	(5,154,020)		(24,141,155)	(24,141,155)
	3,792,021	(5,154,020)	(1,361,999)	5,206,236	(24,141,155)	(18,934,919)
Operating Expenses	(701,581)		(701,581)	(1,116,604)		(1,116,604)
Finance Costs	(284,602)		(284,602)	(593,538)		(593,538)
Net profit / (loss)	2,805,838	(5,154,020)	(2,348,182)	3,496,094	(24,141,155)	(20,645,061)
Total Assets			138,026,937			148,656,531
Total Liabilities			32,441,846			38,536,794
Equity Capital			105,585,091			110,119,737
NAV per share			3.96			4.12
Shares Outstanding			26,644,657			26,729,657

Investment Portfolio

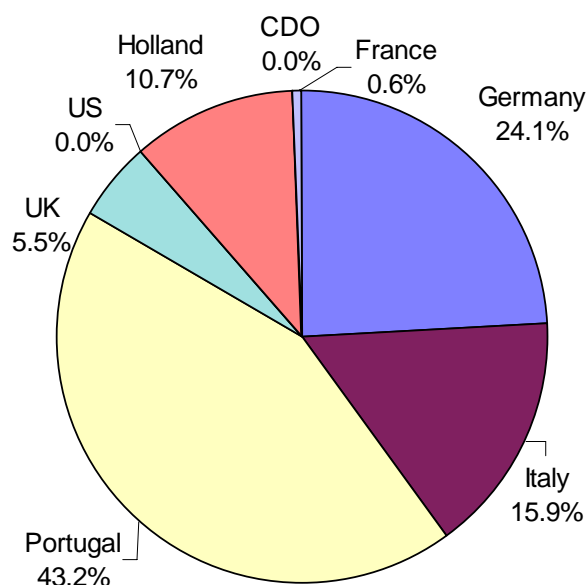
A breakdown of the Company's investment portfolio by jurisdiction (by reference to underlying asset originator) is set out below. The investment grade bonds are included in the charts and are also detailed in the next section. Percentages for each asset class are in relation to the value of the Company's portfolio excluding cash and hedges.

