

Queen's Walk Investment Limited
Financial Results Announcement for the
Second Quarter Ended 30 September 2009 and Interim Report and Accounts

Queen's Walk Investment Limited reports €3.6 million profit for the quarter ended 30 September 2009

Queen's Walk Investment Limited (the "Company"), the Guernsey-incorporated investment company, has reported a net profit of €3.6 million, or €0.14 per ordinary share¹, for the quarter ended 30 September 2009, compared to a net loss of €5.0 million, or -€0.19 per ordinary share¹ in the quarter ended 30 June 2009.

Fair value write-ups for the quarter were €0.6 million, an improvement from the €8.0 million of write-downs for the quarter ended 30 June 2009. The Company's net asset value ("NAV") at quarter end was €3.75 per share² compared to €3.69 per share² at the previous quarter end.

The investment portfolio generated more cash than forecast. Total cash proceeds amounted to €6.5 million versus an expectation of €5 million. The Company's overall cash position was also slightly higher than expected with €14.8 million of cash on the Company's balance sheet at 30 September 2009, compared with a forecast of €13.0 million. The cash position was €13.3 million on 30 June 2009.

The Board of Directors of the Company has declared an interim dividend of €0.08 per share for the quarter ended 30 September 2009, unchanged from the previous quarter.

Solid cash flow from key portfolios supports accretive investment strategy

The continued ability of Queen's Walk's investment portfolio to generate cash flow is supporting the strategy of purchasing undervalued investment grade bonds.

The Company invested €2.6 million during the second quarter. Following the recent rally in financial markets, the Company anticipates the fair value of its Investment Grade Bond portfolio should increase in the coming quarters. The Company continues to repay its debt ahead of schedule and has reduced its gross debt from €23.6 million as at 30 June 2009, to €18.3 million as at 25 November 2009.

Tom Chandos, Chairman of Queen's Walk Investment Limited, said: "The Company's strategy of buying undervalued asset backed bonds has proved successful. It has improved the credit quality of the portfolio, increased total cash flow and supported NAV".

Second Quarter Highlights

- Quarterly dividend of €0.08 per share; total paid or declared dividends of €2.29 per share since the IPO
- Future cash flows from the investment portfolio expected to be €182 million
- Credit quality of underlying loans in SME portfolio stabilising
- Higher than expected cash flows from the UK mortgage portfolio lead to €2.0 million write-up
- Increased forecast default rate in the European mortgage portfolio to 1.6% from 1.4%
- Fair value of the Investment Grade Bond portfolio increased by €0.7 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 September 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 second half and quarter ended 30 September 2009 will take place at 10:30 AM London time on 25 November 2009. The conference call can be accessed by dialing +44 (0) 20 7806 1963, 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", "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).

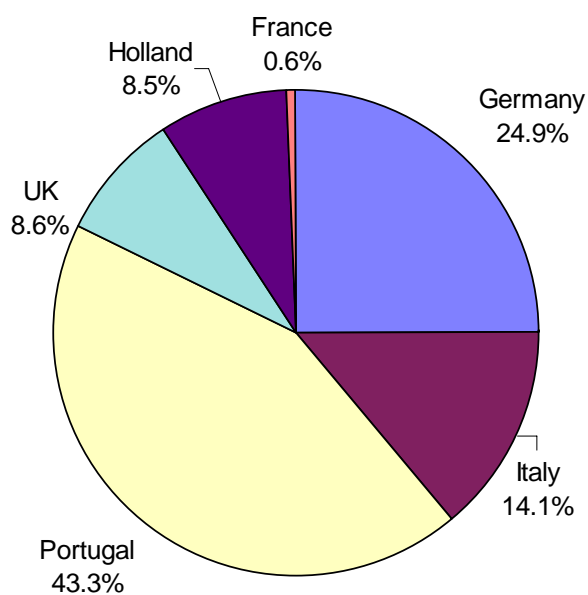
Financial Highlights

	Revenue	Fair value gains and losses	Total Quarter ended 30 September 2009	Revenue	Fair value gains and losses	Total Quarter ended 30 June 2009
Operating Income	4,143,683		4,143,683	4,128,238		4,128,238
Gains and losses on fair value through profit or loss financial instruments		627,299	627,299		(7,976,270)	(7,976,270)
	4,143,683	627,299	4,770,982	4,128,238	(7,976,270)	(3,848,032)
Operating Expenses	(978,049)		(978,049)	(973,552)		(973,552)
Finance Costs	(158,278)		(158,278)	(201,298)		(201,298)
Net profit / (loss)	3,007,356	627,299	3,634,655	2,953,388	(7,976,270)	(5,022,882)
Total Assets			125,752,331			124,871,710
Total Liabilities			25,818,613			26,441,074
Equity Capital			99,933,718			98,430,636
NAV per share			3.75			3.69
Shares Outstanding			26,644,657			26,644,657

