15 September 2009

Queen's Walk Investment Limited
Financial Results Announcement for the
First Quarter Ended 30 June 2009

Queen's Walk Investment Limited reports €5.0 million loss; cash flow ahead of expectations

Queen's Walk Investment Limited (the "Company"), the Guernsey-incorporated investment company, has reported a net loss of €5.0 million, or €0.19 per ordinary share[1], for the quarter ended 30 June 2009, compared to a net loss of €2.3 million or €0.08 per ordinary share[1] in the quarter ended 31 March 2009.

The investment portfolio generated more cash than forecast for the third successive quarter. Total cash proceeds amounted to €6.0 million versus an expectation of €5.5 million. The Company's overall cash position was also slightly higher than expected with €13.3 million of cash on the Company's balance sheet at 30 June 2009, compared with a forecast of €13.0 million. The cash position stood at €18.7 million on 31 March 2009. The lower cash balance reflects debt repayments made in the quarter ended 30 June 2009.

Fair value write-downs for the quarter were €8.0 million, up from €5.2 million for the quarter ended 31 March 2009. Write-downs include a €3.0 million charge against hedging positions.

The Company's net asset value ("NAV") at quarter end was €3.69 per share[2] compared to €3.96 per share[2] at the previous quarter end.

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

Solid cash flow from key portfolios supports further investment and debt repayment

The Company's European and SME portfolios, the two largest, have generated cash in line with or ahead of expectations. This cash flow ensures Queen's Walk can continue its strategy of purchasing undervalued investment grade bonds.

The Company made new investments of €1.4 million during the first quarter. Following the recent rally in financial markets, the Company anticipates the fair value of the Investment Grade portfolio to increase in the coming quarters. The Company has continued to repay its debt ahead of schedule and has reduced its gross debt from €29.5 million as at 31 March 2009, to €22.0 million as at 15 September 2009.

Tom Chandos, Chairman of Queen's Walk Investment Limited, said: "We continue to generate cash flow in line with expectations, enabling us to reduce our debt, continue dividend payments while also making new investments".

Highlights

- Lifetime cash flows from the portfolio are expected to be €185.3 million
- Credit quality of underlying loans in SME portfolio stablising
- Lower Euribor rates helping borrowers in European portfolio to keep up with repayments
- Investment Grade portfolio generated an annualised cash-on-cash yield of 19%
- Value of the UK mortgage portfolio increased by €2.1 million

1 These calculations per share are based on the weighted average number of Ordinary Shares as shown in Note 8 of the financial statements for the quarter ended 30 June 2009.
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 30 June 2009 will take place at 10:30 AM London time on 15 September 2009. The conference call can be accessed by dialing +44 (0) 20 7138 0839 ten minutes prior to the scheduled start of the call. Please reference Queen's Walk Investment Limited Financial Results. 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:

Investor Relations: Caroline Villiers +44 (0)20 7920 2321

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" or the "Investment Manager"), considers the coupon or cash flows from the investment to be attractive relative to the credit exposure of the underlying asset collateral.

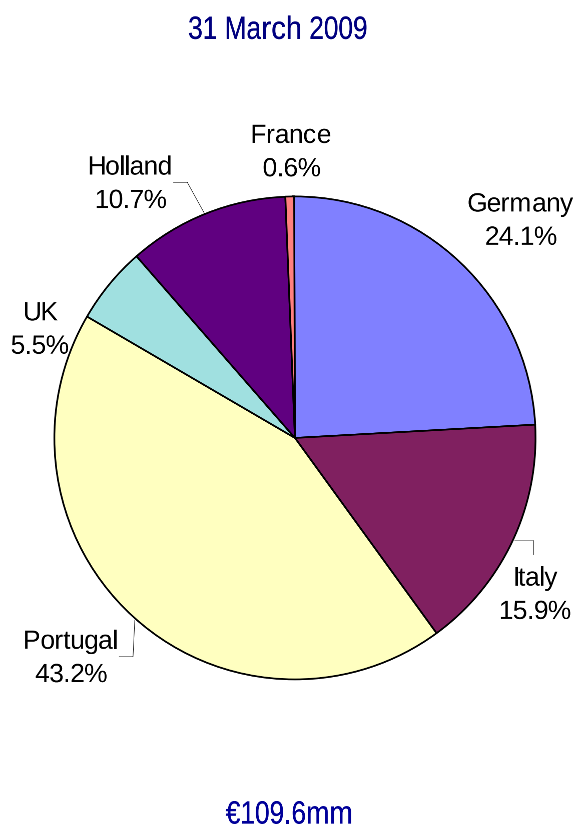
The content of this announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "forecasts", "estimates", "anticipates", "expects", "intends", "anticipates", "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).

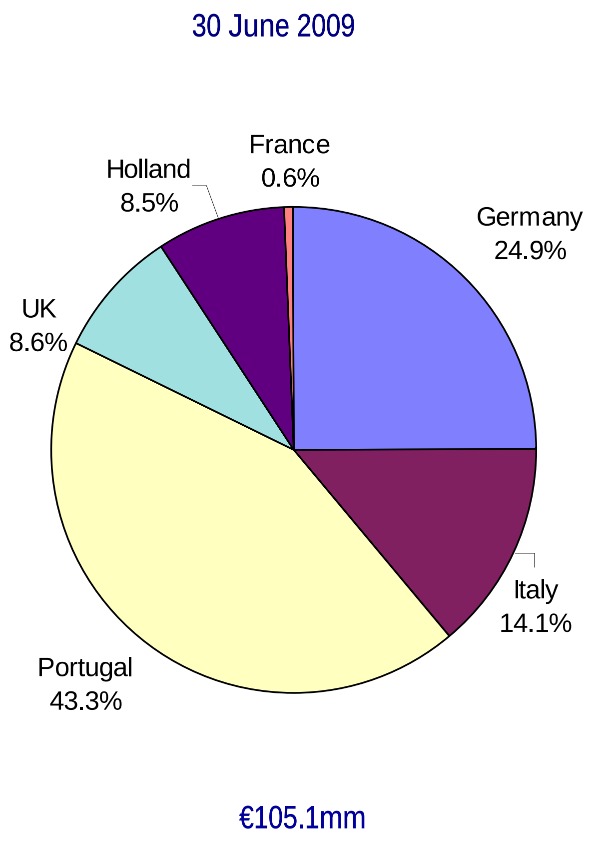
Financial Highlights

	Revenue	Fair value gains and losses	Total Quarter ended 30 June 2009	Revenue	Fair value gains and losses	Total Quarter ended 31 March 2009
Operating Income	4,128,238		4,128,238	3,792,021		3,792,021
Gains and losses on fair value through profit or loss financial instruments		(7,976,270)	(7,976,270)		(5,154,020)	(5,154,020)
	4,128,238	(7,976,270)	(3,848,032)	3,792,021	(5,154,020)	(1,361,999)
Operating Expenses	(973,552)		(973,552)	(701,581)		(701,581)
Finance Costs	(201,298)		(201,298)	(284,602)		(284,602)
Net profit / (loss)	2,953,388	(7,976,270)	(5,022,882)	2,805,838	(5,154,020)	(2,348,182)
Total Assets			124,871,710			138,026,937
Total Liabilities			26,441,074			32,441,846
Equity Capital			98,430,636			105,585,091
NAV per share			3.69			3.96
Shares Outstanding			26,644,657			26,644,657