31 December 2008



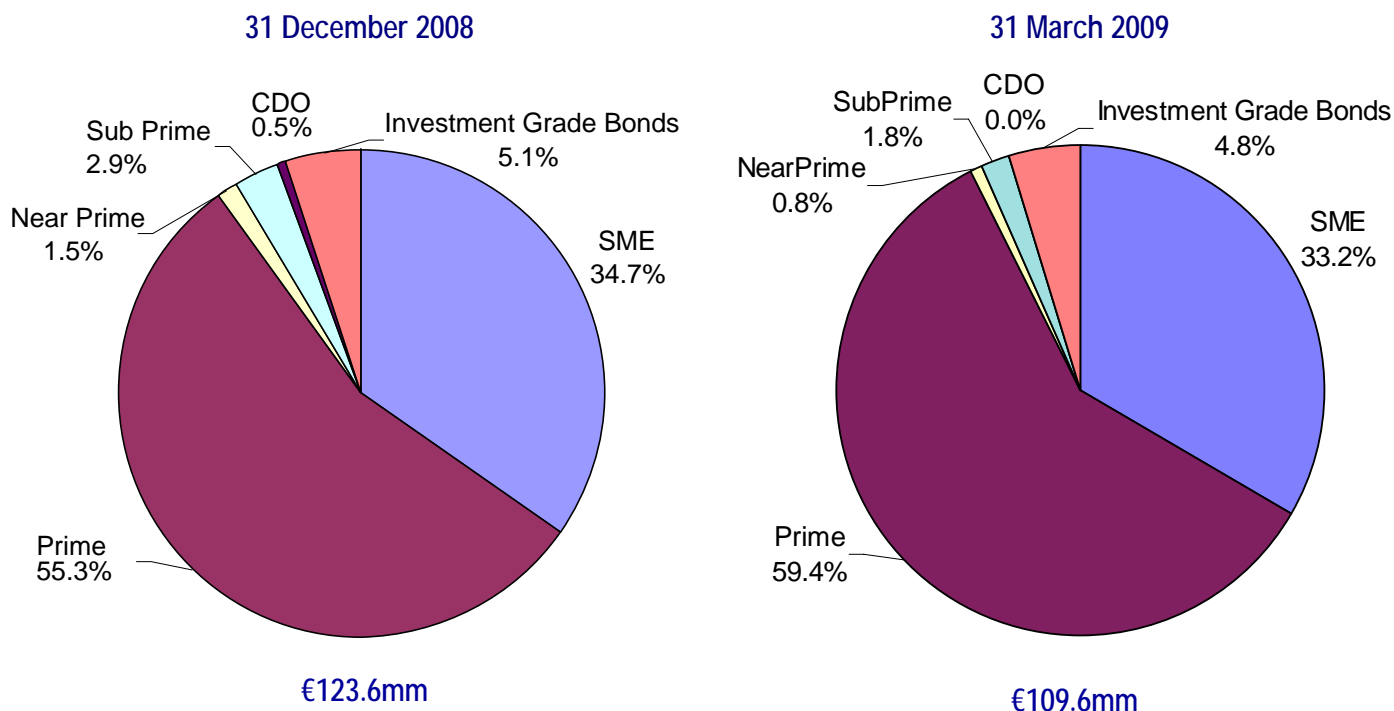
€123.6mm

31 March 2009



€109.6mm

A breakdown of the Company's investment portfolio by asset type (by reference to underlying asset collateral) is set out below. Percentages for each asset class are in relation to the value of the Company's investment portfolio, excluding cash and hedges.



N.B. The term 'Prime' indicates that the underlying pool of loans comprises mortgages made to borrowers with good credit records and whose incomes were verified at the time of the origination.

European Mortgage Portfolio (46.5% of GAV)

The Company's European mortgage residuals continue to perform satisfactorily. Cash flows in the quarter ended 31 March 2009 totalled €6.4 million, compared to €2.8 million in the previous quarter. Cash flows in the year ended 31 March 2009 totalled €13.3 million, compared to €14.2 million in the previous year.

Cash flows for the Lusitano 1 and Lusitano 2 Portuguese mortgage portfolios were significantly higher than expected. The securitisation vehicle had accrued unpaid government payments which were released ahead of schedule in the March quarter. These payments accounted for approximately €2.8 million of the cash flows received in the quarter. Cash flow for these two assets for the quarter stood at €3.6 million after this one-off payment.

In the quarter ended 31 March 2009, the average default rate of the underlying mortgage pools was unchanged at 1.06%. In contrast, the Company's current cash flow forecasts assume an expected default rate of 1.32%.

In some European mortgage investments, the Company has identified early signs that arrears rates are stabilising and, in some cases, falling. However, it will take time for the full impact of lower Euribor rates to emerge, as many of the mortgages are yet to reset their mortgage rates to new, lower levels. The forecasted default rates used in the Company's cash flow models will be lowered once a more definitive arrears trend emerges.

Valuations for European mortgages assume the sponsors refinance the portfolios at a future date. While it is possible for the Company to incentivise sponsors to refinance their transactions, these incentives are deeply out of the money under current market conditions. The table below shows the change in value of the European mortgage portfolios assuming different refinancing dates.

	Refinancing Date Current Assumption	Scenario 1 ¹	Scenario 2 ²
Lusitano 1	15-Dec-11	15-Sep-17	15-Jun-20
Lusitano 2	15-Nov-12	15-May-20	15-May-23
Lusitano 3	16-Oct-13	16-Jan-20	16-Jan-23
Magellan 1	15-Dec-10	16-Sep-16	16-Sep-19
Magellan 2	18-Oct-10	18-Apr-17	18-Jul-20
Sestante 1	27-Jun-14	27-Jun-14	27-Dec-15
Portfolio Value €mm	64.24	66.42	60.97

¹Scenario 1 assumes portfolio is refinanced when it is 10% of its original size.

²Scenario 2 assumes portfolio is refinanced when it is 5% of its original size.