Investment Portfolio

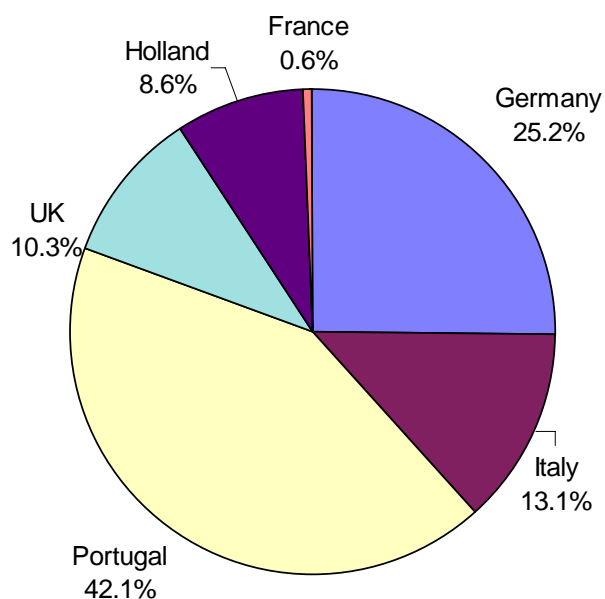
A breakdown of the Company's investment portfolio by jurisdiction (by reference to underlying asset originator) is set out below. The investment grade bonds are included in the charts and are also detailed in the next section. Percentages for each asset class are in relation to the value of the Company's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

30 June 2009



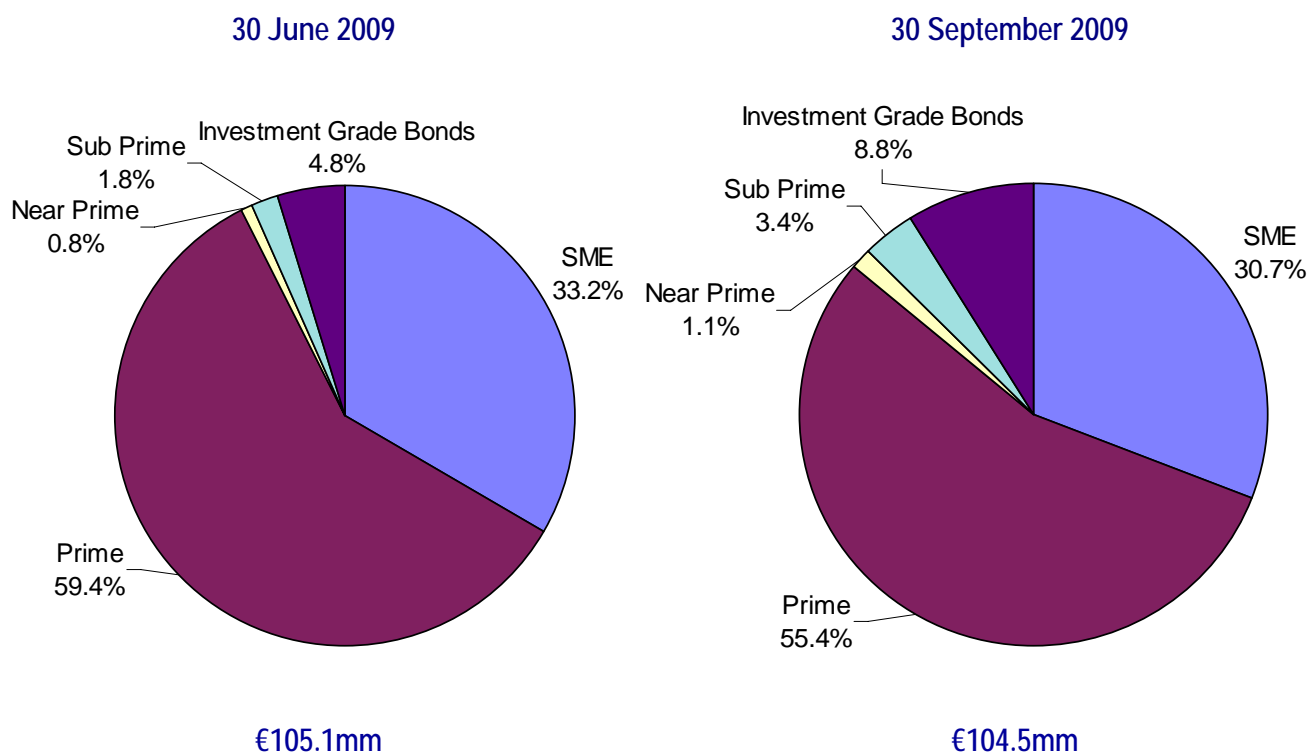
€105.1mm

30 September 2009



€104.5mm

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 (45.0% of GAV)

The Company's European mortgage residuals continue to perform satisfactorily, generating cash flow in the quarter of €2.5 million. This was in line with average cash flows of previous quarters.