Investment Portfolio

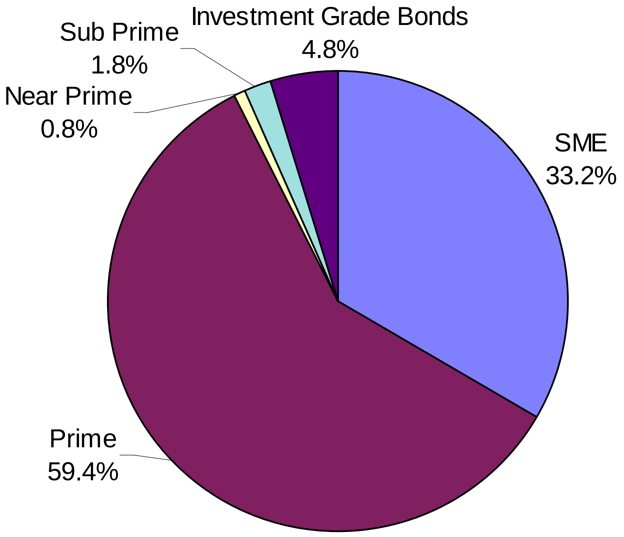
A breakdown of the Company's investment portfolio by jurisdiction (by reference to underlying asset originator) is set out below. The investment grade bonds are included in the charts and are also detailed in the next section. Percentages for each asset class are in relation to the value of the Company's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





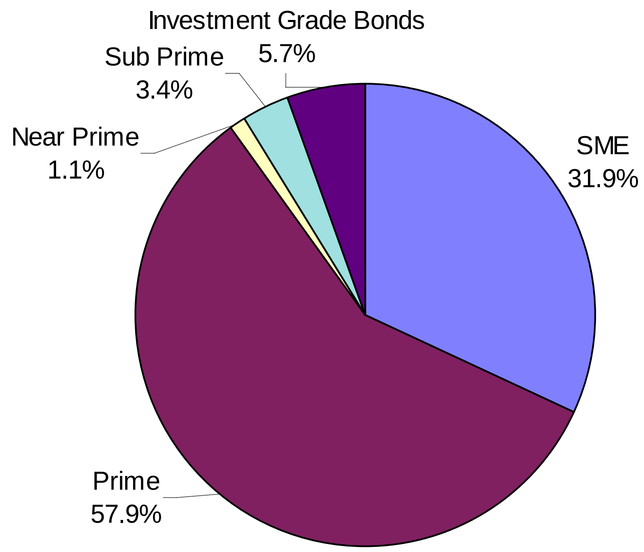
A breakdown of the Company's investment portfolio by asset type (by reference to underlying asset collateral) is set out below. Percentages for each asset class are in relation to the value of the Company's investment portfolio, excluding cash and hedges.

31 March 2009



€109.6mm

30 June 2009



€105.1mm

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 (47.9% of GAV)

The Company's European mortgage residuals continue to perform satisfactorily. Cash flows returned to a more steady level of €2.9 million in the quarter. This was lower than the previous quarter's total of €6.4 million, which had been boosted by large one-off cash payments, but in line with earlier quarters.

The lower Euribor rate has had a positive effect on the portfolio, with fewer mortgage borrowers going into arrears. However, faced with a lack of financing options, borrowers in the Sestante Italian mortgage portfolio are finding it hard to recover once they fall into arrears. As a result, the Company has increased the expected default rate for this portfolio from 1.9% to 2.3%. The average default rate in the past year has been 1.8%. The Company is expecting higher losses, and has consequently reduced the fair value of the Sestante mortgage portfolio by €3.1 million.

SME Portfolio Investments (26.9% of GAV)

The Company's SME portfolio continues to perform in line with expectations and the outlook has shown signs of improving. Cash flows in the quarter ended 30 June 2009 totalled €2.0 million, compared to €4.3 million in the previous quarter. The fall in the quarterly cash flows reflects postponement of the cash flows from the Amstel 2006-1 portfolio, as highlighted last quarter. Based on the Company's forecasts, this postponement of cash flows should have no impact on total lifetime cash flows the Company receives from this investment.

For the first time in more than a year, the credit quality of the Gate 2005-2 and Smart 06-1 SME portfolios has started to stabilise or improve. These are the first SME portfolios for which we have begun to see this trend. The SME portfolio's average default rate for the quarter ended 30 June 2009 fell to 1.2% from 1.6% in the previous quarter. The average model default rate used to forecast cash flows in the March quarter was 1.9%, which was significantly higher than June's average default rate of 1.2%. The table below summarises the actual default rates for the SME portfolio in the past two quarters and the revised default rates that the Company has used to determine its cash flow estimates for this quarter.

	March 2009 Default Rate (annualised)	June 2009 Default Rate (annualised)	Model or "Assumed" Default Rate
Amstel 06-1	0.00%	0.38%	0.60%
Smart 06-1	1.48%	0.71%	2.00%
Gate 06-1	0.69%	1.28%	1.15%
Gate 05-2	4.30%	2.52%	3.70%
Average	1.62%	1.22%	1.86%

UK Mortgage Portfolio (4.7% of GAV)

The Company's UK mortgage portfolio recorded cash flows of £0.3 million in the quarter ended 30 June 2009 compared to £1.3 million in the previous quarter.

The Company has increased the valuation of its RMAC assets by €2.1 million, as a result of lower defaults in the current period and lower forecast defaults versus our previous assumptions.

The Investment Manager has continued to make progress in persuading mortgage originators to voluntarily repurchase loans that did not satisfy representations and warranties provided at the time of the securitisation. In the quarter ended 30 June 2009, the Company benefitted from £300,000 of voluntary repurchases of loans in the UK mortgage portfolio from agreements made in the quarter ending 31 March 2009. The Company has recovered a total of £1.0 million in voluntary repurchases to date. The Investment Manager is continuing its programme of reviewing loan files and will seek to reclaim amounts for those loans that have breached representations and warranties.

Investment Grade Bond Portfolio (4.8% of GAV)

The investment grade portfolio recorded cash flows of €0.4 million in the quarter ended 30 June 2009, up from €0.3 million in the previous quarter. As at 30 June 2009, the Company had spent €8.8[3] million on purchasing €19.7 million nominal of investment grade bonds. Since then it has invested a further €1.3 million on €2.0 million nominal of bonds in the period to 31 August 2009. The annualised cash-on-cash yield of the bond portfolio in the quarter ended 30 June 2009 was approximately 19%[4]. The tables below detail the European ABS bonds that were purchased by the Company up to 31 August 2009[5]. The weighted average rating of the portfolio (based on the invested amount) is approximately BBB[6].

Percentage of Portfolio by Cost Price

Rating by Vintage[1]	2003	2004	2005	2006	2007	Total
AAA	3.93%	13.07%	14.86%	10.23%	0.98%	43.08%
AA		4.00%		20.75%		24.75%
A				13.06%		13.06%
BBB			8.04%		11.08%	19.11%
Total	3.93%	17.07%	22.90%	44.04%	12.06%	100.00%

1. Vintage reflects the issue date of the bond

[3] Euro equivalent purchased bond value is calculated using FX rates at the time of purchase.
[4] Total cash proceeds received in the quarter divided by amortised cost value of the bonds.
[5] The tables include the bonds purchased at their cost using FX rates at the time of purchase.
[6] Calculated using Moody's WARF (weighted average risk factor) approach.

Percentage of Portfolio by Cost Price

Rating by Type	UK Prime RMBS[1]	UK Buy To Let RMBS[1]	UK Non-Conforming RMBS[1]	Euro Prime RMBS[1]	UK CMBS[2]	Euro CMBS[2]	SME	Total
AAA	3.02%	10.99%	3.70%	8.17%		10.23%	6.96%	43.08%
AA		20.75%			4.00%			24.75%
A			10.11%			2.95%		13.06%
BBB	8.04%					11.08%		19.11%
Total	11.06%	31.75%	13.81%	8.17%	4.00%	24.25%	6.96%	100.00%

1. Residential Mortgage Backed Securities
2. 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 continuing re-structurings at many investment banks, the Company continues to lack reliable independent broker marks for the residual portfolio. Therefore, for the year ended 31 March 2009 onwards, the Company has elected to use a model based approach to value its residual investments. An external validation agent has reviewed the pricing assumptions. The Company has used a 15% discount rate for the European and UK mortgage portfolios and 20% discount rate for the SME portfolios. These discount rates are applied to the loss-adjusted cash flows. The Company received broker marks for all of its investment grade bonds.