SME Portfolio Investments (26.4% of GAV)

The Company's SME portfolio continues to perform in line with expectations. Cash flows in the quarter ended 31 March 2009 totalled €4.3 million, compared to €3.4 million in the previous quarter. Cash flows in the year ended 31 March 2009 totalled €14.3 million, compared to €12.8 million in the previous year.

To reflect continued weakness in the real economy, and the net tightening of credit standards on loans, the Company has further increased the expected default rate on its SME portfolio by 15%. The table below shows the updated annual default rate forecast relative to the December forecast.

The Company is also expecting the Amstel vehicle to invoke a clause to postpone cash payments for certain periods, and make those payments on maturity in 2014. If invoked this would reduce quarterly cash flow by approximately €0.9 million, but have no impact on total lifetime cash flows for the Company. No other investments in the portfolio contain a similar clause.

The table below summarises the actual default rates for the SME portfolio in the past 12 months and the default rates that the Company has used to determine the forecast cash flows in the quarters ended 31 December 2008 and 31 March 2009.

	December 2008 Default Rate (annualised)	March 2009 Default Rate (annualised)	Default Rate in Last Year	Ratings Implied Default Rate	Model or "Assumed" Default Rate
Amstel 06-1	1.20%	0	0.30%	0.46%	0.60%
Smart 06-1	1.15%	1.48%	0.80%	2.11%	2.00%
Gate 06-1	1.16%	0.69%	0.49%	0.96%	1.05%
Gate 05-2	0.04%	4.30%	1.75%	3.53%	4.30%
Average	0.89%	1.62%	0.84%	1.77%	1.99%

UK Mortgage Portfolio (2.7% of GAV)

The Company's UK mortgage portfolio recorded cash flows of £1.3 million in the quarter ended 31 March 2009 compared to £1.3 million in the previous quarter. Cash flows in the year ended 31 March 2009 totalled £11.1 million, compared to £37.9 million in the previous year. Cash flows in the quarter ending 30 June 2009 are expected to be materially lower than the quarter ending 31 March 2009.

The Investment Manager has made progress in persuading mortgage originators to voluntarily repurchase loans that did not satisfy representations and warranties provided at the time of the securitisation. The Company has been able to recover or avoid losses of approximately £0.7 million from the UK mortgage portfolio. These amounts

accrued to the benefit of the Company in the quarter ended 31 March 2009. The Company has been able to recover a further £300,000 from the UK mortgage portfolio which will accrue to the benefit of the Company in the quarter ending 30 June 2009.

Investment Grade Bond Portfolio (3.8% of GAV)

The investment grade portfolio recorded cash flows of €0.3 million in the quarter ended 31 March 2009, unchanged from the previous quarter. Cash flows in the year ended 31 March 2009 were €0.8 million. As at 31 March 2009, the Company had spent €7.4 million on purchasing investment grade bonds, and spent a further €1.4 million on bonds in the period to 31 May 2009. The annualised cash-on-cash yield of the bond portfolio in the quarter ended 31 March 2009 was approximately 17%³. The tables below detail the European ABS bonds that were purchased by the Company up to 31 May 2009⁴. The weighted average rating of the portfolio (based on the invested amount) is approximately A-.

Percentage of Portfolio by Value

Rating by Vintage ¹	2003	2004	2005	2006	2007	Total
AAA	4.50%	12.20%	18.01%		1.12%	35.83%
AA		4.58%		23.76%		28.34%
A				14.95%		14.95%
BBB			12.90%		7.98%	20.89%
Total	4.50%	16.77%	30.91%	38.70%	9.11%	100.00%

Percentage of Portfolio by Value

Rating by Type	UK Prime RMBS ²	UK Buy To Let RMBS ²	UK Non-Conforming RMBS ²	Euro Prime RMBS ²	UK CMBS ³	Euro CMBS	SME	Total
AAA	3.45%	12.58%	2.47%	9.35%			7.97%	35.83%
AA		23.76%			4.58%			28.34%
A			11.57%			3.37%		14.95%
BBB	12.90%					7.98%		20.89%
Total	16.36%	36.34%	14.04%	9.35%	4.58%	11.36%	7.97%	100.00%