The lower Euribor rate had a positive effect on the portfolio, with fewer mortgage borrowers going into arrears. The average default rate fell slightly to 1.37% in the quarter ended 30 September from 1.48% in the previous quarter. However, we expect that borrowers who fall behind in their mortgage payments will find it more challenging to re-finance their mortgages and therefore expect the average default rate to increase slightly in the coming quarters. As a result, the default rate used to forecast cash flows was increased to 1.6% per annum from 1.4% per annum.

As mentioned in previous results announcements, BCP, the mortgage originator of the Magellan 1 portfolio, has elected not to re-finance the mortgage portfolio. The Company has rights to purchase the portfolio from BCP and is currently identifying commercial buyers who may be interested in purchasing the portfolio.

SME Portfolio Investments (25.5% of GAV)

The Company's SME portfolio continues to perform in line with expectations. Cash flows in the quarter ended 30 September 2009 totalled €1.9 million, compared to €2.0 million in the previous quarter.

The average default rate for the SME portfolio fell in the quarter to 0.63%, down from 1.22% in the previous quarter. Given uncertainty in the economic outlook, we continue to use a materially-higher model default rate to forecast cash flows relative to actual default rates in the September quarter. The Company intends not to lower its

model default rates until a more sustained trend towards improved credit quality is observed. 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.

	June 2009 Default Rate (annualised)	September 2009 Default Rate (annualised)	September Model Default Rate
Amstel 06-1	0.38%	0.00%	0.60%
Smart 06-1	0.71%	1.13%	2.00%
Gate 06-1	1.28%	0.83%	1.15%
Gate 05-2	2.52%	0.55%	3.70%
Average	1.22%	0.63%	1.86%

Investment Grade Bond Portfolio (7.3% of GAV)

The Investment Grade Bond portfolio recorded cash flows of €0.3 million in the quarter ended 30 September 2009, down from €0.4 million in the previous quarter. As of 30 September 2009, the Company had spent €11.4³ million on purchasing investment grade bonds with a face value of €33.2 million. Since then it has invested a further €1.9 million on bonds with a face value of €4.3 million, up to 24 November 2009. The annualised cash-on-cash yield of the bond portfolio in the quarter ended 30 September 2009 was approximately 11.8%⁴.

The fair value of the investment grade bond portfolio increased by €0.7 million, approximately 8% from the June quarter end to 30 September 2009. The increase in the portfolio valuation follows a broad-based rally in ABS bonds that occurred in September.

The following tables detail the European ABS bonds that were purchased by the Company up to 24 November 2009⁵. The weighted average rating of the portfolio (based on the invested amount) is approximately BBB⁶.

Percentage of Portfolio by Cost Price

Rating by Vintage ¹	2003	2004	2005	2006	2007	Total
AAA	2.96%	12.87%	8.75%	19.49%	0.74%	44.81%
AA	0.00%	1.72%	0.00%	15.65%	0.00%	17.37%
A	0.00%	0.00%	4.74%	6.05%	0.00%	10.79%
BBB	0.00%	0.00%	6.06%	12.62%	8.35%	27.03%
Total	2.96%	14.59%	19.55%	53.81%	9.09%	100.00%

1. Vintage reflects the issue date of the bond. Rating at time of purchase.

Percentage of Portfolio by Cost Price

Rating by Type ¹	UK Prime RMBS ²	UK Buy To Let RMBS ²	UK Non-Conforming RMBS ²	Euro Prime RMBS ²	UK CMBS ³	Euro CMBS ³	SME	Total
AAA	2.27%	8.29%	2.79%	6.16%	8.51%	11.54%	5.25%	44.81%
AA	1.72%	15.65%	0.00%	0.00%	0.00%	0.00%	0.00%	17.37%
A	0.00%	0.00%	0.00%	0.00%	0.00%	10.79%	0.00%	10.79%
BBB	6.06%	0.00%	7.62%	0.00%	0.00%	8.35%	5.00%	27.03%
Total	10.06%	23.93%	10.41%	6.16%	8.51%	30.68%	10.25%	100.00%

1. Rating at time of purchase

2. Residential Mortgage Backed Securities

3. Commercial Mortgage Backed Securities

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.

UK Mortgage Portfolio (5.3% of GAV)

The UK Mortgage portfolio recorded cash flows of £1.0 million in the quarter ended 30 September 2009 compared to £0.3 million in the previous quarter.

The Company has increased the valuation of its RMAC assets by €2.0 million, as a result of lower defaults in the current period and lower forecast defaults versus our previous assumptions.

The Investment Manager continues to actively review loan files and persuade mortgage originators to repurchase loans that did not satisfy representations and warranties provided at the time of the securitisation. In the quarter ended 30 September 2009, the Company identified 31 loans that breached representations and warranties. Seventeen of these loans, totalling £2.3 million, are in arrears and will be replaced by the mortgage originator with new loans that satisfy representations and warranties. The remaining fourteen mortgage loans had defaulted and the mortgage originator will make compensation payments of £350,000 to the relevant securitisation vehicles.