Changes in balance sheet value of the investment portfolio between 31 March and 30 June 2009 include €1 million of principal amortisations as a result of cash flows received in the quarter, €1.4 million of bond purchases and fair value adjustments of -€4.6 million in relation to the residual investment portfolio and -€0.4 million to the bond portfolio. After giving effect to these balance sheet changes and further purchases in the investment grade bond portfolio in the quarter ended 30 June 2009, the NAV of the Company was €3.69 per share as at 30 June 2009 (versus €3.96 per share as at 31 March 2009).

The balance sheet value of the Company's hedges declined by €3.0 million in the quarter ended 30 June 2009. The HPI option hedge declined by €1.5 million and the value of the MDAX Option declined by €1.0 million.

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

Asset Class	31 Mar 2009 B/S Value[1,2] (€mm)	30 Jun 2009 B/S Value[2] (€mm)	Change to B/S Value Since 31 Mar 2009 (€mm)	Cash flows Received in the Quarter Ended 30 Jun 2009 (€mm)	Cash flows Received in the Quarter Ended 31 Mar 2009[3] (€mm)
UK Mortgages	3.7	5.8	2.1	0.3	1.5
Euro Mortgages	64.2	59.8	-4.5	2.9	6.4
SME	36.4	33.6	-2.9	2.0	4.3
Investment Grade Bonds	5.5	6.0	0.5	0.4	0.3
TOTAL[4]	109.8	105.1	-4.7	5.6	12.5

1. Balance sheet values as at 31 March 2009 are expressed using 30 June 2009 FX rates.
2. The balance sheet value figures for 31 March 2009 and 30 June 2009 include accrued interest.
3. Cash flows for 31 March 2009 are expressed using 30 June 2009 FX rates.
4. The values for each column may not sum to the total due to rounding differences.

Company Outlook

The Company estimates cash balances to remain stable at approximately €13.0 million at the end of the September quarter, and expects to reduce its outstanding debt to below €20 million following the 30 September 2009 quarter end. Lower than expected cash flows from the Amstel 2006-1 SME portfolio will affect cash flows in subsequent quarters, though our forecasts for total cash flows from this investment remain largely unchanged. The Company projects cash flow over coming quarters to be approximately €5.0 million. This compares with previous projections of €5.5 million a quarter.

We are starting to see early signs of stabilisation in some of the SME portfolios, but continued stability depends on continued global economic growth. However, slowing growth or a return to recession remain possibilities. The Company expects default levels to rise in its SME portfolio and has maintained expected default rates higher than actual performance. The outlook for the European mortgage portfolio is broadly neutral.

The Company is optimistic that valuations of higher quality bonds in the Investment Grade portfolio should start to increase. The market for triple-A rated asset backed securities has rallied strongly in the past two months and we would expect to see this reflected in broker marks for these securities.

Given the continued ability of the investment portfolio to generate cash flow, the Company remains well positioned to take advantage of investment opportunities in the ABS markets. Over the coming months, the Company aims to continue selectively gathering mis-priced assets in the ABS markets.

Unaudited Condensed Consolidated Income Statement

For the quarter ended 30 June 2009 and quarter ended 31 March 2009

	Note	Quarter ended 30 June 2009 Euro	Quarter ended 31 March 2009 Euro
Interest income	5	4,128,238	3,792,022
Gains and losses on fair value through profit or loss financial instruments	4	(7,976,270)	(5,154,020)
		(3,848,032)	(1,361,998)
Operating expenses	6	(973,552)	(701,581)
Finance costs	5	(201,298)	(284,603)
Net loss		**(5,022,882)**	**(2,348,182)**
Loss per Ordinary Share			
Basic	8	Euro (0.1885)	Euro (0.0834)
Diluted	8	Euro (0.1885)	Euro (0.0834)
Weighted average Ordinary Shares outstanding		**Number**	**Number**
Basic	8	26,644,657	28,161,648
Diluted	8	26,644,657	28,161,648

All items in the above statement are derived from continuing operations.

All income is attributable to the Ordinary Shareholders of the Company.

Unaudited Condensed Consolidated Statement of Changes in Shareholders’ Equity

For the quarter ended 30 June 2009 and quarter ended 31 March 2009

	Note	Share Capital Euro	Reserves Euro	TOTAL Euro
Balance at 31 December 2008		**-**	**110,119,737**	**110,119,737**
Net loss for the quarter		-	(2,348,182)	(2,348,182)
Buy back of ordinary shares	15,16	-	(54,891)	(54,891)
Distribution to the Ordinary Shareholders of the Company	7	-	(2,131,573)	(2,131,573)
Balance at 31 March 2009		**-**	**105,585,091**	**105,585,091**
Net loss for the quarter		-	(5,022,882)	(5,022,882)
Distribution to the Ordinary Shareholders of the Company	7	-	(2,131,573)	(2,131,573)
Balance at 30 June 2009		**-**	**98,430,636**	**98,430,636**

Unaudited Condensed Consolidated Balance Sheet

As at 30 June 2009

	Note	30 June 2009 Euro	31 March 2009 Euro
Non-current assets			
Investments at fair value through profit or loss	10	103,779,370	108,331,353
		103,779,370	108,331,353
Current assets			
Cash and cash equivalents		13,263,228	18,661,098
Derivative financial assets – options held for trading	10	2,881,758	5,858,210
Derivative financial assets – unrealised gain on interest rate swap agreements	12	3,237,734	3,512,780
Other assets	11	1,709,620	1,663,496
		21,092,340	29,695,584
Total assets		**124,871,710**	**138,026,937**
Equity and liabilities			
Equity			
Reserves	16	98,430,636	105,585,091
		98,430,636	105,585,091
Current liabilities			
Distribution payable	7	2,131,573	2,131,573
Other liabilities	14	750,982	804,234
		2,882,555	2,935,807
Non-current liabilities			
Loans	13	23,558,519	29,506,039
Total liabilities		26,441,074	32,441,846
Total equity and liabilities		**124,871,710**	**138,026,937**

Unaudited Condensed Consolidated Cash Flow Statement

For the quarter ended 30 June 2009 and quarter ended 31 March 2009

	Note	Quarter ended 30 June 2009 Euro	Quarter ended 31 March 2009 Euro
Net cash inflow from operating activities	17	2,475,209	9,305,540
Financing activities			
Net repayment of borrowings from loans		(5,947,520)	(5,493,961)
Dividends paid to shareholders	7	(2,131,573)	(2,148,373)
Buyback of share capital		-	(54,891)
Cash flows from financing activities		(8,079,093)	(7,697,225)
Net (decrease)/increase in cash		(5,603,884)	1,608,315
Reconciliation of net cash flow to movement in net cash			
Net (decrease)/increase in cash and cash equivalents		(5,603,884)	1,608,315
Cash and cash equivalents at start of period		18,661,098	17,265,152
Effect of exchange rate fluctuations on cash and cash equivalents		206,014	(212,369)
Cash and cash equivalents at end of period		**13,263,228**	**18,661,098**

Notes to the Unaudited Condensed Quarterly Report

1. General information

Queen's Walk Investment Limited (the "Company") was registered on 6 September 2005 with registered number 43634 and is domiciled in Guernsey, Channel Islands. The Company commenced its operations on 8 December 2005. The Company is a closed-ended investment company with limited liability formed under The Companies (Guernsey) Law, 2008 and its Ordinary Shares are listed on the London Stock Exchange. The registered office of the Company is Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 3BG, Channel Islands. "Group" is defined as the Group and its subsidiary. At 30 June 2009, the Group's only subsidiary was Trebuchet Finance Limited.