1. Vintage reflects the issue date of the bond
2. Residential Mortgage Backed Securities
3. Commercial Mortgage Backed Securities

Portfolio Valuation

In accordance with the Company's valuation procedures, the fair value of the Company's investments is calculated on the basis of observable market data, market discount rates and the Investment Manager's expectations regarding future trends. Given the considerable continuing re-structurings at many investment banks, the Company has received marks on only 6 out of 21 of its residual investments compared to 13 in the previous quarter. As a consequence of this, the Company has elected to use a model based approach to value its residual investments. The pricing assumptions have been reviewed by an external validation agent. The Company has used a 15% discount rate for the European and UK mortgage portfolios and 20% discount rate for the SME

³ Total cash proceeds received in the quarter divided by amortised cost value of the bonds.

⁴ The tables include the bonds purchased at their cost using FX rates at the time of purchase.

portfolios. These discount rates are applied to the loss adjusted cash flows. The Company received broker marks for all of the investment grade bonds.

After giving effect to fair value write-downs and principal pay-downs to the residual investment portfolio and the investment grade bond portfolio of €14.0 million in the quarter ended 31 March 2009 (€97.5 million for year ended 31 March 2009), the NAV of the Company was €3.96 per share as at 31 March 2009 (versus €4.12 per share as at 31 December 2008).

The table below summarises the changes in fair values of the Company's investment portfolio by asset class:

Asset Class	31 Dec 2008 Fair Value ^{1,2} (€mm)	31 Mar 2009 Fair Value ² (€mm)	Fair Value Change Since 31 Dec 2008 (€mm)	Cash flows Received in the Quarter Ended 31 December 2008 ³ (€mm)	Cash flows Received in the Quarter Ended 31 March 2009 (€mm)
UK Mortgages	6.3	3.7	-2.6	1.5	1.4
Euro Mortgages	67.4	64.2	-3.2	2.8	6.4
SME	42.9	36.4	-6.5	3.4	4.3
CDO	0.7	0.0	-0.7	0.2	-
US Mortgages	0.0	0.0	0.0	0.0	0.0
Investment Grade Bonds	6.2	5.3	-1.0	0.3	0.3
TOTAL ⁴	123.6	109.6	-14.0	8.2	12.4

1. Fair values as at 31 December 2008 are expressed using 31 March 2009 FX rates.
2. The fair value figures for 31 December 2008 and 31 March 2009 include accrued interest.
3. Cash flows for 31 December 2008 are expressed using 31 March 2009 FX rates.
4. The values for each column may not sum to the total due to rounding differences.

Fair value changes since 31 December 2008 include principal amortisations as a result of cash flows received in the quarter, as well as fair value adjustments related to the investment portfolio.

Company Outlook

The Company will continue to focus on improving financial stability through debt repayment and new investments. Since 30 November 2008, the Company has repaid €17 million of debt and spent €8.8 million on purchasing investment grade bonds.

Cash balances are expected to remain above €13 million at the end of June, with the expected debt outstanding to be below €22 million by the end of July. As a result of lower than expected cash flows from the UK mortgage portfolio, cash flows in subsequent quarters will be approximately €5.5 million a quarter.

Over the coming months, the Company will continue to selectively gather mis-priced assets in the ABS markets. The Company is also investigating transactions that allow banks to deconsolidate significant amounts of their ABS balance sheet to achieve regulatory capital relief. The Company's return targets for these types of assets are in excess of 20%.

Worsening economic conditions could have an impact on the European mortgage and SME portfolios. The Company expects default levels to rise in its SME portfolio and has increased its default assumptions accordingly. The outlook for the European mortgage portfolio is broadly neutral with the expected impact of poor economic conditions likely to be offset by lower Euribor rates leading to lower levels of arrears.

Given the cash flow generation of the Company's portfolio, the Company remains well positioned to take advantage of the continued investment opportunities in the ABS markets.