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, from 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 underlying pricing assumptions. The Company has used a 15% discount rate for the European and UK mortgage portfolios and a 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 the balance sheet value of the investment portfolio between 30 June and 30 September 2009 include €2.6 million of bond purchases, €4.1 million of principal amortisation due to cash received in the period, fair value gains of €0.2 million in relation to the residual investment portfolio and a €0.7 million fair value gain in relation to the bond portfolio. After giving effect to these balance sheet changes in the quarter ended 30 September 2009, the NAV of the Company was €3.75 per share as at 30 September 2009 (versus €3.69 per share as at 30 June 2009).

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

Asset Class	30 Jun 2009 B/S Value ^{1,2} (€mm)	30 Sep 2009 B/S Value ² (€mm)	Change to B/S Value Since 30 Jun 2009 (€mm)	Cash flows Received in the Quarter Ended 30 Sep 2009 (€mm)	Cash flows Received in the Quarter Ended 30 Jun 2009 ³ (€mm)
UK Mortgages	5.8	6.6	0.8	1.0	0.3
Euro Mortgages	59.8	56.6	-3.2	2.5	2.9
SME	33.6	32.1	-1.5	1.9	2.0
Investment Grade Bonds	6.0	9.2	3.2	0.3	0.4
TOTAL ⁴	105.1	104.5	-0.6	5.8	5.6

1. Balance sheet values as at 30 June 2009 are expressed using 30 September 2009 FX rates.

2. The balance sheet value figures for 30 June 2009 and 30 September 2009 include accrued interest.

3. Cash flows for 30 June 2009 are expressed using 30 September 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 will be approximately €10.0 million at 31 December 2009 and expects to reduce its outstanding debt to below €17 million following the December quarter end. The Company projects cash flow of approximately €5.0 million per quarter for coming quarters.

Early signs of stabilisation are appearing in some mortgage and SME portfolios, but sustained stability depends on continued global economic growth. We caution, however, that slowing growth or a return to recession remain possibilities. The Company expects default levels to rise in its mortgage and SME portfolios and has maintained default rate forecasts at a higher level than actual performance.

Over the coming months, the Company aims to continue its strategy of selectively purchasing mis-priced bonds in the ABS markets. Given the rally in AAA-rated ABS bonds, the Company will consider purchases in AA to BBB rated bonds, and in particular will focus on opportunities that arise in commercial mortgage-backed bonds.

We expect buying opportunities to continue in 2010 as rating downgrades and capital pressures prompt selling by banks and other financial institutions. Given the continued ability of the investment portfolio to generate cash flow, the Company remains well positioned to take advantage of these opportunities.

QUEEN'S WALK INVESTMENT LIMITED

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the period from 1 April 2009 to 30 September 2009

	Note	Period ended 30 September 2009 Euro	Period ended 30 September 2008 Euro
Interest income	5	8,271,921	12,671,152
Gains and losses on fair value through profit or loss financial instruments	4	<u>(7,348,971)</u> 922,950	<u>(45,577,970)</u> (32,906,818)
Operating expenses	6	(1,951,601)	(2,644,477)
Finance costs	5	(359,576)	(1,319,806)
Net loss		<u>(1,388,227)</u>	<u>(36,871,101)</u>
Loss per Ordinary Share			
Basic	8	Euro (0.05)	Euro (1.25)
Diluted	8	Euro (0.05)	Euro (1.25)
Weighted average Ordinary Shares outstanding		Number	Number
Basic	8	26,644,657	29,551,491
Diluted	8	26,644,657	29,551,491

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

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

The accompanying notes form an integral part of the condensed consolidated financial statements.

QUEEN'S WALK INVESTMENT LIMITED

Unaudited Condensed Consolidated Statement of Changes in Equity

For the period from 1 April 2009 to 30 September 2009

	Note	Share Capital Euro	Reserves Euro	Total Euro
Balance at 31 March 2008		-	197,144,419	197,144,419
Net loss for the period		-	(36,871,101)	(36,871,101)
Buy back of Ordinary Shares	15,16	-	(18,724,877)	(18,724,877)
Distribution to the Ordinary Shareholders of the Company	7	-	(8,566,134)	(8,566,134)
Balance at 30 September 2008 *		-	132,982,307	132,982,307
Balance at 31 March 2009		-	105,585,091	105,585,091
Net loss for the period		-	(1,388,227)	(1,388,227)
Distribution to the Ordinary Shareholders of the Company	7	-	(4,263,146)	(4,263,146)
Balance at 30 September 2009		-	99,933,718	99,933,718

The accompanying notes form an integral part of the condensed consolidated financial statements.

* In line with IAS 34, the comparative period for the Consolidated Statement of Changes in Equity is the six months ended 30 September 2008. The balance at that period end will not equate to the balance at 31 March 2009, the date of the comparative Consolidated Statement of Financial Position on page 15.