The Group's investment objective is to preserve capital and provide stable returns to Shareholders in the form of quarterly dividends. It seeks to achieve this by investing primarily in a diversified portfolio of tranches of asset-backed securities ("ABS") where the Investment Manager considers that the coupon or cash flows on the tranche are attractive relative to the underlying credit. These are and will be, in most cases, below investment grade or unrated and do or will, in many cases, represent the residual income positions typically retained by the originator of a securitisation transaction as the "equity" or "first loss" position.

The Group's investment management activities are managed by its Investment Manager, Cheyne Capital Management (UK) LLP (the "Investment Manager"), an investment management firm authorised and regulated by the Financial Services Authority. The Group has entered into an Investment Management Agreement (the "Investment Management Agreement") under which the Investment Manager manages its day-to-day investment operations, subject to the supervision of the Company's Board of Directors. The Group has no direct employees. For its services, the Investment Manager receives a monthly management fee (which includes a reimbursement of expenses) and a quarterly performance-related fee. The Group has no ownership interest in the Investment Manager. The Company is administered by Kleinwort Benson (Channel Islands) Fund Services Limited (the "Administrator"). Investors Fund Services (Ireland) Limited provide certain administration services to the Group in its capacity as sub-administrator.

2. Significant accounting policies

Statement of compliance

The quarterly report has been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). The same accounting policies, presentation and methods of computation are followed in this report as applied in the Company's latest annual audited financial statements dated 31 March 2009.

This quarterly report does not comply fully with the requirements of IAS 34 "Interim Reporting". Under IAS 34 the financial information is required to provide i) a statement of financial position as of the end of the current interim period and a comparative statement of financial position as of the end of the immediately preceding financial year; (ii) an income statement for the period and cumulatively for the period to date and the comparable periods in the prior year; (iii) a statement of changes in equity cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year; and (iv) a statement of cash flows cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year. The Group has complied with some of the requirements in providing the comparative statement of financial position as at 31 March 2009, being the balance sheet of the immediately preceding financial year, and the current quarter information being the cumulative for the period 30 June 2009. The Group has only shown the current quarter information with comparative information for the previous financial quarter and hence not complied with the requirements to provide financial information for the comparable period in the prior year.

Notes to the Unaudited Condensed Quarterly Report

2. Significant accounting policies (continued)

Basis of preparation
The quarterly report of the Group is prepared on the historical cost or amortised cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading and financial instruments classified or designated as fair value through profit or loss.

The majority of the Group's investments are financial instruments that are classified as fair value through profit or loss. Where bid prices are not available from a third party in a liquid market, the fair value of the financial instrument is estimated by reference to market information, which includes but is not limited to broker marks, prices on comparable assets and a pricing model that incorporates discounted cash flow techniques.

These pricing models apply assumptions regarding asset-specific factors and economic conditions generally, including delinquency rates, severity rates, prepayment rates, default rates, maturity profiles, interest rates and other factors that may be relevant to each financial asset. Where such pricing models are used, assumptions are reviewed and updated on the basis of actual performance data as it is received and on the basis of market conditions as at the balance sheet date. See note 2 – *Fair Value* and *Interest Income* and note 3 – *Critical accounting judgements and key sources of estimation uncertainty* for further information regarding assumptions and critical judgements.

These financial statements are presented in Euro because that is the currency of the primary economic environment in which the Group operates. The functional currency of the Group is also considered to be Euro.

Basis of consolidation
Subsidiaries are entities controlled by the Company (note 9). The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. At 30 June 2009, the Group is made up of the Company and its only subsidiary, Trebuchet Finance Limited.

In accordance with the Standing Interpretations Committee Interpretation 12 "Consolidation—Special Purpose Entities" ("SIC 12"), the Company consolidates only entities over which control is indicated by activities, decision making, benefits and residual risks of ownership. In accordance with SIC 12 the Company does not consolidate an SPE in which it holds less than a substantial interest in the residual income position. Where it holds more than a substantial interest, it does not consolidate the SPE where the residual income position represents only a small part of the gross assets of the SPE and the Company was neither involved in the establishment of the SPE or the origination of the assets owned by the SPE, on the basis that the Company is not exposed to the majority of the risks and benefits of the assets owned by the SPE, provided control is not otherwise indicated by the Company's activities, decision making, benefits and residual risks or ownership.

Trebuchet Finance Limited, the Company's only subsidiary, is an SPE over which the Company exercises control and its financial statements are therefore included in the consolidated financial statements of the Company. The Company does not consolidate any of the SPEs in which it holds a residual income position as it is not exposed to the majority of the risks and benefits of the assets owned by the relevant SPEs and does not control any of them.

Investments
Investments in residual interests and investment grade bonds are recognised initially at their acquisition cost (being fair value at acquisition date) as debt securities. Thereafter they are re-measured at fair value and are designated as fair value through profit or loss investments in accordance with the Amendment to International Accounting Standard 39 ("IAS 39") Financial Instruments: Recognition and Measurement—The Fair Value Option, as the Group is an investment Group whose business is investing in financial assets with a view to profiting from their total return in the form of interest and changes in fair value.

Financial assets classified as at fair value through profit or loss are recognised/derecognised by the Group on the date it commits to purchase/sell the investments in regular way trades.

2. Significant accounting policies (continued)

Cash and cash equivalents
Cash and cash equivalents includes amounts held in interest bearing accounts and overdraft facilities.

Derivative financial instruments
Derivative financial instruments used by the Group to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities that do not qualify for hedge accounting are accounted for as trading instruments. The Group may also enter into credit default or total return swap arrangements where the underlying asset or assets would otherwise be within the Group's investment policy in order to obtain substantially the same economic exposure to the returns and risks associated with holding such underlying asset or assets.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the consolidated income statement.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Total return swap agreements and credit default swap agreements are fair valued on the date of valuation based upon the underlying market value of the reference asset using the approach explained under fair value. The change in value is recorded in net gains/(losses) in the consolidated income statement. Realised gains and losses are recognised on the maturity of a contract, or when a contract is closed out and they are transferred to realised gains or losses in the consolidated income statement.

Fair value of options is their quoted market price at the balance sheet date. Broker marks are obtained for these positions. The change in value is recorded in net gains/(losses) in the consolidated income statement. Realised gains and losses are recognised on the maturity or sale of the option.

Fair value
All financial assets carried at fair value are initially recognised at fair value and subsequently re-measured at fair value based on bid prices where such bids are available from a third party in a liquid market. If bid prices are unavailable, the fair value of the financial asset is estimated by reference to market information which includes but is not limited to broker marks, prices on comparable assets and using pricing models incorporating discounted cash flow techniques. These pricing models apply assumptions regarding asset-specific factors and economic conditions generally, including delinquency rates, severity rates, prepayment rates, default rates, maturity profiles, interest rates and other factors that may be relevant to each financial asset. The objective of a fair value measurement is the price at which an orderly transaction would take place between market participants on the measurement date; it is not a forced liquidation or distressed sale. Where the Company has considered all available information and there is evidence that the transaction was forced, it will not use a transaction price as being determinative of fair value.

Where a forced sale price is not used the Company will estimate the fair value with reference to other market data as described above.

With regard to residual income positions, historical performance and observable market data is analysed to determine the average level of these factors and their volatility over time. These assumptions are typically derived by reference to the historical delinquencies, defaults, recoveries and prepayments actually realised by the originator of the underlying assets and any empirical data available that may be available in respect of any of these factors for the particular asset class.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported within assets and liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2. Significant accounting policies (continued)

Derecognition of a financial asset
A financial asset is derecognised only if substantially all of the asset's risks and rewards of ownership are transferred or control is transferred in the event that not substantially all of the asset's risks and rewards of ownership are transferred. However, if substantially all of the risks and rewards are retained, the asset is not derecognised. Control is transferred if the transferee has the practical ability to sell the asset unilaterally without needing to impose additional restrictions on the transfer.