QUEEN'S WALK INVESTMENT LIMITED

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 September 2009

	Note	30 September 2009 Euro	31 March 2009 Euro
Non-current assets			
Investments at fair value through profit or loss	10	<u>103,272,053</u>	<u>108,331,353</u>
		<u>103,272,053</u>	<u>108,331,353</u>
Current assets			
Cash and cash equivalents		14,817,812	18,661,098
Derivative financial assets– options held for trading	10	2,878,420	5,858,210
Derivative financial assets–unrealised gain on interest rate swap agreements	12	3,169,257	3,512,780
Other assets	11	<u>1,614,789</u>	<u>1,663,496</u>
		<u>22,480,278</u>	<u>29,695,584</u>
Total assets		<u>125,752,331</u>	<u>138,026,937</u>
Equity and liabilities			
Equity			
Reserves	16	<u>99,933,718</u>	<u>105,585,091</u>
		<u>99,933,718</u>	<u>105,585,091</u>
Current liabilities			
Distribution payable	7	2,131,573	2,131,573
Other liabilities	14	<u>1,659,718</u>	<u>804,234</u>
		<u>3,791,291</u>	<u>2,935,807</u>
Non-current liabilities			
Loans	13	<u>22,027,322</u>	<u>29,506,039</u>
Total liabilities		<u>25,818,613</u>	<u>32,441,846</u>
Total equity and liabilities		<u>125,752,331</u>	<u>138,026,937</u>

The accompanying notes form an integral part of the condensed consolidated financial statements.

The financial statements were approved by the Board of Directors on 24 November 2009.

Signed on behalf of the Board of Directors by:

Director

Director

QUEEN'S WALK INVESTMENT LIMITED

Unaudited Condensed Consolidated Statement of Cashflows

For the period from 1 April 2009 to 30 September 2009

	Note	Period ended 30 September 2009 Euro	Period ended 30 September 2008 Euro
Net cash inflow from operating activities	17	7,787,392	13,572,244
Financing activities			
Net repayment of borrowings from loans		(7,478,717)	-
Dividends paid to shareholders	7	(4,263,146)	(9,180,877)
Buyback of share capital		-	(18,724,877)
Cash flows from financing activities		(11,741,863)	(27,905,754)
Net decrease in cash		(3,954,471)	(14,333,510)
Reconciliation of net cash flow to movement in net cash			
Net decrease in cash and cash equivalents		(3,954,471)	(14,333,510)
Cash and cash equivalents at start of period		18,661,098	32,934,817
Effect of exchange rate fluctuations on cash and cash equivalents		111,185	113,062
Cash and cash equivalents at end of period		14,817,812	18,714,369

The accompanying notes form an integral part of the condensed consolidated financial statements.

QUEEN'S WALK INVESTMENT LIMITED

Notes to the Condensed Consolidated Unaudited Financial Statements

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 Company and its subsidiary. At 30 September 2009, the Company'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

Basis of preparation

The condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with IAS 34 "Interim Financial Reporting". The same accounting policies, presentation and methods of computation are followed in this set of financial statements as applied in the Company's latest annual audited financial statements dated 31 March 2009.

The Financial Statements of the Group are 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 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 Statement of Financial Position 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.

QUEEN'S WALK INVESTMENT LIMITED

Notes to the Condensed Consolidated Unaudited Financial Statements

2. Significant accounting policies (continued)

Basis of preparation (continued)

The Directors believe it is appropriate to adopt the going concern basis in preparing the financial statements as, after due consideration, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Regarding the ongoing funding (per notes 13 and 19) the Directors have taken into account the current cash balance, the forecast cash inflows from the investments and liquidity of the bond portfolio, the required financing repayments and operating expenses, and consider the Company able to meet the required repayment of the loan in accordance with the agreed schedule of repayments. In addition, the Directors note the cash resources currently available (Euro 14.8m), of which some will be used to pay the proposed dividend, which are sufficient to cover normal operational costs and current liabilities.

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.

Changes in accounting policy

The following new standards and amendments to standards are mandatory for the first time for annual periods beginning on or after 1 January 2009:

- i IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Company has elected to present one statement; a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- ii On 30 November 2006, the International Accounting Standards Board issued IFRS 8, Operating Segments, which replaces IAS 14 Segment Reporting. This puts an emphasis on the "management approach" to reporting on operating segments. It does not have any impact on the interim financial statements of the Company.
- iii Amendment to IAS 32, Financial Instruments: Presentation clarifies under which circumstances puttable financial instruments and obligations arising on liquidation have to be treated as equity instruments. The adoption of the amendment does not have a significant impact on these financial statements.
- iv Amendment to IFRS 7, Financial Instruments: Disclosures were issued by the IASB on 5 March 2009. The amendments require the inclusion of an explicit three-level fair value hierarchy which groups fair value measurements based on their observability and requires numerical disclosure of fair values recognised in tabular format organised by the level within each hierarchy.

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 September 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.

QUEEN'S WALK INVESTMENT LIMITED

Notes to the Condensed Consolidated Unaudited Financial Statements

2. Significant accounting policies (continued)

Basis of consolidation (continued)

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.

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 Statement of Comprehensive Income.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the Statement of Financial Position 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 Statement of Comprehensive Income. 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 Statement of Comprehensive Income.

The fair value of options is their quoted market price at the date of the Statement of Financial Position. Broker marks are obtained for these positions. The change in value is recorded in net gains/(losses) in the Consolidated Statement of Comprehensive Income. Realised gains and losses are recognised on the maturity or sale of the option.

Notes to the Condensed Consolidated Unaudited Financial Statements

2. Significant accounting policies (continued)

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 Group 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 Group 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.

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 Statement of Comprehensive Income using the effective interest rate method. Financing costs associated with the issuance of financings are recognised in the Consolidated Statement of Comprehensive Income 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 date of the Statement of Financial Position are translated to Euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Consolidated Statement of Comprehensive Income. 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.

QUEEN'S WALK INVESTMENT LIMITED

Notes to the Condensed Consolidated Unaudited Financial Statements

2. Significant accounting policies (continued)

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 Consolidated Statement of Comprehensive Income 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.

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:

Notes to the Condensed Consolidated Unaudited Financial Statements

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

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 asset backed securities ("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".

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.

QUEEN'S WALK INVESTMENT LIMITED

Notes to the Condensed Consolidated Unaudited Financial Statements

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

Valuation of investments (continued)

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 September 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 on comparative 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 Group 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 changes to the 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 making 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 with sensitivities in the Group's annual report and financial statements.

4. Gains and losses on fair value through profit or loss 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:

	Period ended 30 September 2009 Euro	Period ended 30 September 2008 Euro
Net realised losses		
Net realised losses on asset backed securities and bonds	(181,039)	(15,270,866)
Net realised losses on options	(778,736)	-
Net realised losses on foreign exchange instruments	(151,348)	(1,136,131)
Net realised losses	<u>(1,111,123)</u>	<u>(16,406,997)</u>
Net unrealised gains/(losses)		
Net unrealised losses on investments at fair value through profit or loss	(4,004,323)	(28,287,581)
Net unrealised (losses)/ gains on interest rate swap agreements	(343,523)	218,139
Net unrealised (losses) / gains on options	(2,001,187)	521,387
Net unrealised gains on foreign bank balances	111,185	113,062
Net unrealised losses on foreign exchange instruments	-	(1,735,980)
Net unrealised losses	<u>(6,237,848)</u>	<u>(29,170,973)</u>
Net realised and unrealised losses	<u>(7,348,971)</u>	<u>(45,577,970)</u>

QUEEN'S WALK INVESTMENT LIMITED

Notes to the Condensed Consolidated Unaudited Financial Statements

5. Interest income and finance costs

The following table details interest income and finance costs from financial assets and liabilities during the period:

	Period ended 30 September 2009	Period ended 30 September 2008
	Euro	Euro
Interest income		
Investments designated at fair value through profit or loss upon initial recognition	8,266,047	11,991,115
Investments held for trading	-	61,001
Loans and receivables (including cash and cash equivalents)	5,874	619,036
Total interest income	<u>8,271,921</u>	<u>12,671,152</u>
Finance costs:		
<i>Liabilities held at amortised cost:</i>		
Interest on loan	359,576	1,177,268
Other	-	142,538
Total finance costs	<u>359,576</u>	<u>1,319,806</u>

6. Operating expenses

	Note	Period ended 30 September 2009	Period ended 30 September 2008
		Euro	Euro
Investment management, custodian and administration fees			
Investment management and incentive fee	18	891,730	1,586,539
Administration fee	18	98,302	139,860
Custodian fee	18	18,120	27,463
		<u>1,008,152</u>	<u>1,753,862</u>
Other operating expenses			
Audit fees		84,301	85,232
Directors' fees payable to Directors of Queen's Walk Investment Limited		119,013	120,000
Directors' fees payable to Directors of Trebuchet Finance Limited		12,397	12,500
Legal fees		347,122	506,731
Pricing expenses		114,575	116,979
Other expenses		266,041	49,173
		<u>943,449</u>	<u>890,615</u>
Total operating expenses		<u>1,951,601</u>	<u>2,644,477</u>

The Group has no employees.

QUEEN'S WALK INVESTMENT LIMITED

Notes to the Condensed Consolidated Unaudited Financial Statements

7. Dividends

The third interim dividend for the year ended 31 March 2009 of Euro 0.08 (2008: Euro 0.15) 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 (2008: Euro 0.15) 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 (2008: Euro 0.15) per share was declared on 15 September 2009 as a first interim dividend for the year ended 31 March 2010 and an amount of Euro 2,131,573 was paid to shareholders on 16 October 2009.