Interest-bearing loans and borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the consolidated income statement using the effective interest rate method. Financing costs associated with the issuance of financings are recognised in the consolidated income statement using the effective interest rate method.

Foreign currency transactions
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Euro at foreign exchange rates ruling at the dates the fair value was determined.

Transaction expenses
The preliminary expenses of the Group directly attributable to its initial public offering and any costs associated with the establishment of the Group are charged to the share premium or other reserve account.

Share options granted to the Investment Manager are treated as a transaction expense on the basis that they are granted by the Group as a fee for the Investment Manager's work in raising capital for the Group. The fair value of such options is charged to the share premium account. The share premium account is credited with the fair value of such options at the time that such options are vested.

Interest income
Interest income is accrued over the projected lives of the investments using the effective interest method as defined under International Accounting Standard 39. Where the Group adjusts its expected cash flow projections to take account of any change in underlying assumptions, such adjustments are recognised in the income statement by reflecting changes in a revised amortised cost value of the investment and applying the original effective interest rate to this revised amortised cost value for the purposes of calculating future income.

Taxation
The Company is a tax-exempt Guernsey limited Company. Accordingly, no provision for income taxes is made. Trebuchet Finance Limited is a "qualifying Company" within the meaning of section 110 of the Irish Taxes Consolidation Act 1997 and accordingly its taxable profits are subject to tax at a rate of 25 per cent. Payments under the Participation Note are paid gross to the Company and the income portion of such payments is deductible by Trebuchet Finance Limited. Consequently, Trebuchet Finance Limited has a minimal amount of taxable income. The activities of Trebuchet Finance Limited are exempt for Irish Value Added Tax (VAT) purposes under the Irish VAT Act of 1972.

2. Significant accounting policies (continued)

Other receivables
Other receivables do not carry any interest and are short-term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liabilities and equity
Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Financial liabilities and equity are recorded at the proceeds received, net of issue costs.

Other accruals and payables
Other accruals and payables are not interest-bearing and are stated at their accrued value.

Business and geographical segments
The Directors are of the opinion that the Group is engaged in a single segment of business of investing in debt securities and operates solely from Guernsey and therefore no segmental reporting is provided.

3. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies (described in note 2 above), the Group has determined that the following judgements and estimates have the most significant effect on the amounts recognised in the financial statements:

Income recognition
The Group invests primarily in a diversified portfolio of residual income positions, being the subordinated tranches of asset-backed securities ("ABS"). ABS are securities that are typically backed by consumer finance receivables (such as mortgage loans) and commercial loans and receivables (including commercial mortgage loans and loans to small-and-medium sized enterprises). Residual income positions are typically unrated or rated below investment grade and are often referred to as the "equity" or "first loss" position of a securitisation transaction.

Unlike a more conventional debt instrument and the more senior tranches of ABS (which generally hold the rights to fixed levels of income), the cash flow profile of a residual income position does not generally include a contractually established schedule of fixed payments divided between interest and principal. Instead, the cash flows generally vary over time, and the periodic cash flows associated with a residual income position may include a significant element of principal repayment as well as income payments.

Where the cash payments generated by residual income positions do not typically follow the pattern of a standard cash-pay debt instrument (in that there is not a constant level of income in each period followed by a repayment of the principal amount at maturity), a given cash payment received in respect of a residual income position can generally be considered to represent a combination of the return on the investment and the repayment of some of the capital initially invested. As a result, the stream of expected cash flows associated with a particular residual income position may have an uneven payout profile, in that the cash payment expected in one period (and the proportion of that payment that represents principal repayment versus interest income) may vary significantly from the cash payments expected in other periods.

The Group follows a policy of accounting for such investments at fair value through profit or loss and has elected to recognise income on an effective interest rate ("EIR") method in accordance with paragraph 30 of IAS 18 "Revenue".

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Income recognition (continued)
The carrying value of a residual income position at any given measurement date after the Group’s initial acquisition of the asset reflects repayments of principal in accordance with the effective interest method. This revised carrying value (adjusted to account for the accrual of interest and principal paydowns) is subject to further adjustment on the basis of market conditions and other factors that are likely to affect the fair value of the asset. Where actual performance data or expectations regarding defaults, delinquencies and prepayments received in respect of a given asset is notably different from the default, delinquency and prepayment assumptions incorporated in the pricing model for the asset, the assumptions are revised to reflect this data and the pricing model is updated accordingly. In addition to the actual performance data observed in respect of a particular asset, market factors are also taken into account within the model. Broker marks (where available) and any other available indicators are assessed to determine whether or not the market is attributing higher or lower default, delinquency or prepayment expectations to similar assets in determining whether or not the assumptions incorporated in the pricing model remain reasonable.

Interest income is recorded based on the original EIR calculated on acquisition for each individual residual income position. Where there is a carry value reduction driven by lower cashflow expectations, interest income will be reduced as it reflects the reduced cashflow expectations.

Valuation of investments
The market for subordinated asset-backed securities, including residual income positions is illiquid and regular traded prices are generally not available for such investments. There is no active secondary market in residual income positions and, further, there is no industry standard agreed methodology to value residual income positions.

In accordance with the Group's accounting policies, fair value of financial assets is based on quoted bid prices where such bids are available from a third party in a liquid market. At 30 June 2009 bid prices were not available for any of the Group’s investments. There is very limited information available in relation to transactions in comparable investments. As quoted bid prices are unavailable, the fair value of the investments is estimated by reference to market information, which includes but is not limited to broker marks, prices of comparable assets, estimated fair value from the previous period updated for current period cash flows and a pricing model, that incorporates discounted cash flow techniques as required by IAS 39. The Group may use all or a combination of the prices from these sources in estimating the fair value of the investments. Broker marks are estimates of values provided by market participants who are typically the originators of the investments. Broker marks are not binding prices and there is no guarantee that the Group could transact at these prices in the current market. Due to the current market conditions, the Company has relied on pricing models to fair value its investments as broker marks become less reliable or unobtainable.

The assumptions upon which the pricing models are based are described in note 2 (*Fair Value*). Any change to assumptions surrounding the pricing models may result in different fair values being attributed to the investments. Where the fair value of the investment is written down due to changes in assumptions and expected cash flows, the change in the fair value is taken to the consolidated income statement following the reassessment of the cash flows discounted at the current market rate estimated for the investment.

The fair value of the Group’s investments is set out in note 10. Given the number of individual investments and the number of individual parameters that make up each pricing model, the Group believes that it would be impractical to disclose the effects of changes to each assumption in respect of each individual investment and this would not provide meaningful additional disclosure. However, general assumptions used in the pricing models are disclosed in the Company's annual report and financial statements.