The Directors have declared a second interim dividend for the year ended 31 March 2010 of Euro 0.08 per share on 25 November 2009. The liability in respect of the second interim dividend has not been recognised in the Statement of Financial Position of the Group for the half year ended 30 September 2009 since this dividend had neither been declared nor approved at the Statement of Financial Position date.

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.

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 its Memorandum and Articles. The Board is satisfied that, in respect of the proposed dividend and the dividend paid in respect of the period ended 30 September 2009, the solvency test was satisfied.

8. Loss per share

	Period ended 30 September 2009 Euro	Period ended 30 September 2008 Euro
<i>The calculation of the basic and diluted earnings per share is based on the following data:</i>		
Loss for the purposes of basic earnings per Ordinary Share being net loss attributable to equity holders	(1,388,227)	(36,871,101)
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	26,644,657	29,551,491
<i>Effect of dilutive potential Ordinary Shares:</i>		
Share options	-	-
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	26,644,657	29,551,491

There is no dilution as at 30 September 2009 or 30 September 2008, as the share price was below the option price for the period.

QUEEN'S WALK INVESTMENT LIMITED

Notes to the Condensed Consolidated Unaudited Financial Statements

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 Company 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 September 2009	31 March 2009
	Euro	Euro
Asset-backed securities and bonds at fair value through profit or loss	103,272,053	108,331,353
Options purchased held for trading	2,973,630	6,010,690
Options written held for trading	(95,210)	(152,480)
	<u>106,150,473</u>	<u>114,189,563</u>
Asset-backed securities and bonds		
Opening cost	250,110,675	326,365,867
Purchases	3,975,513	7,433,191
Realised Loss	(181,039)	(60,706,822)
Principal payups	2,975,991	6,106,944
Principal paydowns	(7,825,442)	(29,088,505)
Closing cost	<u>249,055,698</u>	<u>250,110,675</u>
Unrealised losses	(145,783,645)	(141,779,322)
Asset-backed securities at fair value	<u>103,272,053</u>	<u>108,331,353</u>

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 37.62% (31 March 2009: 39.13%) of the total assets. The concentration of credit risk is substantially unchanged compared to the prior quarter. Two of the structures, comprising approximately 21% (31 March 2009: 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.

During the year ended 31 March 2009 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.

QUEEN'S WALK INVESTMENT LIMITED

Notes to the Condensed Consolidated Unaudited Financial Statements

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 30 September 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	1,574,020
Goldman Sachs	29 Dec 2010	EUR Call GBP Put	Euro	10,000,000	0.9315	(582,390)
Goldman Sachs	29 Dec 2010	EUR Call GBP Put (Written option)	Euro	10,000,000	1.300	74,790
						1,066,420

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 period ended 30 September 2009.

11. Other assets

	30 September 2009	31 March 2009
	Euro	Euro
Interest receivable on investment portfolio	1,216,167	1,306,136
Lehman Claim	268,915	268,876
Interest receivable on cash and cash equivalents	129,707	88,484
	1,614,789	1,663,496

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

QUEEN'S WALK INVESTMENT LIMITED

Notes to the Condensed Consolidated Unaudited Financial Statements

12. Derivative contracts

The following interest rate and balanced guaranteed interest rate swaps were unsettled at 30 September 2009:

Termination Date	Counterparty	Initial Notional Amount (GBP)	Unrealised Gain Euro
25 January, 2013	Goldman Sachs	451,431	17,102
15 October, 2011	Goldman Sachs	5,500,000	153,611
15 November, 2011	Goldman Sachs	1,300,000	34,434
30 October, 2010	Goldman Sachs	416,768	2,454
25 January , 2013	Goldman Sachs	1,226,713	39,111
15 October, 2011	Goldman Sachs	3,000,000	69,046
12 September, 2011	Goldman Sachs	1,700,000	36,086
15 November, 2011	Goldman Sachs	1,100,000	22,292
27 March, 2011	Goldman Sachs	17,348,100	868,631
15 January, 2011	Goldman Sachs	11,150,877	487,899
15 February, 2011	Goldman Sachs	28,963,861	1,438,591
			<u>3,169,257</u>

The following interest rate and balanced guaranteed interest rate swaps were unsettled at 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
			<u>3,512,780</u>

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 Group 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.

QUEEN'S WALK INVESTMENT LIMITED

Notes to the Condensed Consolidated Unaudited Financial Statements

13. Loans

	30 September 2009	31 March 2009
	Euro	Euro
Loans	<u>22,027,322</u>	<u>29,506,039</u>
	22,027,322	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 is 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 the 30 September, the Company's Borrowing Base is approximately €49.6 million versus a loan balance of €22.0 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:

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 €1 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 €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 €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

QUEEN'S WALK INVESTMENT LIMITED

Notes to the Condensed Consolidated Unaudited Financial Statements

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. No such breaches occurred during the period or thereafter.

14. Other liabilities

	30 September 2009 Euro	31 March 2009 Euro
Interest payable	117,469	219,492
Due to related parties – Investment Manager (note 18)	143,741	156,935
Payable for investments purchased	734,336	-
Accrued expenses	664,172	427,807
	1,659,718	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 September 2009 Number of Ordinary Shares	30 September 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

	Number of Ordinary Shares	Euro	Number of Ordinary Shares	Euro
Balance at beginning of period / year	26,644,657	-	30,706,048	-
Ordinary Shares bought back during the period	-	-	(4,061,391)	-
Balance at end of period / year	26,644,657	-	26,644,657	-

Between 31 March 2009 and 30 September 2009, the Company purchased and cancelled nil (Period to 30 September 2008: 3,846,391) Ordinary Shares through its buyback programme and a tender offer at an average price of €nil (Period to 30 September 2008: €4.86) per Ordinary Share.

16. Reserves

	Accumulated Reserves Euro	30 September 2009 Capital Reserves Euro	Total Reserves Euro
Balance at start of period	97,912,591	7,672,500	105,585,091
Net loss for the period	(1,388,227)	-	(1,388,227)
Distribution to the Ordinary Shareholders of the Company	(4,263,146)	-	(4,263,146)
Balance at end of period	92,261,218	7,672,500	99,933,718

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16. Reserves (continued)

	Accumulated Reserves	31 March 2009 Capital Reserves	Total Reserves
	Euro	Euro	Euro
Balance at start of year	189,471,919	7,672,500	197,144,419
Buy back of Ordinary Shares*	(18,848,906)	-	(18,848,906)
Net loss for the year	(59,864,344)	-	(59,864,344)
Distribution to the Ordinary Shareholders of the Company	(12,846,078)	-	(12,846,078)
Balance at end of year	<u>97,912,591</u>	<u>7,672,500</u>	<u>105,585,091</u>

* 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.

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 Statement of Financial Position.

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17. Notes to cash flow statement

	Note	Period ended 30 September 2009	Period ended 30 September 2008
		Euro	Euro
Net loss		(1,388,227)	(36,871,101)
Adjustments for:			
Net realised losses on sale of asset backed securities	4	181,039	15,270,866
Net unrealised losses on investments at fair value through profit or loss	4	4,004,323	28,287,581
Unrealised losses/ (gains) on interest rate swap agreements	4	343,523	(218,139)
Unrealised gains on foreign bank balances	4	(111,185)	(113,062)
Unrealised losses on options	4	2,001,187	(521,387)
Unrealised losses on foreign exchange instruments	4	-	1,735,980
		<u>5,030,660</u>	<u>7,570,738</u>
Purchases of bonds	10	(3,975,513)	(4,587,375)
Sales proceeds from asset-backed securities	10	-	424
Purchase of options		978,603	-
Principal paydowns	10	7,825,442	14,095,241
Principal payups	10	(2,975,991)	(2,905,146)
		<u>1,852,541</u>	<u>6,603,144</u>
Decrease/(Increase) in receivables		48,707	(497,548)
Increase/(Decrease) in payables		855,484	(104,090)
		<u>904,191</u>	<u>(601,638)</u>
Net cash inflow from operating activities		<u>7,787,392</u>	<u>13,572,244</u>

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 Company pays the Investment Manager a Management Fee and Incentive Fee (see note 6). During the period ended 30 September 2009, the Management Fee totalled Euro 891,730 (period ended 30 September 2008: Euro 1,586,539) of which Euro 143,741 (31 March 2009: Euro 156,935) was outstanding at the period end, and the Incentive Fee totalled Euro Nil (2008: 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

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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.

18. Material agreements and related party transactions (continued)

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 (2008: Euro Nil) of which Euro Nil (period ended 30 September 2008: Euro Nil) was outstanding at the period end.

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.

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18. Material agreements and related party transactions (continued)

Investment Manager Options (continued)

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 September 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 Euro 5,947,520 of the loan and on 2 July 2009 the Company paid back a further Euro 1,531,197, leaving a loan amount outstanding at 30 September 2009 of Euro 22,027,322.

20. Subsequent Events

On 2 October 2009 the Company paid back a further Euro 3,726,757 of the loan, leaving a loan amount outstanding at 23 November 2009 of Euro 18,300,565.

There have been no events subsequent to 30 September 2009 which require adjustment of or disclosure in the quarterly report or notes thereto.

21. Foreign exchange Rates

The following foreign exchange rates relative to the Euro were used as at 30 September 2009:

British pound	0.91393
US Dollar	1.46170

The following foreign exchange rates relative to the Euro were used as at 30 September 2008:

British pound	0.78804
US Dollar	1.40465

22. Approval of the Financial Statements

The financial statements were approved by the Directors on 24 November 2009.