Notes to the Unaudited Condensed Quarterly Report

4. Gains and losses on financial instruments

The following table details the gains and losses, excluding interest income and finance costs, earned by the Group from financial assets and liabilities during the period:

	Quarter ended 30 June 2009 Euro	Quarter ended 31 March 2009 Euro
Net realised gains/(losses)		
Net realised gains/(losses) on Asset Backed Securities	29,884	(45,466,699)
Net realised losses on foreign exchange instruments	(78,039)	(506,789)
Net realised losses	(48,155)	(45,973,488)
Net unrealised gains/(losses)		
Net unrealised (losses)/gains on investments at fair value through profit or loss	(4,882,630)	39,496,767
Net unrealised (losses)/gains on interest rate swap agreements	(275,047)	1,180,475
Net unrealised (losses)/gains on Options	(2,976,452)	268,694
Net unrealised gains/(losses) on foreign bank balances	206,014	(212,369)
Net unrealised gains on foreign exchange instruments	-	85,901
Net unrealised (losses)/gains	(7,928,115)	40,819,468
Net realised and unrealised losses	(7,976,270)	(5,154,020)

5. Interest income and finance costs

The following table details interest income and finance costs from financial assets and liabilities for the quarter ended:

	Quarter ended 30 June 2009 Euro	Quarter ended 31 March 2009 Euro
Interest income		
Investments designated at fair value through profit or loss upon initial recognition	4,125,242	3,509,529
Loans and receivables (including cash and cash equivalents)	2,996	282,493
Total interest income	4,128,238	3,792,022
Finance Costs		
Liabilities held at amortised cost:		
Interest on loan	(213,899)	(284,603)
Other	12,601	-
Total finance costs	(201,298)	(284,603)

Notes to the Unaudited Condensed Quarterly Report

6. Operating expenses

	Note	Quarter ended 30 June 2009 Euro	Quarter ended 31 March 2009 Euro
Investment management, custodian and administration fees			
Investment management fee	18	450,699	475,771
Administration fee	18	48,860	(23,088)
Custodian fee	18	8,910	9,470
		508,469	462,153
Other operating expenses			
Audit fees		41,452	43,517
Directors' fees payable to Directors of Queen's Walk Investment Limited		58,520	59,507
Directors' fees payable to Directors of Trebuchet Finance Limited		6,096	6,199
Legal fees		170,684	-
Pricing expenses		57,790	-
Other expenses		130,541	130,205
		465,083	239,428
Total operating expenses		973,552	701,581

The Group has no employees.

7. Dividends

	Quarter ended 30 June 2009 Euro	Quarter ended 31 March 2009 Euro
Third interim dividend for the year ended 31 March 2009	-	2,131,573
Fourth interim dividend for the year ended 31 March 2009	2,131,573	-
Amounts recognised as distributions to equity holders in the quarter	2,131,573	2,131,573

The third interim dividend for the year ended 31 March 2009 of Euro 0.08 per share was declared on 18 March 2009 and an amount of Euro 2,131,573 was paid on 17 April 2009.

The fourth interim dividend for the year ended 31 March 2009 of Euro 0.08 per share was declared on 16 June 2009 and an amount of Euro 2,131,573 was paid on 17 July 2009.

A dividend of Euro 0.08 per share has been declared by the Directors for the quarter ended 30 June 2009.

The Group's objective is to provide shareholders with stable returns in the form of quarterly dividends. The Group's dividend policy is to make dividend distributions from its distributable net income subject to retaining a portion of such income as a reserve for payment in subsequent periods.

7. Dividends (continued)

Following the introduction of The Companies (Guernsey) Law, 2008, the Group is only able to pay a dividend if the Board of Directors is satisfied that the Company will, immediately after the payment, satisfy the solvency test and any other requirement in is Memorandum and Articles. The Board is satisfied that, in every respect of the proposed dividend and the dividends paid in respect of the quarter ended 30 June 2009 that the solvency test was satisfied.

8. Loss per Ordinary Share

	Quarter ended 30 June 2009 Euro	**Quarter ended 31 March 2009 Euro**
The calculation of the basic and diluted earnings per ordinary share is based on the following data:		
Loss for the purposes of basic earnings per ordinary share being net loss attributable to equity holders	(5,022,882)	(2,348,182)
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	26,644,657	28,161,648
Effect of dilutive potential Ordinary Shares:		
Share options	-	-
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	26,644,657	28,161,648

There is no dilution as at 30 June 2009 as the share price was below the option price for the period.

9. Subsidiary

Trebuchet Finance Limited was incorporated in Ireland on 19 May 2005 and, pursuant to the Articles of Association of Trebuchet Finance Limited, the Group has the right to appoint a majority of the Board of Directors of Trebuchet Finance Limited. Two of the Directors of the Group have been appointed Directors of Trebuchet Finance Limited. To ensure that the Group will be able to maintain a majority of the Board of Directors of Trebuchet Finance Limited in the future, the Group has been allotted a single share in Trebuchet Finance Limited carrying the right to appoint a majority of the Board of Directors. Trebuchet Finance Limited was established for the sole purpose of acquiring and holding interests in certain assets.

10. Investments

The following is a summary of the Group's investments:

	30 June 2009 Euro	31 March 2009 Euro
Asset-backed securities at fair value through profit or loss	103,779,370	108,331,353
Options purchased held for trading	2,946,348	6,010,690
Options written held for trading	(64,590)	(152,480)
	106,661,128	114,189,563

Asset-backed securities	30 June 2009 Euro	31 March 2009 Euro
Opening cost	250,110,675	303,386,975
Purchases	1,397,378	472,842
Realised gain/(loss)	29,884	(45,466,699)
Principal payups	1,587,523	1,873,721
Principal paydowns	(2,684,138)	(10,156,164)
Closing cost	250,441,322	250,110,675
Unrealised losses	(146,661,952)	(141,779,322)
Asset-backed securities at fair value	103,779,370	108,331,353

Concentration of credit risk

The Group is subject to concentration of credit risk in that the four largest structures within the asset backed securities portfolio comprise approximately 48.5% of the total. The concentration of credit risk is substantially unchanged compared to the prior quarter. Two of the structures, comprising approximately 24% of its asset-backed securities portfolio have had a temporary suspension in cash flows from these structures as a result of prepayment rate triggers being breached.

The following options contracts were open as at 30 June 2009:

Counterparty	Expiration	Description	Currency	Notional Amount	Strike price	Unrealised Gains/(Losses) Euro
Credit Suisse	05 Nov 2009	Halifax HPI Put Option	Euro	14,000,000	583.02	1,575,630
Goldman Sachs	29 Dec 2010	EUR Call GBP Put	Euro	10,000,000	0.9315	(762,360)
Goldman Sachs	29 Dec 2010	EUR Call GBP Put (Written Option)	Euro	10,000,000	1.300	105,410
Societe Generale	18 Sep 2009	Mdax Index Put Option	Euro	3,385	4,750.00	(1,861,981)
Societe Generale	18 Sep 2009	Mdax Index Put (Written Option)	Euro	3,385	4,000.00	1,034,456
						91,155

In the quarter ended 31 December 2008 the Company updated its methodology and process in respect of hedging its foreign exchange risk. The foreign exchange (FX) risk arises from holding assets in different currencies to the Company's base currency of Euros. Previously, the Company used rolling quarterly forwards to hedge its FX exposure. However, recent large changes in exchange rates were creating excessive margin requirements and required the Company to maintain large cash balances. As a result, the Company has elected to hedge its FX exposure by purchasing a two year Euro:Sterling FX option.

10. Investments (continued)

This approach enables the Company to remain hedged against increases in the Euro:Sterling FX rate, while being able to participate in favourable FX moves and not being subject to further margin calls. To reduce the cost of this hedge, an out-of-the-money EUR call / GBP put option was sold with the same notional and maturity.

The following options contracts were open as at 31 March 2009:

Counterparty	Expiration	Description	Currency	Notional Amount	Strike price	Unrealised Gains/ (Losses) Euro
Credit Suisse	05 Nov 2009	Halifax HPI Put option	Euro	14,000,000	583.02	3,133,284
Goldman Sachs	29 Dec 2010	EUR Call GBP Put	Euro	10,000,000	0.9315	(245,760)
Goldman Sachs	29 Dec 2010	EUR Call GBP Put (Written option)	Euro	10,000,000	1.300	17,520
Societe Generale	18 Sep 2009	Mdax Index Put Option	Euro	3,385	4,750.00	(871,893)
Societe Generale	18 Sep 2009	Mdax Index Put (Written option)	Euro	3,385	4,000.00	1,034,456
						3,067,607

There were no purchases or sales of options during the quarter ended 30 June 2009.

11. Other assets

	30 June 2009 Euro	31 March 2009 Euro
Interest receivable on investment portfolio	1,331,510	1,306,136
Lehman claim	269,127	268,876
Interest receivable on cash and cash equivalents	108,983	88,484
	1,709,620	1,663,496

The Directors consider that the carrying amount of other assets approximates their fair value.

12. Derivative contracts

The following interest rate and balance guaranteed interest rate swaps were unsettled at 30 June 2009.

30 June 2009

Termination Date	Counterparty	Initial Notional Amount (GBP)	Unrealised Gain Euro
25 January, 2013	Goldman Sachs	451,431	13,144
30 October 2010	Goldman Sachs	445,635	1,144
15 October, 2011	Goldman Sachs	5,500,000	129,222
15 November, 2011	Goldman Sachs	1,300,000	28,672
25 January, 2013	Goldman Sachs	1,226,713	17,090
15 October, 2011	Goldman Sachs	3,000,000	32,106
12 September, 2011	Goldman Sachs	1,800,000	17,244
15 November, 2011	Goldman Sachs	1,200,000	10,218
27 March, 2011	Goldman Sachs	17,348,100	915,016
15 February, 2011	Goldman Sachs	29,654,368	1,535,714
15 January, 2011	Goldman Sachs	11,879,927	538,164

			3,237,734

12. Derivative contracts (continued)

31 March 2009

Termination Date	Counterparty	Initial Notional Amount (GBP)	Unrealised Gain Euro
25 January, 2013	Goldman Sachs	451,431	14,727
15 October, 2011	Goldman Sachs	5,500,000	122,883
15 November, 2011	Goldman Sachs	1,300,000	29,508
30 October, 2010	Goldman Sachs	445,635	264
25 January , 2013	Goldman Sachs	1,226,713	41,018
15 October, 2011	Goldman Sachs	3,000,000	46,084
12 September, 2011	Goldman Sachs	1,900,000	27,279
15 November, 2011	Goldman Sachs	1,200,000	15,881
27 March, 2011	Goldman Sachs	17,348,100	1,008,974
15 January, 2011	Goldman Sachs	13,054,947	593,308
15 February, 2011	Goldman Sachs	29,725,589	1,612,854
			3,512,780

Since 30 June 2008, the Group entered into EUR interest rate swaps with Goldman Sachs as detailed in the tables above. These swap floating rate for fixed on the notional of reference assets (being the SME residuals and some of the investment grade bonds) held in the portfolio. The investment grade bonds the Company has purchased are typically indexed to three month Libor. To hedge against falling Libor rates, the Company has entered into a series of fixed to floating interest rate swaps. The notional for the swaps is determined at the time of purchase, and the Company could be under- or over-hedged in relation to the outstanding amount of the bonds. The interest rate swaps are reviewed and hedges will be adjusted as required.

13. Loans

	30 June 2009 Euro	31 March 2009 Euro
Loans	23,558,519	29,506,039
	23,558,519	29,506,039

On 27 November 2008 the Company negotiated amended terms on a reduced facility, involving a flexible two year repayment schedule of the outstanding debt and amendments to material change clauses to reduce refinancing risk . The Company has committed to repay the outstanding balance of the facility by October 2011 (by March 2011 if Magellan 1 refinanced), pursuant to an agreed loan amortisation schedule and will not make any further draw downs.

In addition, at the end of each quarter, the Company has pledged to keep the outstanding balance of the financing facility below the product of the then applicable advance rate ("Applicable Percentage") and the value of the investment portfolio plus cash (the "Borrowing Base"). As at 30 June 2009, the Company's Borrowing Base is approximately Euro 49.9 million versus a loan balance of Euro 23.5 million. At the end of each calendar quarter, the Company has agreed a target loan amount ("Target Loan Amount") with the lenders. The Company has also agreed to an Applicable Percentage for every quarter. The Target Loan Amount and Applicable Percentage Schedule are detailed below:

13. Loans (continued)

Date	**Target Loan Amount**	**Applicable Percentage for Residuals**
31 March 2009	33,000,000	30%
30 June 2009	31,000,000	30%
30 September 2009	28,500,000	30%
31 December 2009	27,000,000	27.5%
31 March 2010	25,000,000	20%
30 June 2010	12,000,000	20%
30 September 2010	10,000,000	20%
31 December 2010	0	20%
31 March 2011	0	10%

The Applicable Percentage for the Company's investment grade bond portfolio will be 50%, 40%, 30% and 15% for AA and above, A and above, BBB and above and BB and above; rated bonds respectively. The Target Loan Amount will reduce by Euro11 million in the event that the Magellan 1 transaction is re-financed by the originator, BCP Millennium, before June 2010. The Applicable Percentage for residuals will reduce to 25% if the Magellan 1 transaction is re-financed by BCP Millennium before 31 December 2009. The Company has committed to use a percentage of its Free Cash (cash proceeds in a quarter less dividends and operating expenses) to amortise the facility. Prior to the Magellan 1 transaction being refinanced, 75% of the Company's Free Cash will be used to repay the facility. After the Magellan 1 transaction is called, 66% of the Free Cash will be used to repay the debt, and in this case once the outstanding balance of the facility is below Euro 22 million, 50% of the Free Cash will be used to repay the facility. If the outstanding balance of the loan facility is less than the Target Loan Amount on the relevant date, the dividend will be capped at Euro 2.25 million per quarter (or approximately a 19% dividend yield on the share price as at 26 November 2008). If the outstanding balance of the loan is greater than the Target Loan Amount, the dividend will be capped at 8% on the share price prevailing at the end of each quarter. A failure to meet the Target Loan Amount would not trigger an event of default. In the event that the balance of the facility is greater than the Borrowing Base, the Company will have 20 business days to remedy the breach. Failure to remedy the breach would constitute an event of default.

14. Other liabilities

	30 June 2009 Euro	**31 March 2009 Euro**
Interest payable	140,396	219,492
Due to related parties – Investment Manager (note 18)	141,579	156,935
Accrued expenses	469,007	427,807
	750,982	804,234

Other liabilities principally comprise amounts outstanding in respect of interest payable and ongoing costs. The Directors consider the carrying amount of other liabilities approximates their fair value.

15. Share capital

Authorised shares

	30 June 2009 Number of Ordinary Shares	30 June 2009 Euro	31 March 2009 Number of Ordinary Shares	31 March 2009 Euro
Ordinary shares of no par value each	Unlimited	-	Unlimited	-
Issued and fully paid				
Balance at beginning of period	26,644,657	-	26,729,657	-
Ordinary shares bought back during the quarter	-	-	(85,000)	-
Balance at end of period	26,644,657	-	26,644,657	-

Between 31 March 2009 and 30 June 2009 the Company had purchased and cancelled Nil (Quarter to 31 March 2009: 85,000) Ordinary Shares through its buyback programme at an average price of €Nil (Quarter to 31 March 2009: €0.65) per Ordinary Share.

16. Reserves

Quarter ended 30 June 2009

	Accumulated Reserves Euro	Capital Reserves Euro	Total Reserves Euro
Balance at start of period	97,912,591	7,672,500	105,585,091
Net loss for the year	(5,022,882)	-	(5,022,882)
Distribution to the ordinary Shareholders of the Company	(2,131,573)	-	(2,131,573)
Balance at end of period	90,758,136	7,672,500	98,430,636

Quarter ended 31 March 2009

	Accumulated Reserves Euro	Capital Reserves Euro	Total Reserves Euro
Balance at start of period	102,447,237	7,672,500	110,119,737
Buy back of Ordinary Shares*	(54,891)	-	(54,891)
Net loss for the period	(2,348,182)	-	(2,348,182)
Distribution to the ordinary Shareholders of the Company	(2,131,573)	-	(2,131,573)
Balance at end of period	97,912,591	7,672,500	105,585,091

* Ordinary Shares bought back have been cancelled.

The Ordinary Shares of the Group have no par value. As such, the proceeds of the Initial Public Offering represent the premium on the issue of the Ordinary Shares. In accordance with the accounting policies of the Group and as allowed by The Companies (Guernsey) Law, 1994, the costs of the Initial Public Offering have been expensed against the share premium account.

16. Reserves (continued)

The Group passed a special resolution cancelling the amount standing to the credit of its share premium account immediately following admission to the London Stock Exchange. In accordance with The Companies (Guernsey) Law, 1994 (as amended) (the “Companies Law”), the Directors applied to the Royal Court in Guernsey for an order confirming such cancellation of the share premium account following admission. The Other reserve created on cancellation is available as distributable profits to be used for all purposes permitted by the Companies Law, including the buy back of Ordinary Shares and the payment of dividends. Under Guernsey law a capital redemption reserve is created for the redemption of these Ordinary Shares. As the nominal value of these Ordinary Shares is Euro Nil, the amount transferred to this reserve is Euro Nil.

Following the introduction of the Companies (Guernsey) Law, 2008, the Group is no longer required to maintain separate classes of reserves. As such, the previously reported classes of reserves have been amalgamated into a single class on the balance sheet.

17. Notes to cash flow statement

	Quarter ended 30 June 2009 Euro	Quarter ended 31 March 2009 Euro
Net loss	(5,022,882)	(2,348,182)
Adjustments for:		
Net realised (gains)/losses on sale of asset backed securities	(29,884)	45,466,699
Net unrealised losses/(gains)on investments at fair value through profit or loss	4,882,630	(39,496,767)
Unrealised losses on foreign exchange instruments	-	(85,901)
Unrealised losses/(gains) on options	2,976,452	(268,694)
Unrealised losses/(gains) on interest rate swap agreements	275,047	(1,180,475)
Unrealised (gains)/losses on foreign bank balances	(206,014)	212,369
	2,875,349	2,299,049
Purchases of asset backed securities	(1,397,378)	(1,290,815)
Purchase of options	-	(978,602)
Principal Payups	(1,587,523)	(1,873,721)
Principal Paydowns	2,684,138	10,156,164
	(300,763)	6,013,026
(Increase)/Decrease in receivables	(46,124)	673,778
(Decrease)/Increase in payables	(53,253)	319,687
	(99,377)	993,465
Net cash inflow from operating activities	2,475,209	9,305,540

Purchases and sales of investments are considered to be operating activities of the Group, given its purpose, rather than investing activities.

Cash and cash equivalents includes amounts held in interest bearing accounts and overdraft facilities.

18. Material agreements and related party transactions

Investment Manager
The Company and Trebuchet Finance Limited are parties to an Investment Management Agreement with the Investment Manager, dated 8 December 2005, pursuant to which each of the Company and Trebuchet Finance Limited has appointed the Investment Manager to manage their respective assets on a day-to-day basis in accordance with their respective investment objectives and policies, subject to the overall supervision and direction of their respective Boards of Directors.

The Group pays the Investment Manager a Management Fee and Incentive Fee (see note 6). During the quarter ended 30 June 2009, the Management Fee totalled Euro 450,699 (31 March 2009: Euro 475,771), of which Euro 141,579 (31 March 2009: Euro 156,935) was outstanding at the period end, and the Incentive Fee totalled Euro Nil (31 March 2009: Euro Nil).

Management Fee
Under the terms of the Investment Management Agreement, the Investment Manager is entitled to receive from the Group an annual Management Fee of 1.75 per cent of the net asset value of the Group other than to the extent that such value is comprised of any investment where the underlying asset portfolio is managed by the Investment Manager (as is the case with Cheyne Finance plc, Cheyne High Grade ABS CDO Ltd. and Cheyne CLO Investments I Limited). The Management Fee is calculated and payable monthly in arrears.

Incentive Fee
Under the terms of the Investment Management Agreement, the Investment Manager is entitled to receive an incentive compensation fee in respect of each incentive period that is paid quarterly in arrears. An incentive period will comprise each successive quarter, except the first such period was the period from admission to the London Stock Exchange to 31 March 2006. The Incentive Fee for each incentive period is an amount equivalent to 25 per cent of the amount by which A exceeds ($B \times C$) where:

A = The Group's consolidated net income taking into account any realised or unrealised losses (but only to the extent they have not been deducted in a prior incentive period) and excluding any gains from the revaluation of investments, as shown in the Group's latest consolidated management accounts for the relevant quarter, before payment of any Incentive Fee;

B = An amount equal to a simple interest rate equal to two per cent per quarter, subject to the reset mechanic described below (the "Hurdle Rate"); and

C = The weighted average number of Shares outstanding during the relevant quarter multiplied by the weighted average offer price of such Shares.

For the purposes of calculating the Incentive Fee, the Hurdle Rate will be reset on 1 April 2010, and on each 1 April thereafter to equal the greater of (i) a simple interest rate equal two per cent per quarter, or (ii) one quarter of the sum of the then-prevailing yield per annum on ten-year German Bunds and 300 basis points. While the Group will not pay a Management Fee in respect of that portion of its portfolio that is comprised of investments where the Investment Manager receives fees for its management of the underlying asset portfolio, the income from such investments are included in the consolidated net income of the Group for the purpose of calculating the Incentive Fee.

The Incentive fee for the period was Euro Nil (31 March 2009: Euro Nil) of which Euro Nil (31 March 2009: Euro Nil) was outstanding at the quarter end.

18. Material agreements and related party transactions (continued)

Administration Fee
Under the terms of the Administration Agreement, the Administrator is entitled to receive from the Group an administration fee of 0.125 per cent of the gross asset value of the Group up to Euro 80,000,000 and 0.0325 per cent of the gross asset value of the Group greater than Euro 80,000,000. Investors Fund Services (Ireland) Limited, the sub-administrator, is paid by the Administrator.

Custodian Fee
Under the terms of the Custodian Agreement, the Custodian is entitled to receive from the Group a custodian fee of 0.03 per cent of the gross asset value of the Group up to Euro 80,000,000 and 0.02 per cent of the gross asset value of the Group greater than Euro 80,000,000, plus additional fees in relation to transaction fees, statutory reporting, corporate secretarial fees and other out of pocket expenses.

Investment Manager Options
In recognition of the work performed by the Investment Manager in raising capital for the Group, the Group granted to Cheyne Global Services Limited on 8 December 2005 options representing the right to acquire 2,250,000 Shares, being 10 per cent of the number of Offer Shares (that is, excluding the Shares issued to Cheyne ABS Opportunities Fund LP and the Shares issued to the Directors), at an exercise price per share equal to the Offer Price (Euro 10). The Investment Manager Options are fully vested and immediately exercisable on the date of admission to the London Stock Exchange and will remain exercisable until the 10th anniversary of that date. The Group may grant further Investment Manager Options in connection with any future offering of Shares. Such options, if any, will represent the right to acquire Shares equal to not more than 10 per cent of the number of Shares being offered in respect of that future offering and will have an exercise price equal to the offer price for that offering. The aggregate fair value of the options granted at the time of the Initial Public Offering using a Black-Scholes valuation model was Euro 7,672,500 (reflecting a valuation of Euro 3.41 per option). This amount has been treated as a cost of the Initial Public Offering. As at 30 June 2009, these options were out of the money as the share price was below the Offer Price of Euro 10.

Controlling Party
Cheyne ABS Opportunities Fund has a controlling interest in the Company.

19. Significant Events during the period

On 2 April 2009 the Company paid back a further Euro 5,947,520 of the loan, leaving a loan amount outstanding at 30 June 2009 of Euro 23,558,519.

20. Subsequent Events

The Company paid back a further Euro 1,531,197 on 2 July 2009, leaving a loan amount outstanding at 11 September of Euro 22,027,322. There have been no other events subsequent to 30 June 2009 which require adjustment of or disclosure in the quarterly report or notes thereto.

21. Comparative figures

The comparative figures are for the quarter ended 31 March 2009.

22. Unaudited Financial Statements

The financial statements contained in this report are unaudited.